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## **Fourteenth Annual Report**

# **SUBUTHI FINANCE LIMITED**

**2004-2005**

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## **BOARD OF DIRECTORS**

|                             |                 |
|-----------------------------|-----------------|
| <b>SHRI. A. RAJASUKUMAR</b> | <b>DIRECTOR</b> |
| <b>SHRI.R. SATYENDRAN</b>   | <b>DIRECTOR</b> |
| <b>SHRI.P. K.RAGHUKUMAR</b> | <b>DIRECTOR</b> |

## **REGISTERED OFFICE**

2<sup>ND</sup> FLOOR, KAKANI TOWERS,  
# 15, KHADER NAWAZ KHAN ROAD, CHENNAI- 600 006.  
Ph:28331310, 28330867 Fax: 28330208  
Email: sflmds@md2.vsnl.net.in

### **AUDITORS**

M/s. S. Vasudevan & Associates  
A-9, Ashoka Gardens, Ashok Nagar,  
Chennai – 600 083.

### **LEGAL ADVISORS**

Mr. Sridhar, B.com., B.L.,  
New No.3, Old No2, I Main Road,  
Gandhi Nagar, Adyar,  
Chennai-600 020.

## **REGISTRARS & SHARE TRANSFER AGENTS**

### **CAMEO CORPORATE SERVICES LIMITED**

‘Subramanian Building’, V Floor, 1, Club House Road, Chennai- 600 002  
Tel: (044) 2846 0390 (5 Lines) Fax: (044) 2846 0129 Gra

### **BANKERS**

Andhra Bank  
Centurion Bank Limited  
ICICI Bank Ltd.  
Standard Chartered Bank Ltd.  
State Bank of Mysore

## **NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 14<sup>th</sup> Annual General Meeting of Company will be held at the registered office of the company at Kakani Towers, II Floor, No.15, Khader Nawaz Khan Road, Chennai-600 006 at 9.30 A.M. on Friday the 30<sup>th</sup> September 2005 to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider, approve and adopt the audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2004 and the Balance Sheet as on that date along with the Auditors' and Directors' Report thereon.
2. To appoint Sri. R. Satyendran who retires at the end of this meeting and being eligible offers himself for re-appointment.
3. To Appoint M/s S. Vasudevan & Associates, Chartered Accountants who retires at the end of this Annual General Meeting and are being eligible for re-appointment till the conclusion of the next Annual General Meeting, and to fix their remuneration as Auditors.

### **SPECIAL BUSINESS:**

4. To pass, with or without modification, the following resolution as ordinary resolution:

“RESOLVED that Mr. A. Rajasukumar who was appointed as Additional Director and who holds office upto the conclusion of this Annual General Meeting be and is hereby appointed as Director of the company”

Place: Chennai  
Date: 19.08.2005

**BY ORDER OF THE BOARD**  
**For SUBUTHI FINANCE LIMITED**

Sd/-  
**A. RAJASUKUMAR**  
**Chairman**

**Note:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and that the proxy need not be a member, The duly completed Proxy forms should be submitted at the registered office of the Company not less than 48 hrs before the commencement of the Meeting.
2. The Register of Members and Share Transfer Book will remain closed from 24<sup>th</sup> September 2005 to 30<sup>th</sup> September 2005 (both days inclusive)
3. Members seeking any information are requested to write to the company at least 10 days in advance so as to enable to Company to keep the information ready.
4. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

Mr. A. Rajasukumar was appointed as Additional director at the Board meeting held on 19<sup>th</sup> November 2004. He holds his office upto the conclusion of this Annual General Meeting. His appointment as director requires the approval of shareholders. Hence, the resolution.

None of the directors are interested or concerned in this resolution.

Place: Chennai  
Date: 19.08.2005

**BY ORDER OF THE BOARD**  
**For SUBUTHI FINANCE LIMITED**

Sd/-  
**A. RAJASUKUMAR**  
**Director**

## **DIRECTORS' REPORT**

Your Directors have great pleasure in presenting the 14<sup>th</sup> Annual Report of the Company along with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005

### **FINANCIAL PERFORMANCE**

(Rs. In millions)

| <b>PARTICULARS</b>                           | <b>2004-05</b> | <b>2003-04</b> |
|----------------------------------------------|----------------|----------------|
| Total Income                                 | 12.34          | 51.55          |
| Profit before Depreciation, Bad debt and Tax | 2.68           | 4.65           |
| Depreciation                                 | 1.47           | 3.66           |
| Tax Provision                                | 0.09           | -              |
| Profit after Tax                             | 1.12           | 0.98           |
| Amount available for appropriation           | 1.12           | 0.98           |
| Transfer to Statutory Reserve                | 0.22           | 0.20           |
| Transfer to Profit and Loss Account          | 0.90           | 0.78           |

### **DIVIDEND:**

Your Directors do not recommend any dividend in order to strengthen the net worth of the Company.

