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| CS | <input checked="" type="checkbox"/> | | DPY | <input checked="" type="checkbox"/> |
| RO | <input checked="" type="checkbox"/> | | DIV | <input checked="" type="checkbox"/> |
| TRA | NA | | AC | <input checked="" type="checkbox"/> |
| AGM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | SHI | <input checked="" type="checkbox"/> |
| YE | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | |

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BOARD OF DIRECTORS,

Mr. BAHUBALI GUABCHAND, Executive Chairman
Mr. AJIT GULABCHAND
Dr. N. A. KALYANI
Mr. RAJAS R. DOSHI
Prof. GANGADHAR G. GADGIL
Mr. D. S. MEHTA
Mr. HARSHAVARDHAN B. DOSHI

PRESIDENT & CHIEF EXECUTIVE OFFICER,

PALLAVI JHA

COMPANY SECRETARY,

VIJAY MANDHAYAN

AUDITORS,

MESSRS K. S. AIYAR & CO., Chartered Accountants

SOLICITORS AND ADVOCATES,

MESSRS MULLA & MULLA & CRAIGIE BLUNT & CAROE
MESSRS DAPHTARY FERREIRA & DIWAN
MESSRS KANGA & CO
MESSRS WADIA GHANDY & CO

BANKERS,

STANDARD CHARTERED BANK
STATE BANK OF HYDERABAD
IDBI BANK LTD.
BANK OF INDIA
DENA BANK
THE BANK OF TOKYO LTD.
BANK OF MAHARASHTRA

REGISTERED OFFICE,

CONSTRUCTION HOUSE,
5, WALCHAND HIRACHAND MARG,
BOMBAY - 400 001.

ANNUAL GENERAL MEETING,

Wednesday, September 16, 1998 at 3.30 P.M.
at Walchand Hirachand Hall,
Indian Merchants' Chamber Building,
IMC Marg, Churchgate,
Bombay - 400 020

NOTICE

NOTICE IS HEREBY GIVEN that the SEVENTY - EIGHTH ANNUAL GENERAL MEETING of the Company will be held as scheduled below :

DAY WEDNESDAY
DATE SEPTEMBER 16, 1998.
TIME 3.30 P. M.
PLACE WALCHAND HIRACHAND HALL,
INDIAN MERCHANTS' CHAMBER BUILDING,
IMC MARG, CHURCHGATE,
BOMBAY - 400 020.

The Agenda for the Meeting will be as under :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1998, Profit and Loss Accounts for the year ended on that date and the Reports of the Auditors' and the Directors' thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Rajas R. Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Prof. Gangadhar G. Gadgil, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification (s), the following resolution, as an Ordinary Resolution :

“RESOLVED THAT pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be required, the sanction of the Company be and is hereby given to the Board of Directors (hereinafter referred to as the “ Board ”) of the Company to make an application to the Central Government for approval of investment proposed to be made in the shares and securities of **Walchand Securities Private Limited** for an amount not exceeding Rs. 20 lacs by way of subscription / acquisition of equity shares notwithstanding that such investment of the Company in other bodies corporate may be in excess of any or all the percentages as specified under

the provisions of sub-section (2) of the said Section 372 and other proviso thereto ”.

By Order of the Board,

Sd/-

VIJAY MANDHAYAN
COMPANY SECRETARY

Bombay
July 21, 1998

Registered Office :

Construction House,
5, Walchand Hirachand Marg,
Bombay - 400 001.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
 - (b) The Register of Members and Share Transfer Books of the Company will remain closed from September 01, 1998 to September 16, 1998 (both days inclusive).
 - (c) The dividend on Equity Shares, if sanctioned, will be paid on or before, October 28, 1998 to those members whose names appear in the Register of Members on Wednesday, September 16, 1998.
 - (d) In accordance with the Provisions of Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Bombay.
- The unclaimed dividend for the accounting year 1994-95 will be deposited by the Company with the Central Government on due date in October, 1998 Shareholders who have not encashed the Dividend warrants for the aforesaid year or for subsequent years are, therefore, requested to immediately forward the same to the Company for revalidation.
- (e) Shareholders desiring dividend to be paid to the banks or other mandates may register the mandates with the Company latest by August 31, 1998.
 - (f) Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.



