

80th
Annual
Report
1999-2000

WALCHAND
CAPITAL

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WALCHAND CAPITAL LIMITED

BOARD OF DIRECTORS

Ms. PALLAVI JHA - CHAIRPERSON & MANAGING DIRECTOR

Mrs. KAMALINI BAHUBALI

Mr. SANJAY JHA

Mr. M. N. BHAGWAT

Dr. S. C. JHA

COMPANY SECRETARY

VIJAY MANDHAYAN

AUDITORS

MESSRS K. S. AIYAR & CO., CHARTERED ACCOUNTANTS

SOLICITORS AND ADVOCATES

MESSRS KANGA & CO.

MESSRS WADIA GHANDY & CO.

BANKERS

STANDARD CHARTERED BANK

STATE BANK OF HYDERABAD

IDBI BANK LIMITED

BANK OF INDIA

DENA BANK

REGISTERED OFFICE

**1, CONSTRUCTION HOUSE,
WALCHAND HIRACHAND MARG,
BALLARD ESTATE,
BOMBAY - 400 001.**

ANNUAL GENERAL MEETING

**THURSDAY, SEPTEMBER 28, 2000 AT 10.30 A.M.
AT WALCHAND HIRACHAND HALL,
INDIAN MERCHANTS' CHAMBER BUILDING,
IMC MARG, CHURCHGATE,
BOMBAY - 400 020.**

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NOTICE

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

DAY THURSDAY
 DATE SEPTEMBER 28, 2000
 TIME 10.30 A. M.
 PLACE WALCHAND HIRACHAND HALL,
 INDIAN MERCHANTS' CHAMBER BUILDING,
 IMC MARG, CHURCHGATE,
 BOMBAY 400 020.

The Agenda for the Meeting will be as under :-

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2000, Profit and Loss Account for the year ended on that date and the Reports of the Auditors' and the Directors' thereon.
2. To confirm the payment of interim dividend as the final dividend for the financial year ended March 31, 2000.
3. To appoint a Director in place of Ms. Pallavi Jha, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mrs. Kamalini Bahubali, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to 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 Sections 198 read with 269, 309, 310, Schedule XIII, to the extent applicable and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and in partial modification of Special Resolution passed at the 79th Annual General Meeting, the Company hereby approves the enhancement in the salary, perquisites, allowances and commission payable to Ms. Pallavi Jha, Managing Director with effect from April 01, 2000 for the

remainder of the tenure upto July 25, 2004 as stated below :

I. *Salary* : Rs. 1,00,000/- per month.

II. *Perquisites* : In addition to the above, she shall be entitled to the following perquisites subject to a ceiling of Rs. 8,40,000/- per annum. Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows :

Category 'A'

i. Housing :

Housing I

The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to sixty percent of the salary, over and above ten percent payable by the Managing Director.

Housing II

In case the Company owns the accommodation, the Company shall deduct ten percent of the salary of the Managing Director.

Housing III

In case the Company provides no accommodation, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall be, however, subject to a ceiling of ten percent of the salary of the Managing Director.

ii. Furniture :

Company will provide furniture at residence (inclusive of Airconditioners), subject to maximum of Rs.1,00,000/-, once in three years.

iii. Medical reimbursement :

Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

iv. Leave travel :

For self and family, once in a year as per the Rules of the Company.

v. Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- per annum.

vi. Club fees :

Fees of two Clubs. This will not include admission and life membership fees.

vii. Credit Card Fees :

One Credit Card. This will not include admission and life membership fee.

viii. Leave :

As per the Rules of the Company.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rules, the perquisites shall be evaluated at actual cost.

Category 'B'

Contribution to the Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

a. Company's contribution toward Provident Fund and Superannuation Fund.

i. Provident Fund: 12% of the Salary.

ii. Superannuation Fund: As per the Rules of the Company, subject to a ceiling of 15% of the salary.

iii. Gratuity: As per the Rules of the Company but shall not exceed half month's salary for each completed year of service.

b. Encashment of leave at the end of tenure will not be included in the computation of the ceiling on Perquisites.