### **PERFORMANCE:**

To Comply with RBI directions the company closed its accounts for the full year ending March 2005. The Company has earned profit of Rs. 1.12 Million as against Rs.0.98 Million for the year ending March 2004.

### **FUTURE PROSPECTS:**

Your Company is confident of increasing the profits in the years to come which would in turn increase the returns to shareholders as the company has adopted various prudent credit management measures.

### **THE RBI NORMS AND ACCOUNTING STANDARDS:**

Your Company continues to comply with the directives issued as well as the norms prescribed by Reserve Bank of India for NBFCs.

## **INFORMATION AS PER SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956:**

The Company is a Non-Banking Finance Company and is not engaged in Manufacturing activity of any kind. The disclosure of information relating to conservation of energy and technology absorption are therefore not applicable to the company. There were no foreign exchange earnings or outgo for the Company during the year.

## **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

1. In the preparation of Annual Accounts for the year ended 31<sup>st</sup> March 2004, all the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March 2004 and of the Profit or Loss of the company for the year under review.
3. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The directors have prepared the Annual Accounts for the current financial year on a 'going concern' basis.

## **DIRECTORS**

To appoint Sri. R. Satyendran who retires at the end of this meeting and being eligible, offers himself for re-appointment. Mr. K. V. Balakrishnan resigned from directorship on 19<sup>th</sup> November 2004. Mr. A. Rajasukumar, who was appointed as additional director on 19<sup>th</sup> November 2004 and who holds office till the conclusion of this Annual General Meeting is appointed as Director of the company.

## **CORPORATE GOVERNANCE**

Your company attaches considerable importance to good Corporate Governance and is complying with the Code of Corporate Governance introduced by SEBI. A detailed report on Corporate Governance together with a certificate from the Statutory Auditors in compliance of Clause 49 of the Listing Agreement has been annexed as part of the Annual Report. Management Discussion and Analysis Report highlighting the performance of the company is attached forming part of the Directors' Report.

**PERSONNEL:**

There Company does not have any employees drawing salary in excess of the amount stipulated under Section 217 (2A) of the Companies Act, 1956.

**AUDITORS:**

M/s S. Vasudevan & Associates, Chartered Accountants, Chennai retires at the ensuring Annual General Meeting and are being eligible for re-appointment. Necessary resolutions are placed before the Shareholders for their approval.

**ACKNOWLEDGEMENT**

Your directors wish to place on record their sincere appreciation and gratitude to Andhra Bank, Centurion Bank Limited, ICICI Bank Limited, Standard Chartered Bank Limited, State Bank of Mysore and various Government agencies for their support, assistance and co-operation and look forward for their continued support.

**BY ORDER OF THE BOARD  
For SUBUTHI FINANCE LIMITED**

Sd/-  
**A. RAJASUKUMAR**  
Director

Sd/-  
**P. K. RAGHUKUMAR**  
Director

Place: Chennai  
Date: 19.08.2005

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

The year 2004-05 witnessed intense competition amongst all the business segments. The NBFC's in particular have had to improve business volumes to sustain margins. The severe competition from new generation banks continued to put pressure on NBFC's.

### Industry Developments

Last year, the industry witnessed the mergers of a few big NBFC's as well as some banks. This only goes to prove that size is increasingly becoming an important factor in the current scenario. The RBI has also in its credit policy statement made out in October 2004, suggested NBFC's to move out of deposits and advised NBFC's to move out of deposits and advised NBFC's to find alternative sources of funding for reducing regulatory costs.