EXPLANATORY STATEMENT

AS REQUIRED BY SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6 :

As per the bye-laws of Stock Exchanges and rules framed thereunder and particularly Rule 8 (1) (f) and 8 (3) (f) of the Securities Contract (Regulation) Rules, 1957, as amended from time to time, your Company can not be able to engage in fund based activities, if your Company wishes to possess the membership card of any recognised stock exchange in India.

You may be aware that your Company is already a member of the "Over the Counter Exchange of India" (OTCEI). Further your Company wishes to acquire the membership of the Pune Stock Exchange Limited.

In order to meet with the requirements of bye laws of the stock exchanges and the Rules framed under the Securities Contract (Regulation) Rules, 1957, a new Company had been incorporated namely "**Walchand Securities Private Limited**" (hereinafter called as the "said Company") with main objects - to carry on securities business and to hold memberships of recognised stock exchanges in India.

The OTCEI membership held by your Company is proposed to be transferred to the said Company and the Membership of the Pune Stock Exchange Ltd. is proposed to be acquired in the name of the said Company.

The initial paid up capital of the said Company is Rs. 1,300/- divided into 130 equity shares of Rs. 10/- each. Your Company has subscribed for 30 equity shares of Rs. 10/- each and now proposes to invest an amount not exceeding Rs. 20 lacs in the share capital of the said Company and the said Company will eventually become a 100% subsidiary company.

As per the first proviso to Section 372 (2) of the Companies Act, 1956, the Company is entitled to invest in the shares of any other body corporate upto 30% of its subscribed capital and its free reserves of the Company. The proposed investment of Rs. 20 lacs in the said Company may be in excess of the limits prescribed

under Section 372 of the Companies Act, 1956 and so requires consent of the members in General Meeting and approval of the Central Government under the provisions of Section 372 of the Companies Act, 1956.

Your Directors commend the resolution for approval of the members.

Mr. Bahubali Gulabchand, Executive Chairman holds 100 Equity Shares of Rs. 10/- each in the said Company. Mr. Bahubali Gulabchand is also Director of the said Company and hence may be deemed to be concerned or interested in this resolution. Mr. Ajit Gulabchand is related to Mr. Bahubali Gulabchand and may be deemed to be concerned or interested in the above resolution.

None of the other Directors is in any way interested or concerned in the Resolution.

By Order of the Board,

Sd/-

VIJAY MANDHAYAN
COMPANY SECRETARY

Bombay
July 21, 1998

Registered Office :
Construction House,
5, Walchand Hirachand Marg,
Bombay - 400 001.

DIRECTORS' REPORT

The Members of

WALCHAND CAPITAL LIMITED,

1. Your Directors are pleased to present to you the 78th Annual General Report together with the Audited Statement of Accounts for the financial year ended March 31, 1998.

FINANCIAL RESULTS :

| | (Rs. in Lacs) | |
|---|-----------------------|-----------------------|
| | 1997-98 | 1996-97 |
| Profit before interest, depreciation and taxation | 385.78 | 407.65 |
| Less : Interest | 11.40 | 1.69 |
| Depreciation | 29.56 | 25.00 |
| Provision for Taxation | 50.00 | 118.00 |
| | <u>90.96</u> | <u>144.69</u> |
| Net Profit | 294.82 | 262.96 |
| Add : Balance brought forward | 1386.19 | 1327.49 |
| Less : Transfer to Reserve Fund | 58.96 | 52.60 |
| TOTAL | <u>1622.05</u> | <u>1537.85</u> |
| Appropriations : | | |
| Proposed Dividend | 113.96 | 113.96 |
| Proposed Dividend Tax | 11.40 | 11.40 |
| General Reserves | 29.48 | 26.30 |
| Balance carried forward | 1467.21 | 1386.19 |
| TOTAL | <u>1622.05</u> | <u>1537.85</u> |

2. DIVIDEND :

Your Directors recommend the following dividend, which, if approved at the Annual General Meeting, will be paid out of the disposable profit.

| | (Rs. In lacs) | |
|--|---------------|---------|
| | 1997-98 | 1996-97 |
| | Rs. | Rs. |
| On 2,84,890 Shares @ Rs. 40 per share (free of tax in the hands of the shareholders) | 113.96 | 113.96 |
| [Previous year at Rs. 40/- per equity share] | | |

3. WORKING RESULTS :

During the year, the dividend income was down by 35.19% to Rs. 152.20 lacs as against last year's income

of Rs. 234.83 lacs due to a general slow down in the economic activities which impacted the bottomlines of many listed corporates.