Category 'C'

i. Car :

Use of the Company's AC Car with a driver or alternatively the Company will maintain at its expense a car belonging to her and will also reimburse the salary of the driver as per the Rules of the Company and will not form part of the perquisites.

ii. Telephone :

Telephone(s) facility at residence, as per the Rules of the Company. Personal long distance calls will be borne by the Managing Director.

III. Commission :

Commission as may be decided by the Board of Directors, based on the net profits of the Company in a particular year, but shall be subject to the overall ceiling laid down under Section 198 and Section 309 and in any case shall not exceed a maximum of Annual Salary.

Minimum Remuneration

Notwithstanding anything hereinabove, where in any financial year during the currency of her tenure as the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as above, subject to the ceiling specified under Section II of Part II of the Schedule XIII to the Companies Act, 1956."

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**

"RESOLVED THAT pursuant to sub-section (1) of Section 163 of the Companies Act, 1956, the Register and Index of Members and Debenture-holders and copies of all Annual Returns prepared under section 159 of the Companies Act, 1956 together with copies of certificates and documents required to be annexed thereto under Section 161 of the Companies Act, 1956 shall be kept at the Office of the Registrar and Share Transfer Agent at M/s. Datacorp Management Services Private Limited, 202 - 204, Nirman Industrial Estate, Link Road, Malad (West), Bombay - 400 064, instead of at the Registered Office of the Company.

RESOLVED FURTHER THAT the Registers, Indexes, Returns, etc., as aforesaid be kept open for inspection at the Office of the Registrar and Transfer Agent between 11.00 A.M. to 1.00 P. M. on all working days of the Company except when the registers of members and the share transfer books are kept closed under the provisions of the Companies Act, 1956, listing agreement with the stock exchanges or other applicable provisions."

By Order of the Board,

Sd/-

Vijay Mandhayan
Company Secretary

July 26, 2000
Bombay

Registered Office

1, Construction House,
Walchand Hirachand Marg,
Ballard Estate,
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/HERSELF 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 Member and Share Transfer Books of the Company will remain closed from Tuesday, September 12, 2000 to Thursday, September 28, 2000 (both days inclusive).
- (c) In accordance with the provisions of Section 205 A of the Companies Act, 1956, the Company has from time to time transferred unclaimed dividends relating to the years upto 1994-95 and amount in aggregate of Rs. 1,79,793/- (One lac seventy nine thousand seven hundred ninety three only) on due date, to the General Revenue Account of the Central Government. Members who have a claim to any of the unclaimed dividends referred to above may claim the same from the Register of Companies, Maharashtra, Hakoba Mills Compound, 2nd Floor, Kalachowki, Bombay-400 033.
- (d) Shareholders desiring any future dividends to be paid to the banks or other mandates may register the mandates with the Company.
- (e) As per the provisions of Section 109 A and 109 B of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Shareholders, who are desirous to avail this facility may send their request for nomination in the prescribed Form No. 2B duly filled in and signed at the Registered Office of the Company or to the registrar and transfer agent's address.
- (f) Shares of the Company are listed at Bombay and Pune Stock Exchanges.
- (g) The Company has appointed M/s. Datacorp Management Services Private Limited as the new Registrar and Transfer Agent with effect from March 15, 2000. All the correspondence may please be communicated at the following address, giving your folio number(s) :
- M/s. Datacorp Management Services Private Limited
202 - 204, Nirman Industrial Estate,
Link Road, Malad (West), Bombay - 400 064.
Tel: 872 1770 / 4334. Fax : 872 7792.
- (h) 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**

Ms. Pallavi Jha was appointed by the Board of Directors of your Company in their meeting held on July 26, 1999 as an Additional Director, pursuant to Section 260 of the Companies Act, 1956 and was designated as the Executive Director for a period of five years. She was re-designated as the Managing Director at the Meeting of the Board of Directors held on November 19, 1999 on the same terms and conditions as on her prior appointment as the Executive Director on July 26, 1999. At the 79th Annual General Meeting held on December 28, 1999, Ms. Jha's remuneration and her tenure of appointment was confirmed by the shareholders.

Ms. Pallavi Jha, prior to joining your Company's Board, was the President & Chief Executive Officer of your Company since May 01, 1996 and was Manager as defined under Section 2(24) of the Companies Act, 1956.