### Financial Highlights

Rs. In Millions

| PARTICULARS                                  | 2004-05 | 2003-04 |
|----------------------------------------------|---------|---------|
| Total Income                                 | 12.34   | 51.55   |
| Profit before Depreciation, Bad debt and Tax | 2.68    | 4.65    |
| Depreciation                                 | 1.47    | 3.66    |
| Tax Provision                                | 0.09    | -       |
| Profit after Tax                             | 1.12    | 0.98    |
| Amount available for appropriation           | 1.12    | 0.98    |
| Transfer to Statutory Reserve                | 0.22    | 0.20    |
| Transfer to Profit and Loss Account          | 0.90    | 0.78    |



## AUDITORS REPORT

To

The Members of  
**SUBUTHI FINANCE LIMITED**

We have audited the attached Balance Sheet of **SUBUTHI FINANCE LIMITED**, as at 31<sup>st</sup> March, 2005 and the Profit and Loss Account of the Company for the same period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' report) Order 2003, issued by the Central Government of India in terms of Section 227 (IV) (a) of the Companies Act, 1956, we annex hereto a statement of the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the statement referred to in paragraph 1 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 such books.
  - c. The Company's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

- d. In our opinion the Profit & Loss Account and the Balance Sheet comply with the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us and subject to the point 15 (I) (5) (regarding non provision for changes in the value of investments) of the Notes the Accounts annexed hereto, the said accounts read with the notes thereon under Schedule give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principle generally accepted in India
- 1 In the case of the Balance Sheet, the state of affairs of the company as at 31<sup>st</sup> March, 2005 and
  - 2 In the case of the Profit and Loss Account, profit for the period ended on that date.

For S. VASUDEVAN & ASSOCIATES  
Chartered Accountants

CHENNAI  
19.08.2005

Sd/-  
S. Vasudevan  
Partner

## **Annexure**

### **RE: SUBUTHI FINANCE LIMITED**

Referred to Paragraph 2 of our report of even date

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.  
  
(b) All the Assets have been physically verified by the management during the year and the Company has regular programme of verification which, in our opinion, is reasonable having regard to the nature of the Company and its size. No material discrepancies were noticed.  
  
(c) During the year, the Company has not disposed off substantial portion of the fixed assets during the year affecting the concern.
2. As the Company is a Non Banking Finance Company, the procedure for the verification of inventory is not applicable.
3. According to Information and Explanation provided to us there are no loans and advances granted or taken from parties mentioned under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
5. (a) According to the information and explanations given to us, we are of the opinion, that the transactions need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered.  
  
(b) In our opinion and according to the information and explanation given to us and according to the contracts and arrangements entered in the register under section 301 of the Companies Act, 1956, the value of transactions exceeding Rs.5,00,000/- with those parties, are reasonable having regard to the prevailing market price.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under are applicable, and therefore paragraph 4(vi) of the Order is not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. As the Company is Non Banking Finance Company, it is not required to maintain Cost Audit Records under the Act.
9. In our opinion and according to the information and explanations given to us, the company does not have any undisputed statutory dues, as at 31st March, 2005 for a period of more than six months from the date they became payable to investor education protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues, if any, with the appropriate authorities except Income Tax where the Income Tax Assessing Authorities have passed orders disallowing depreciation claimed by the Company and have demanded Rs. 1,02,43,906/- by way of Income Tax for the block assessment period 1993 - 94 to 1996 - 97 on 29<sup>th</sup> October, 1997, and have also raised a Tax demand of Rs. 88,15,395/- by disallowing certain lease expenses and claim of depreciation for the assessment years 1996-97, 1997-98 and 1998-99.
10. The Company has neither accumulated losses nor incurred cash loss during the financial year covered under our audit and preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has no overdue of Installments payable to any financial Institutions.
12. In our opinion the company has maintained adequate records for loans granted on the basis of security by way of pledge of shares.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund, society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company has during the period covered under our audit, started dealing in or trading in shares, securities, debentures and other investments, by transferring some investments in shares of listed and unlisted Companies from "Investments" to "Stock of Shares". In our opinion the records maintained by the Company are adequate.
15. In our opinion, where the company has given any guarantees for loans taken by others from banks or financial institutions the terms and conditions are not prejudicial to the interest of the Company.
16. The Company has not taken term loans during the period covered under our audit and there is no term loan outstanding as on the date of audit.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no short-term funds were invested in long-term investment.
18. According to the information and explanations given to us, there is no allotment of share capital during the period under our audit.
19. According to the information and explanations given to us during the period covered under our audit, the company has not issued any debentures during the year and hence, the

provisions of clause no 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.