The "other income" is down by 28.11% to Rs. 48.66 lacs as compared to last year income of Rs. 67.69 lacs.

In an era of declining interest rates, better treasury and fund management by your Company has resulted in substantially higher interest income of Rs. 333.21 lacs (gross) as compared to Rs. 253.60 lacs (gross) signaling an increase of 31.39%.

Your Company has also forayed in the business of short term and long term debt syndication. This activity has resulted in a nominal income of Rs 1.94 lacs within a very short period of time.

LEASING DIVISION

Your Company has now decided to focus its energies in the non fund based business activities and hence the income from the leasing and hire purchase activities has gone down by 75% to Rs. 3.53 lacs from Rs. 14.08 lacs.

INVESTMENTS

Against the backdrop of tight liquidity conditions in the previous year characterised by contraction in money supply for a variety of factors, the liquidity condition during the year eased considerably as a result of monetary and credit policy initiatives taken by the Government of India and Reserve Bank of India. These measures resulted in increase in lendable resources and the year witnessed an all round reduction in the lending rates. However, the credit offtake remained subdued mainly on account of the sluggish investment climate and inability of the corporates to raise equity capital envisaged for financing investments from the capital market. Your Company has continued to remain an active lender in the short term debt market and has been successful in structuring its portfolio by deploying funds to other corporates with an excellent track record. As a rule the Company enters into transactions only with borrowers of acceptable credit quality. The credit quality of the borrower is evaluated by considering the financial position, its relative competitive position within the industry, payment record to lenders and the quality of its management.

Towards the end of the financial year, the decline in interest rates prompted most corporates to access funds through the ICD market. 90 day deposits were placed at rates ranging from 12.50% to 13.50%. This was about 50-150 basis points lower than the rates in February. The market for short term funds was not very active as there were not many takers.



Interest rates are expected to firm upwards due to tight liquidity conditions on account of commercial sanctions imposed against India and reduced foreign capital inflows.

During the year under Report your Company has increased its investment in the shares and debentures of various companies to the tune of Rs. 830.39 lacs as compared to Rs. 809.61 lacs last year.

The Book Value of the Company's quoted investments was Rs. 408.28 lacs as compared to the last year figures of Rs. 330.16 lacs. The Market Value of the investments is Rs. 2649.37 lacs.

4. FUTURE PLANS :

Your Company has now revisited its business strategy in light of the shackles on the NBFC industry and realigned itself to meeting the challenges of the vastly changed scenario in the financial services industry. Your Company is now in the process of establishing itself as a full fledged investment banker and proposes to offer services ranging from risk assessment, corporate restructuring, advise on mergers, acquisitions and privatisation. Advise on corporate treasury management and investment strategy, working capital management and project finance will also be part of the overall package of investment banking services.

Your Company will now increasingly shift its focus from fund-based to fee-based activities.

Your Company has been granted registration as a Category I Merchant Banker, by the Securities and Exchange Board of India (SEBI) and shall soon commence operations in the above areas. On the auto finance front, although the overall quality of the portfolio remains good, the returns do not justify the investments. Although the shift to fee based business will have a long gestation period, given the state of the financial markets, the management of your Company has drawn a detailed plan to give a major thrust to these activities and is confident of emerging a leader in the industry within the years to come. For this your Company, has embarked on an exercise which will catapult the Company into a truly global financial services Company in the long term. Your Company has proactively initiated changes in response to the changing marketplace. All the actions of the Company will be guided by the cardinal principles of concentrating on performance parameters such as return on equity and return on assets.

5. SUBSIDIARY :

The Annual Accounts of Vikhroli Metal Fabricators Limited for the year ended March 31, 1998 is annexed to this report as required by the Companies Act, 1956.