Ms. Jha's remuneration from the President & CEO to the Executive Director on July 26, 1999 and further as the Managing Director from November 19, 1999 remained the same i.e. without any increase in the remuneration, except for the change in the designation as stated above.

The Board approved the increased in remuneration at its meeting held on April 27, 2000, from the basic salary of Rs. 50,000/- per month to Rs. 1,00,000/- per month and the perquisites from Rs. 4,20,000/- per annum to Rs. 8,40,000/- per annum and the amount linked to the base salary, with effect from April 01, 2000 for the remainder of the tenure upto July 25, 2004.

Your Directors recommend the resolution for your approval.

The Company has sent an abstract and Memorandum of concern or interest in compliance with the provisions of Section 302 of the Companies Act, 1956 to all the shareholders.

None of the Directors except Ms. Pallavi Jha, to the extent of the revision in terms of her remuneration and

Mrs. Kamalini Bahubali being the mother and Mr. Sanjay Jha, being the husband of Ms. Pallavi Jha is interested in this resolution.

Item No. 7

In accordance with the proviso to Section 163 (1) of the Companies Act, 1956, which entitles the companies to keep, instead of at the registered office, the Register and Index of Members & Debenture-holders and copies of all annual returns prepared under Section 159 of the Companies Act, 1956 together with annexure thereto at any other place within the city, town or village, provided a special resolution is passed in this regard by the shareholders of the Company at the general meeting.

Your Company proposes to keep such registers etc. at the office of the Registrar and Transfer Agent's office at M/s. Datacorp Management Services Private Limited, 202-204, Nirman Industrial Estate, Link Road, Malad (West), Mumbai-400 064, instead of at the Registered Office of the Company. This will facilitate the Company to service its shareholders in a better way.

Your Directors commend the resolution at Item no. 7 for your approval.

None of the Directors is deemed to be interested or concerned in this resolution.

By Order of the Board,

Sd/-

Vijay Mandhayan
Company Secretary

July 26, 2000
Bombay

Registered Office

1, Construction House,
Walchand Hirachand Marg,
Ballard Estate,
Bombay - 400 001.

DIRECTORS' REPORT

The Members of

WALCHAND CAPITAL LIMITED

Your Directors are pleased to present the 80th Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2000.

1. FINANCIAL RESULTS

| | (Rs. in Lacs) | |
|---------------------------------------------------------------------------------|----------------|----------------|
| | 1999-2000 | 1998-1999 |
| Profit before interest, depreciation and taxation | 323.27 | 295.50 |
| Less : Interest | 4.60 | 13.81 |
| Depreciation | 32.54 | 29.29 |
| Provision for Taxation | 55.00 | 25.00 |
| | <u>92.14</u> | <u>68.10</u> |
| Net Profit | 231.13 | 227.40 |
| Add : Balance brought forward | 1002.74 | 1467.21 |
| Less : Transferred to Reserve Fund | (46.23) | (45.50) |
| Less : Transferred to the transferee Companies under the Scheme of Arrangement. | Nil | (498.26) |
| Total | <u>1187.64</u> | <u>1150.85</u> |
| Appropriations | | |
| Dividend | 128.20 | 113.96 |
| Dividend Tax | 14.10 | 11.40 |
| General Reserves | 23.15 | 22.75 |
| Balance carried forward | 1022.19 | 1002.74 |
| Total | <u>1187.64</u> | <u>1150.85</u> |

2. ECONOMY

1999-2000 will be remembered in the world history as the year of transformation as knowledge and intellectual property got its true recognition for the first time on a much wider scale. Information Technology sector has emerged as one of the most dynamic and vibrant sectors and became the biggest threat to many brick-and-mortar companies. India and the Indians have established their leadership in this sector. Fortunately for Indian industry the recovery came at an opportune time, which resulted in a turnaround of the country's GDP growth, feel good factor and boom in the capital market.

The Government has accepted proactively and whole-heartedly the wider role of private sector by changing the socialistic outlook and has adopted the market oriented approach, joining hands with the private sector, giving them freedom and space to grow without interference both at macro and micro level. IT, Media and Telecom sectors have laid the foundation for breaking the shell and changing views of the policy makers that they can grow without any support from the government. This has translated into higher valuation on the bourses.