20. According to the information and explanations given to us, the company has not raised any money by way of public issue during the year and therefore paragraph 4 (xx) of the Order is not applicable to the company.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For S. VASUDEVAN & ASSOCIATES  
Chartered Accountants

CHENNAI  
19.08.2005

Sd/-  
S. Vasudevan  
Partner

| SUBUTHI FINANCE LIMITED                                                                                                                                                                                                                                                                                                                                                                                    |                 |                    |                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|--------------------|
| BALANCE SHEET AS AT 31ST MARCH 2005                                                                                                                                                                                                                                                                                                                                                                        |                 |                    |                    |
| PARTICULARS                                                                                                                                                                                                                                                                                                                                                                                                | SCHEDULE<br>No. | 2004-2005<br>Rs.   | 2003-2004<br>Rs.   |
| <b>Liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                         |                 |                    |                    |
| shareholders' Funds                                                                                                                                                                                                                                                                                                                                                                                        |                 |                    |                    |
| Share Capital                                                                                                                                                                                                                                                                                                                                                                                              | 1               | 48,145,750         | 48,145,750         |
| Reserves & Surplus                                                                                                                                                                                                                                                                                                                                                                                         | 2               | 119,111,901        | 117,987,904        |
| <b>Loan Funds</b>                                                                                                                                                                                                                                                                                                                                                                                          |                 |                    |                    |
| Secured Loans                                                                                                                                                                                                                                                                                                                                                                                              | 3               | 16,196,103         | 14,631,805         |
| Unsecured Loans                                                                                                                                                                                                                                                                                                                                                                                            | 4               | -                  | -                  |
|                                                                                                                                                                                                                                                                                                                                                                                                            |                 | <b>183,453,754</b> | <b>180,765,459</b> |
| <b>Assets</b>                                                                                                                                                                                                                                                                                                                                                                                              |                 |                    |                    |
| Fixed assets                                                                                                                                                                                                                                                                                                                                                                                               |                 |                    |                    |
| Gross Block                                                                                                                                                                                                                                                                                                                                                                                                | 5               | 48,288,013         | 48,288,013         |
| Less: Accumulated<br>Depreciation                                                                                                                                                                                                                                                                                                                                                                          |                 | 29,494,826         | 28,026,022         |
| Net Block                                                                                                                                                                                                                                                                                                                                                                                                  |                 | 18,793,187         | 20,261,991         |
| Investments                                                                                                                                                                                                                                                                                                                                                                                                | 6               | 55,231,085         | 58,781,085         |
| Current Assets, Loans<br>& Advances                                                                                                                                                                                                                                                                                                                                                                        |                 |                    |                    |
| A) Current Assets                                                                                                                                                                                                                                                                                                                                                                                          | 7               |                    |                    |
| Stock                                                                                                                                                                                                                                                                                                                                                                                                      |                 | 52,203,400         | 43,326,902         |
| Cash & bank balances                                                                                                                                                                                                                                                                                                                                                                                       |                 | 814,993            | 1,103,430          |
| Sundry Debtors                                                                                                                                                                                                                                                                                                                                                                                             |                 | 27,978,596         | 27,421,457         |
| B) Loans & Advances                                                                                                                                                                                                                                                                                                                                                                                        | 8               | 17,962,116         | 15,137,871         |
| Total ( A+B )                                                                                                                                                                                                                                                                                                                                                                                              |                 | 98,959,105         | 86,989,660         |
| Current Liabilities                                                                                                                                                                                                                                                                                                                                                                                        | 9               | 1,982,383          | 2,020,213          |
| Net Current Assets                                                                                                                                                                                                                                                                                                                                                                                         |                 | 96,976,722         | 84,969,447         |
| Miscellaneous Expenditure                                                                                                                                                                                                                                                                                                                                                                                  | 10              | 12,452,760         | 16,752,936         |
|                                                                                                                                                                                                                                                                                                                                                                                                            |                 | <b>183,453,754</b> | <b>180,765,459</b> |
| <div> <div> For and on behalf of<br/> <b>S. VASUDEVAN &amp; ASSOCIATES</b><br/> Chartered Accountants </div> <div> For and on behalf of the Board </div> </div> <div> <div> Sd/-<br/> <b>VASUDEVAN</b><br/> Partner </div> <div> Sd/-<br/> <b>A.RAJASUKUMAR</b><br/> Director </div> <div> Sd/-<br/> <b>P.K.RAGHUKUMAR</b><br/> Director </div> </div> <div> Place : Chennai<br/> Date : 19.08.2005 </div> |                 |                    |                    |