6. FIXED DEPOSITS :

As at March 31, 1998, your Company has accepted fixed deposits amounting to Rs. 142.77 lacs. Fixed deposits from 47 depositors aggregating to Rs. 2,43,000/- (Rupees Two lacs forty three thousand only) remained unclaimed as at March 31, 1998. Subsequently some of these deposits have been repaid. ICRA has reaffirmed its credit rating for this scheme at "MA+", which indicates adequate safety for timely payment of interest and principal.

7. DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Rajas R. Doshi and Prof. Gangadhar G. Gadgil, Directors of the Company retires at the 78th Annual General Meeting by rotation and being eligible, offer themselves for re-appointment.

8. AUDITORS :

You are requested to appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, Messrs. K. S. Aiyar & Co. have given certificate to the effect that their appointment if made, will be in accordance with the limits specified under Section 224 (1 - B) of the Companies Act, 1956.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since your Company is an Investment Company, the provisions of Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

10. PARTICULARS OF EMPLOYEES

Statement giving particulars of employees as required under Section 217(2-A) of the Companies Act, 1956 is annexed hereto and forms part of this Report.

For and on behalf of the Board of Directors.

Sd/-

Bombay,
June 25, 1998.

BAHUBALI GULABCHAND
EXECUTIVE CHAIRMAN

Registered Office,
Construction House,
5, Walchand Hirachand Marg,
Bombay - 400 001.

Annexure to Directors' Report

Statement of particulars of employees pursuant to the provisions of Section 217 (2A)(B)(II) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 1998.

| Sr. No. | Name | Designation & nature of duties | Qualifications | Experience Yrs. | Date of Commencement of employment | Age Yrs. | Total remuneration Rs. | Details of previous employment | |
|---------|---------------------|--|----------------|-----------------|------------------------------------|----------|------------------------|---|-------------|
| | | | | | | | | Designation & employer | Period Yrs. |
| 1. | Bahubali Gulabchand | Executive Chairman-General Control of business and Affairs of the Company | M.A. LL.B. | 47 | 14.04.1994 | 74 | 14,52,252 | Chairman & Managing Director of The Indian Hume Pipe Co. Ltd. | 25 |
| 2. | Pallavi Jha | President & CEO -Day to day operations of the Company | M.B.A | 7 yrs. | 01.05.1996 | 33 | 15,61,572 | Executive Director Hindustan Construction Co. Ltd. | 3 |

Notes :

1. Total remuneration includes Salary, Commission, House Rent Allowance, LTA, Medical Benefits, Monetary Value of perquisites as per Income Tax Rules, Company's contribution to Provident Fund.
2. Mr. Bahubali Gulabchand is related to Mr. Ajit Gulabchand.
3. Ms. Pallavi Jha is related to Mr. Bahubali Gulabchand.
4. Amount paid to LIC under scheme is not included in the above remuneration.
5. Nature of employment of the Executive Chairman and the President & CEO is contractual.



AUDITORS' REPORT

To the Members of

WALCHAND CAPITAL LTD.

Report on the Accounts for the year ended 31st March, 1998 in compliance with Section 227(2) of the Companies Act, 1956.

We have examined the attached Balance Sheet and the Profit and Loss Account annexed thereto which are in agreement with the Company's books of account.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of provisions of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to the above :

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
- c) In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view of the state of the Company's affairs as at the close of the year and of the Profit for the year.

For **K.S. Aiyar & Co.**
Chartered Accountants

Bombay
June 25, 1998

MANIA. AIYAR
Partner

Annexure to the Auditors' Report

(Referred in paragraph 3 our Report of even date on the Accounts for the year ended 31st March, 1998 of Walchand Capital Ltd.)

In our opinion, and on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the normal course of the audit which were necessary to the best of our knowledge and belief we report that :

- i) The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets other than leased assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- ii) The Fixed Assets have not been revalued during the year.
- iii) The Company does not carry any stocks of materials or stores, so the question of physical verification by the management and valuation thereof does not arise.

iv) The Company has not taken any loans from companies, firms or other parties listed in the register maintained pursuant to provisions of Section 301 of the Companies Act, 1956. There are no loans taken from Companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.

v) The Company has not given any loans, secured or unsecured to companies, firms or other parties listed in the register maintained pursuant to provisions of Section 301 of the Companies Act, 1956. There are no loans given to Companies under the same management within the meaning of Section 370(1-B) of the Companies Act.