E-commerce has broken the territorial barriers and proved in a literal sense that the world is one global village. As per the estimates, trillions of dollars of

business will be transacted over the net in next five years through dotcom companies. This sector is a new sector and hence has witnessed the gold rush effect. The dotcom correction became imminent. The country's capital market unfortunately follows the happenings on NASDAQ and hence some of the best IT companies in India, with strong revenue models and sustained growth plans faced the onslaughts from the bears.

We also saw many business consolidations through mergers, demergers and takeovers. The companies with retail distribution network got better recognition. Your company will focus more on retail financial sector as we recognise that in the competitive environment the consumers are emerging as the king.

We expect that the faster we recognise our growth potential in the IT sector, the better will be for employment, growth potential, hedge against foreign exchange and economic sustainability.

We also expect that correction in the capital market is a temporary phase and given the strong fundamentals, political stability and the robust state of economy the country will emerge as a fundamentally sound and strong economy in the years to come.

3. PERFORMANCE

During the year the dividend income was down by 51% to Rs. 89.47 lacs as against the last year income of Rs. 181.68 lacs. Income from the interest earned was down by 46% during the current year to Rs. 114.13 lacs as against Rs. 212.49 lacs last year. Despite the above situation, your Company could maintain the net profit of Rs. 231.13 lacs as opposed to last year's net profit of Rs. 227.40 lacs, due to change in the business focus toward portfolio management including increased trading in high quality blue chip stocks, deployment in mutual funds and on account of the buoyancy in the capital market. Your Company has earned income from sale of investments during the period under review to Rs. 321.95 lacs as against Rs. 20.96 lacs last year. This has translated into over 14 times growth in the income from the sale of investments.

The current years results are not strictly comparable to the last years financial figures as the financials for the year under review shall be viewed and measured in the light of the re-structuring exercise carried out by transferring certain assets and obligations in favour of Hincan Holdings Private Limited, IHP Finvest Private Limited and Carina Finvest Private Limited as per the Scheme of Arrangement, with effect from the Appointed Date i.e. January 01, 1999, resulting in the potential loss of income from transfer of assets listed as per the scheme. The re-structuring has also resulted in reduction in the net worth to the tune of Rs. 498.26 lacs in the last year.

As stated in the last years Directors report, your Company has changed its business focus on potentially high growth avenues to enhance the shareholders value.

Your Company took the cautious view considering the high-risk involvement and hence stopped the business of bills discounting and reduced its exposure in the Inter Corporate Deposit (ICD) lending due to lack of quality borrowers and high default rate. Your Company has restricted the ICD's to corporates with an excellent track record and good credit rating.

Income from leasing and higher purchase activities remained at the same level as compared to that of last year. Your Company has ceased the leasing and hire purchase activities and realised its income only from the past commitments.

4. DIVIDEND

Your Company has paid the increased interim dividend of Rs. 45/- (Rupees forty five only) per equity share of Rs. 100/- each during the year under review as opposed to an interim dividend of Rs. 40/- (Rupees forty only) per equity share last year. Your Directors request you to approve the same at the Annual General Meeting and treat the interim dividend as the final dividend.

5. INVESTMENTS

During the year under report, the outstanding position in the investment of shares and debentures of various companies were to the tune of Rs. 1218.88 lacs as compared to the last year's investment of Rs. 777.26 lacs after providing for diminution in the value of investment. This translates into 56.8% growth in the investment exposure. Your Company will continue its focus on treasury operations.

The Book value of the quoted investments for the year under review was Rs. 995.43 lacs (last year Rs. 563.78 lacs) and its market valuations were Rs. 870.83 lacs (last year Rs. 496.18 lacs).

6. FUTURE PLANS

The Company has taken a strategic decision to focus its future business concentration in the area of financial services distribution, transaction and services over the Internet. Your Directors is of the view that the Internet is perhaps the most significant technological revolution after the PC, which alters completely the dynamics of managing and growing businesses. While the physical real world infrastructure would still be necessary, the world wide web will enable strong, young and innovative companies to convert their special skills to capture the fastest growing consumer market in the world.