| SUBUTHI FINANCE LIMITED                                  |                      |                                |                      |
|----------------------------------------------------------|----------------------|--------------------------------|----------------------|
| Profit & Loss Account for the year ended 31st March 2005 |                      |                                |                      |
| PARTICULARS                                              | SCHEDULE             | 2004-2005                      | 2003-2004            |
|                                                          | No.                  | Rs.                            | Rs.                  |
| <b>Income</b>                                            |                      |                                |                      |
| Income from financial Operations                         | 11                   | 35,750.00                      | 18,476,020.00        |
| Other Income                                             | 12                   | 12,305,028.00                  | 33,043,234.00        |
|                                                          |                      | <u>12,340,778.00</u>           | <u>51,519,254.00</u> |
| <b>Expenditure</b>                                       |                      |                                |                      |
| Financial Expenses                                       | 13                   | 2,167,505.00                   | 41,300,612.00        |
| Establishment, Administrative & Other expenses           | 14                   | 7,492,236.03                   | 5,573,440.82         |
| Key man Insurance                                        |                      |                                | -                    |
|                                                          |                      | <u>9,659,741.03</u>            | <u>46,874,052.82</u> |
| Profit before Depreciation & Tax                         |                      | 2,681,036.97                   | 4,645,201.18         |
| Depreciation                                             |                      | 1,468,804.00                   | 3,664,385.00         |
| Profit before Tax                                        |                      | 1,212,232.97                   | 980,816.18           |
| Provision for Tax                                        |                      | 88,236.00                      | -                    |
| Amount available for appropriation                       |                      | 1,123,996.97                   | 980,816.18           |
| Amount transferred to Statutory Reserve                  |                      | 224,799.39                     | 196,163.24           |
| Amount transferred to P & L Account                      |                      | 899,197.58                     | 784,652.94           |
| For and on behalf of                                     |                      |                                |                      |
| <b>S. VASUDEVAN &amp; ASSOCIATES</b>                     |                      | For and on behalf of the Board |                      |
| Chartered Accountants                                    |                      |                                |                      |
| Sd/-                                                     | Sd/-                 | Sd/-                           |                      |
| <b>VASUDEVAN</b>                                         | <b>A.RAJASUKUMAR</b> | <b>P.K.RAGHUKUMAR</b>          |                      |
| Partner                                                  | Director             | Director                       |                      |
| Place : Chennai                                          |                      |                                |                      |
| Date : 19.08.2005                                        |                      |                                |                      |

| SUBUTHI FINANCE LIMITED                                          |             |             |            |             |
|------------------------------------------------------------------|-------------|-------------|------------|-------------|
| SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2005 |             |             |            |             |
|                                                                  | 31.03.2005  |             | 31.03.2004 |             |
| <b>1. CAPITAL</b>                                                |             |             |            |             |
| AUTHORISED<br>60,00,0000 EQUITY SHARES OF Rs.10/- EACH           | 60,000,000  | 60,000,000  | 60,000,000 | 60,000,000  |
| ISSUED, SUBSCRIBED:<br>50,00,000 EQUITY SHARES OF Rs.10/- EACH   | 50,000,000  |             | 50,000,000 |             |
| LESS: CALL IN ARREARS                                            | 1,854,250   | 48,145,750  | 1,854,250  | 48,145,750  |
| <b>2. RESERVES &amp; SURPLUS</b>                                 |             |             |            |             |
| GENERAL RESERVE<br>AS PER LAST BALANCE SHEET                     | 8,656,000   |             | 8,656,000  |             |
| STATUARY RESERVE                                                 | 5,245,952   |             | 5,021,153  |             |
| PROFIT & LOSS ACCOUNT                                            | 69,758,699  |             | 68,859,501 |             |
| SHARE PREMIUM A/C                                                | 35,451,250  |             | 35,451,250 |             |
|                                                                  | 119,111,901 | 119,111,901 |            | 117,987,904 |
| <b>3. SECURED LOANS</b>                                          |             |             |            |             |
| FROM SCHEDULED BANKS :                                           | 0           |             | 0          |             |
| FROM OTHERS                                                      | 16,196,103  | 16,196,103  | 14,631,805 | 14,631,805  |
| <b>4. UNSECURED LOANS</b>                                        | 0           |             | 0          |             |
| <b>6. INVESTMENTS</b>                                            | 55,231,085  | 55,231,085  | 58,781,085 | 58,781,085  |
| <b>7. CURRENT ASSETS</b>                                         |             |             |            |             |
| <b>A) STOCK-ON-HIRE<br/>&amp; BILL PURCHASE</b>                  |             |             |            |             |
| STOCK-ON-HIRE                                                    | 2           |             | 1          |             |
| BILLS PURCHASED                                                  | 1           |             | 1          |             |
| STOCK ON SHARES                                                  | 0           | 3           | 0          | 2           |
| <b>B) CASH AND BANK BALANCES</b>                                 |             |             |            |             |
| CASH AT BANK                                                     | 0           |             | 390,240    |             |
| CASH ON HAND                                                     | 814,993     | 814,993     | 713,190    | 1,103,430   |
| <b>C) SUNDRY DEBTORS</b>                                         |             | 27,978,596  |            | 27,421,457  |



