

VIJAY GROWTH FINANCIAL SERVICES LTD.

MD	✓			BKC	✓
CS	NA			DPY	NA
RO	✓			DIV	NA
TRA	NA			AC	✓
AGM	✓	✓		SEH	✓
YE	✓	✓	✓		✓



11th
ANNUAL REPORT 1997 - 98



VIJAY GROWTH FINANCIAL SERVICES LIMITED

**BOARD OF DIRECTORS**

D.B. Reddy
 Sarath Naru
 Pradeep V. Bhide
 M.S. Ramakrishna
 V. Kutumba Rao

Managing Director
 Director
 Director APIDC Nominee
 Director
 Director

REGISTERED OFFICE

302, Classic Court,
 Erramanzil Colony,
 Somajiguda,
 HYDERABAD - 500 082.

BANKERS

ICICI Banking Corporation Ltd.
 HDFC Bank Ltd.
 State Bank of India
 The Tamilnad Mercantile Bank Ltd.
 The Lakshmi Vilas Bank Ltd.

AUDITORS

M/s. A.M. Reddy & Co.
 Chartered Accountants
 HYDERABAD.



NOTICE

NOTICE is hereby given that the **Eleventh Annual General Meeting** of the Members of the Company will be held on Wednesday at 3.30 p.m, the 30th September, 1998 at "HOTEL GOLCONDA" Tanashahi Hall, Masab Tank, Hyderabad - 500 028 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 1998 and the Balance Sheet as on that date alongwith the Report of the Auditors and Directors.
2. To appoint a Director in place of Shri Sarath Naru who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri V. Kutumba Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

BY ORDER OF THE BOARD

Sd/-
D.B. REDDY
Managing Director

Place : Hyderabad
Date : 29.08.1998

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Note :

- a. Explanatory Statements pursuant to section 173 (2) of the Companies Act., 1956 is given in the Annexure which forms part of the Notice.
- b. A Member who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the said proxy need not be a member of the Company. However, notice of such appointment to be effective should be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed during the period 23.09.1998 to 30.09.1998 (both days inclusive).
- d. Members are requested to notify immediately any change in their address to the Company quoting their folio numbers.
- e. Members are advised to bring their copies of the Annual Report to the Meeting.

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DIRECTORS' REPORT

Ladies & Gentlemen,

Your Directors have pleasure in presenting their **Eleventh Annual Report** together with the audited accounts of the Company for the year ended on 31st March 1998.

Financial Highlights :

Following the merger of subsidiary Company, accounts thereof are consolidated and incorporated in the accounts of your Company for the year under review and as such the figures of the previous year of the Company are not comparable with that of the current year.

The performance of the Company during the Financial year 1997-98 has been summarised below:

	1997-98 (Rupees)	1996-97 (Rupees)
Net profit/(loss) before tax	(2,32,04,088)	(48,40,012)
Balance brought forward	(1,47,91,075)	43,34,369
	(3,79,95,163)	(5,05,643)
Provision for taxation	Nil	Nil
Proposed dividend	Nil	Nil
Balance in P & L Account	(3,79,95,163)	(5,05,643)

Review of Performance :

The Company incurred a net loss (cummulative) of Rs. 232.04 lakhs during the current financial year compared to net loss of Rs. 48.40 lakhs made for the year 1996-97 is largely on account of following factors.

- (i) The Company not recognised an amount of Rs. 68.44 lakhs income of non-performing assets as per the guidelines of RBI during the year 1997-98.
- (ii) Further the Company made a provision of Rs. 41.16 lakhs on doubtful assets/loss assets as per the prudential norms laid on by RBI.
- (iii) The above loss include an amount of Rs. 127.13 lakhs loss incurred in Amalgamating Company books.

Dividend :

In view of losses incurred by the Company, no dividend is recommended.

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**Merchant Banking :**

The capital market conditions remained sluggish during the last financial year also. The number of issues tapping the capital market also have come down drastically. During the last financial year the Company handled the public issue of M/s. Sigachi Laboratories Ltd. and generated an income of Rs. 1.13 lakhs.

Corporate Finance :

Considering the recent SEBI guidelines on Merchant Banking Companies, the Board of Directors of VGFSL have decided to discontinue all fund based activities and stop acceptance of public deposits. The Company took this decision in view of the ban imposed by the Securities Exchange Board of India on NBFCs, in terms of which, a merchant banker shall not carry on any business other than that of securities market and they have to choose and carry on the business of either fund based activities or fee based activities. Accordingly, the Company is now focusing on investment banking, securities trading, syndication of loans and project consultancy services etc.,

Fixed Deposits :

In view of discontinuation of all fund based activities, the Company stopped acceptance of public deposits. During the last financial year the Company has repaid most of the domestic deposits and only an amount of Rs. 6.60 lakhs is outstanding from local public. These deposits also will be repaid as on due date. An amount of Rs. 4.62 lakhs which matured during the last financial year were not claimed by the depositors as on 31st March, 1998.

Prudential Norms :

In view of discontinuation of fund based activities and non acceptance of public deposits, the Company has made a request to Reserve Bank of India to exempt the Company from the purview of RBI. The request is currently under consideration of RBI. However, the Company has taken steps to strictly adhere all prudential norms laid on by Reserve Bank of India on accounting standards, income recognition, asset classification, provision for bad and doubtful debts, capital adequacy and concentration of credit and investments. Accordingly, an income from non performing assets amounting to Rs. 68.44 lakhs is not considered in the books of account. Besides a general provision of Rs. 41.16 lakhs had also been made for doubtful/loss assets as stipulated under these guidelines.

Merger

In terms of the scheme of Amalgamation approved by the Shareholders and subsequently by the Honourable High Court of Andhra Pradesh, the entire undertakings, assets and liabilities of the transferor Company V.G. Securities Ltd. have been transferred to M/s. Vijay Growth Financial Services Ltd.

The merger eliminates duplication of activities as well as advantages in the form of synergy of operations, better controls, cost reduction etc.

Future Prospects :

The NBFC sector continues to be at cross roads since last two financial years. Downturn in industrial investment, sluggish capital markets, rising cost, delinquencies particularly among the corporate sector needing higher provisioning had an adverse impact on the performance of the finance companies. Above all, the liquidity crunch in the money market has its own cascading

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effect. The Company has decided to focus in future more on fee based activities such as merchant banking, stock broking, investment banking, syndication of loans and project consultancy services etc., Even a modest recovery of capital market will provide the Company ample opportunities in the capital market segment.

Directors:

During the year Shri W.S. Tambe, Chairman and Dr. M.N. Bhat, Director resigned from the Board with effect from 26.09.97. The Board of Directors places on record its appreciation of the valuable services rendered by Shri W.S. Tambe and Dr. M.N. Bhat during their tenure. Shri Sarath Naru and Shri V. Kutumba Rao who retires by rotation and being eligible offer themselves for re-appointment.

Auditors:

M/s. A.M. Reddy & Co., Chartered Accountants, auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of Regarding Energy Conservation etc.

The information regarding energy conservation and technology absorption required to be disclosed under section 217 (1) (e) of the Companies Act, 1956 is not applicable.

Acknowledgements:

Your Directors place on record their appreciation of the valuable services rendered by and support extended to the Company by APIDC, ICICI Bank, State Bank of India and other banks, fellow merchant bankers, stock exchange authorities, registrars to the issues and other agencies.

Your Directors also place on record their appreciation to the valuable services rendered by the employees of the Company during the year.

BY ORDER OF THE BOARD

Place : Hyderabad
Date : 29.08.1998

Sd/-
D.B. REDDY
Managing Director