Your Company is coming out, with an exciting comprehensive, transaction-driven personal financial portal, which will provide a wide range of services such as :

- a. Fixed income products
- b. Mutual Funds
- c. Stocks
- d. Credit / debit / charge cards
- e. Personal loans
- f. Consumer loans
- g. Auto loans
- h. Housing loans
- i. Insurance
- j. Tax planning and advisory
- k. NRI services.

The Company has an excellent technological team and have recruited additional management talent as well as editorial and research staff. Currently, the Indian Personal Finance portal market has only a handful of serious players and we believe that our past experience as well as our understanding of the Internet would give us a distinct advantage.

Following the successful conclusion of the restructuring, your Company is now progressively accelerating the tempo of growth through Internet venture in the Personal Finance portal area, which will be a milestone and significant step in our corporate history.

7. SUBSIDIARIES

The annual accounts of Vikhroli Metal Fabricators Limited and Walchand Securities Limited for the year ended March 31, 2000 are annexed to this report as required by the Companies Act, 1956. Subsequent to the financial year ended on March 31, 2000, your Company has acquired the controlling stake in Walchand.Com Private Limited.

8. FIXED DEPOSITS

As you may be aware that your Company has stopped accepting / renewing fixed deposits since February 1998. The Company after obtaining necessary approvals from the Reserve Bank of India had offered to repay the entire fixed deposits to all the deposit holders, who were holding the deposits on August 31, 1999, including the interest thereon.

As at March 31, 2000, the outstanding liability from 56 fixed depositors were Rs. 4.65 lacs. The outstanding liability includes matured and due amount of Rs. 1.73 lacs, which remained unclaimed by 31 depositors. Out of the said unclaimed amount, two unclaimed deposits of Rs. 11,000/- were paid after the closure of the financial year under review. ICRA Credit rating for this Scheme is "MA+", which indicates adequate safety for timely payment of interest and principal.

9. DEMATERIALISATION OF SHARES

As you are aware that the Depositories Act, 1996 has been enacted in order to facilitate trading in paperless environment. The SEBI has time and again notified majority of the scrips to be traded only in dematerialised form.

At the last Annual General Meeting of the Company, you have approved amendment in the Articles of Association of the Company by inserting Article 17-A, which inter-alia, authorises the Company to keep the holding of the shareholders in dematerialised and fungible form. However the options are available to the shareholders to keep the securities in the paper form. The Company is in the process of making an application to the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for facilitating the shareholders to keep the securities in dematerialised form and getting ready for compulsory trading in dematerialised form as may be directed by SEBI in the near future.

10. Y2K COMPLIANCES

Your Company achieved a smooth transition into new millennium without any Y2K related problems.

11. DIRECTORS

Ms. Pallavi Jha, Chairperson and Managing Director and Mrs. Kamalini Bahubali, Director of the Company retire at the ensuing Annual General Meeting by rotation and being eligible, offer themselves for re-election. Your Directors recommend for their re-appointments.

12. AUDITORS

You are requested to appoint Auditors for the current year and fix their remuneration. The retiring Auditors, Messrs K. S. Aiyar & Co., Chartered Accountants 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.

13. 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 with regard to conservation of energy and technology absorption. The total foreign exchange outgo was Rs. 0.08 lacs and there was no foreign exchange income during the year under review.

14. PARTICULARS OF EMPLOYEES

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

For and on behalf of the Board of Directors

July 26, 2000
Bombay

Sd/-
PALLAVI JHA
Chairperson &
Managing Director

Registered Office
1, Construction House,
Walchand Hirachand Marg,
Ballard Estate,
Bombay - 400 001

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, 2000.

| 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) |
| Pallavi Jha | Managing Director Incharge of the day-to-day operations | M.B.A. | 8 yrs. | 1.05.1996 | 35 yrs. | 11,01,848/- | Executive Director Hindustan Construction Co. Ltd. | 3 |

Notes : 1. Total remuneration includes salary, commission, house rent allowance, leave travel allowance, medical benefits, monetary value of perquisites as per Income Tax Rules and Company's contribution to provident fund.

2. Amount paid by LIC under the scheme is not included in the above remuneration.

3. Nature of employment of the Managing Director is contractual.