| 5. FIXED ASSETS      |                   |                 |            |                     |              |            |            |            |
|----------------------|-------------------|-----------------|------------|---------------------|--------------|------------|------------|------------|
| PARTICULARS          | GROSS BLOCK       |                 |            |                     | DEPRECIATION |            | NET BLOCK  |            |
|                      | As at<br>1.4.2004 | Additions       | Deductions | As at<br>31.03.2006 | Upto         | Upto       | As at      | As at      |
|                      |                   | During the year |            |                     | 31.3.2004    | 31.03.2005 | 31.03.2004 | 31.03.2005 |
| <b>LEASED ASSETS</b> |                   |                 |            |                     |              |            |            |            |
| Plant & Machinery    | 4724902           | 0               | 0          | 4724902             | 1820141      | 1820141    | 2904761    | 2904761    |
| office Equipments    | 250000            | 0               | 0          | 250000              | 250000       | 250000     | 0          | 0          |
| Vehicles             | 0                 | 0               | 0          | 0                   | 0            | 0          | 0          | 0          |
| A                    | 4974902           | 0               | 0          | 4974902             | 2070141      | 2070141    | 2904761    | 2904761    |
| <b>OWN ASSETS</b>    |                   |                 |            |                     |              |            |            |            |
| Plant & Machinery    | 22000000          | 0               | 0          | 22000000            | 7700000      | 8800000    | 14300000   | 13200000   |
| Office Equipments    | 1341429           | 0               | 0          | 1341429             | 1281646      | 1293830    | 59783      | 47599      |
| Portals              | 16000000          | 0               | 0          | 16000000            | 14689583     | 14689583   | 1310417    | 1310417    |
| Vehicles             | 3971682           | 0               | 0          | 3971682             | 2284652      | 2641272    | 1687030    | 1330410    |
| B                    | 43313111          | 0               | 0          | 43313111            | 25846061     | 27424686   | 17567230   | 16689428   |
| (A + B)              | 48288013          | 0               | 0          | 48288013            | 28846022     | 28494826   | 2904761    | 18755187   |