Interest free loan given to an employee, and the same is being recovered as per stipulations.

vi) There are adequate internal controls and procedures commensurate with the size of the Company and nature of its business for the purchase of plant and machinery, equipment and other assets. The Company does not have any sale of goods.

vii) There are no transactions of purchase of goods and materials and sale of goods, and materials made in pursuance of contracts of arrangements entered in the registers maintained under Section 301 and aggregating during the year to Rs.50,000 or more.

viii) The Company does not carry any stocks of stores, raw materials or finished goods and as such the question of determining unserviceable items does not arise.

ix) The Company has complied with the provision of Section 58(A) (2) (b) of the Companies Act, 1956 and the Non-Banking Financial Companies (Reserve Bank) Directions, 1977, in respect of the Deposits accepted from the public.

x) The Company does not have an internal audit system.

xi) The Company is regular in depositing Provident Fund dues with the appropriate authorities. We have been informed that the provisions of Employees' State Insurance Scheme are not applicable to the Company.

xii) No undisputed amounts payable in respect of Income Tax and Sales Tax were outstanding as at 31st March, 1998 for a period of more than six months from the date they became payable.

xiii) No personal expenses have been charged to revenue account.

xiv) The provision of the Sick Industrial Companies (Special Provisions) Act, 1985, are not applicable to the Company.

xv) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, therefore the question of maintenance of adequate documents and records by the Company does not arise.

For **K.S. Aiyar & Co.**
Chartered Accountants

Bombay,
June 25, 1998

MANIA. AIYAR
Partner

BALANCE SHEET AS AT MARCH 31, 1998

| | Schedule | Rupees in Lacs | Rupees in Lacs | As at 31.03.1997 Rupees in Lacs |
|--|----------|-------------------|-------------------|--|
| SOURCES OF FUNDS : | | | | |
| SHARE HOLDERS' FUNDS : | | | | |
| Share Capital | A | 284.89 | | 284.89 |
| Reserves & Surplus | B | 2456.93 | | 2287.47 |
| | | | 2741.82 | 2572.36 |
| LOAN FUNDS : | | | | |
| Unsecured Loans | C | | 142.77 | 12.76 |
| TOTAL | | | 2884.59 | 2585.12 |
| APPLICATION OF FUNDS : | | | | |
| FIXED ASSETS | | | | |
| Gross Block | D | 743.08 | | 713.72 |
| Less : Depreciation | | 439.12 | | 428.22 |
| NET BLOCK | | | 303.96 | 285.50 |
| INVESTMENTS | E | | 1403.97 | 1266.49 |
| NET CURRENT ASSETS : | | | | |
| A. CURRENT ASSETS, LOANS AND ADVANCES : | | | | |
| Interest accrued on Investment | | 49.70 | | 55.15 |
| Stock on Hire | | 34.61 | | 13.86 |
| Sundry Debtors | F | 53.26 | | 52.37 |
| Cash and Bank Balances | G | 294.74 | | 206.94 |
| Loans and Advances | H | 1896.50 | | 1836.24 |
| | | 2328.81 | | 2164.56 |
| B. CURRENT LIABILITIES AND PROVISIONS : | | | | |
| Current Liabilities | I | 139.59 | | 168.87 |
| Provisions | J | 1012.56 | | 962.56 |
| | | 1152.15 | | 1131.43 |
| NET CURRENT ASSETS (A-B) | | | 1176.66 | 1033.13 |
| TOTAL | | | 2884.59 | 2585.12 |
| NOTES FORMING PART OF ACCOUNTS | P | | | |

In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the values stated, if realised in the ordinary course of business. The provision for depreciation and for all known liabilities is adequate and not in excess of the amounts reasonably necessary. There are no contingent liabilities, to our knowledge, other than those stated in the Schedule "P"

As per our report attached

For **K.S.AIYAR & CO.**
Chartered Accountants

MANI A. AIYAR
Partner

Bombay, June 25, 1998

BAHUBALI GULABCHAND

AJIT GULABCHAND

RAJAS R. DOSHI

GANGADHAR G. GADGIL

D.S. MEHTA

HARSHAVARDHAN B. DOSHI

VIJAY MANDHAYAN

Executive Chairman

Directors

Company Secretary

Bombay, June 25, 1998