| SUBOTHI FINANCE LIMITED                       |               |                   |                   |
|-----------------------------------------------|---------------|-------------------|-------------------|
| SCHEDULE FORMING PART OF ACCOUNTS             |               |                   |                   |
| 6. INVESTMENTS                                | No. of Shares | Rs.<br>31.03.2004 | Rs.<br>31.03.2005 |
| 1. In Government / Trust Securities - At Cost |               |                   |                   |
| Unit Trust of India ( 1000 unit @ Rs. 10 )    | 1,000         | 10000             | 10000             |
| 2. In Shares @ Cost - Fully Paid              |               |                   |                   |
| <b>Listed Shares</b>                          |               |                   |                   |
| Agritech Hateries Ltd.                        | 1,500,000     | 0                 | 0                 |
| Amruta Inns Ltd.,                             | 1,900         | 39710             | 39710             |
| Andhra Bank                                   | 9,100         | 91000             | 91000             |
| Avikem Resins Ltd                             | 650           | 6500              | 6500              |
| ICICI Bank Ltd.,                              | 256           | 25211             | 25211             |
| Damania Airways                               | 10,000        | 100000            | 100000            |
| Hindustan Industrial Chemicals Ltd.,          | 2,700         | 45900             | 45900             |
| IDBI Ltd.,                                    | 4,960         | 403000            | 403000            |
| ITC Ltd.,                                     | 1,050         | 99264             | 99264             |
| NEPC India Ltd.,                              | 1,200         | 36000             | 36000             |
| Rayon Pen Co. Ltd.,                           | 5,000         | 87500             | 87500             |
| Reliance Industries Ltd.,                     | 200           | 82000             | 82000             |
| Telephoto Enterprises Ltd.,                   | 500           | 5000              | 5000              |
| <b>Unlisted Shares</b>                        |               |                   |                   |
| The Jain Sahakari Bank Ltd.,                  | 142,000       | 0                 | 3550000           |
| Indovind Energy Ltd. - Rps                    | 2             | 20000000          | 20000000          |
| Green Star Limited                            | 170,000       | 1700000           | 1700000           |
| 3. In Bonds / Mutual Funds - At Cost          |               |                   |                   |
| ICICI Units                                   | 2,000         | 20000             | 20000             |
| 4. Others                                     |               |                   |                   |
| LIC Policies - Paid up value                  |               | 32480000          | 32480000          |
|                                               |               | <b>55231085</b>   | <b>58761085</b>   |

| SUBOTHI FINANCE LIMITED                                          |            |            |            |
|------------------------------------------------------------------|------------|------------|------------|
| SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2005 |            |            |            |
|                                                                  | 31.03.2005 |            | 31.03.2004 |
| <b>8. LOANS AND ADVANCES</b>                                     |            |            |            |
| Loans Against Shares                                             | 18,005     |            | 590,004    |
| Loans Against Property                                           | 1,344,520  |            | 3,456,949  |
| Personal Loan                                                    | 7,388,507  |            | 5,335,007  |
| Npa Accounts                                                     | 856,263    |            | 856,263    |
| Travel Advance                                                   | 1,000      |            | 1,000      |
| Income Tax                                                       | 7,462,173  |            | 3,912,173  |
| Staff Loans                                                      | 25,000     |            | 25,000     |
| ADVANCES/DEPOSITS RECOVERABLE<br>IN CASH OR KIND                 | 866,648    | 17,962,116 | 961,475    |
|                                                                  |            |            | 15,137,871 |
| <b>9. CURRENT LIABILITIES :</b>                                  |            |            |            |
| Creditors For Expenses                                           | 392,197    |            | 395,467    |
| Creditors For Others                                             | 1,179,838  |            | 1,492,766  |
| Creditors For Assets                                             | 410,348    | 1,982,383  | 131,980    |
|                                                                  |            |            | 2,020,213  |
| <b>10. MISCELLANEOUS EXPENDITURE</b>                             |            |            |            |
| PUBLIC ISSUE EXP                                                 | 4,096,003  |            | 5,073,003  |
| BAD DEBTS                                                        | 8,356,757  | 12,452,760 | 11,679,933 |
|                                                                  |            |            | 16,752,936 |

**SCHEDULES FORMING PART OF ACCOUNTS**

**11. INCOME FROM FINANCING OPERATIONS**

|                      |           |        |            |            |
|----------------------|-----------|--------|------------|------------|
| HIRE PURCHASE INCOME | 0.00      |        | 16,372,363 |            |
| INVESTMENT INCOME    | 35,750.00 |        | 2,058,556  |            |
| INTEREST INCOME      | 0.00      | 35,750 | 45,101     | 18,476,020 |

**12. OTHER INCOME**

|                                                 |              |            |               |            |
|-------------------------------------------------|--------------|------------|---------------|------------|
| OTHER INCOME                                    | -            |            | 7,000         |            |
| INCOME FROM SALE OF POWER                       | 1,540,028.00 |            | 6,015,548     |            |
| INSURANCE BONUS                                 | 0.00         |            | 2,625,000     |            |
| LONG TERM GAIN ON CONVERSION OF INVESTMENTS INT | -            |            | 145,900.00    |            |
| PROFIT ON VALUATION OF CLOSING STOCK OF SHARES  | 8,876,500.00 |            | 4,200,000.00  |            |
| SALE OF SHARES                                  | 1,823,500.00 |            | 20,000,000.00 |            |
| PROFIT ON SALE OF ASSETS                        | 65,000.00    |            |               |            |
| FACTORING/PROJECT INCOME                        | 0.00         | 12,305,028 | 49,786        | 33,043,234 |

**13. FINANCIAL EXPENSES**

|                              |              |           |               |            |
|------------------------------|--------------|-----------|---------------|------------|
| INTEREST - ON LOANS          | 2,167,505.00 |           | 1,686,144     |            |
| LEASE RENTALS                | 0.00         |           | 0             |            |
| OTHER FINANCIAL CHARGES      |              |           |               |            |
| hire purchase exp            | 0.00         |           | 16,372,363    |            |
| LOSS ON SALE OF FIXED ASSETS | -            | 2,167,505 | 23,242,105.00 | 41,300,612 |

**14. ESTABLISHMENT, ADMIN & OTHER EXPENSES**

|                                 |              |           |              |           |
|---------------------------------|--------------|-----------|--------------|-----------|
| RENT                            |              |           | -            |           |
| ADVERTISEMENT                   | 54,995.00    |           | 52,601.00    |           |
| TRAVELLING EXPENSES             | 15,935.00    |           | 1,913.00     |           |
| BANK CHARGES                    | 2,587.69     |           | 8,513.75     |           |
| INSURANCE                       | 11,555.00    |           | 202,701.00   |           |
| MISCELLANEOUS                   | 66,041.00    |           | 57,542.40    |           |
| CONVEYANCE                      | 110.00       |           | 586.00       |           |
| POSTAGE                         | 0.00         |           | 364.00       |           |
| REPAIRS & MAINTENANCE           | 500.00       |           | 1,268,281.00 |           |
| SALARIES                        | 0.00         |           | 360,975.00   |           |
| STAFF WELFARE                   | 162.50       |           | 1,226.00     |           |
| FEES, RATES & TAXES             | 564,872.00   |           | 534,604.00   |           |
| PRINTING, STATIONERY & SOFTWARE | 3,960.00     |           | 7,694.00     |           |
| VEHICLE MAINTANANCE             | 14,944.50    |           | 88,360.00    |           |
| MISC. EXP WRITTEN OFF           | 977,000.00   |           | 977,000.00   |           |
| BAD DEBTS WRITTEN OFF           | 5,779,573.34 | 7,492,236 | 2,011,079.67 | 5,573,441 |

15    I        **Significant Accounting Policies**

1.        **Basis of Accounting**

The Financial Statements are prepared on Accrual Basis under the Historic Cost Convention.

2.        **Recognition of Income and Expenditure**

Revenues / Incomes and Costs / Expenditure are generally accounted on Accrual Basis as they are earned or incurred.

Finance Charges in respect of Hire-Purchase transactions are apportioned over the period of the contract on the basis of internal rate of return method.

Lease income is accounted as per the terms of lease agreement entered into with the lessees from time to time in respect of leases entered prior to 31st March 2001. No lease agreements have been entered since 1st April 2001.

3.        **Fixed Assets**

Fixed Assets are stated at cost, less accumulated depreciation.

4.        **Amortisation Policy**

a) Leased Assets - Depreciation on all leased assets are provided over the primary lease period.

b) Assets held for own use - Depreciation on Assets held for own use is provided under Straight Line Method, at the rates prescribed by Schedule XIV of the Companies (Amendment), Act 1988.

5.        **Investments**

Investments are stated at cost. Income from investments is included in the Profit and Loss Account. No Provision has been made for the increase or decrease in the actual value of the investments.

6.        **Borrowing Costs**

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognized as an expense in the period in which they are actually incurred.

7.        **Lease Rentals**

Lease Rentals are being accounted for on accrual basis.

8.        **Retirement Benefits**

The Company has not provided for any retirement benefits to the employees. No Provision has been made for any liability for gratuity payable to the employees.

## 15 II NOTES TO THE ACCOUNTS

### A. Balance Sheet

#### Current Assets, Loans and Advances

The Stock on Hire is after deduction of un-matured finance charges.

In the opinion of the Board, the current Assets, Loans and Advances have a value on the realisation in the ordinary course of business at least equal to the amount at which they are stated.

Current Assets include Stock of Shares, out of which shares held in Indowind Energy Limited has been attached by the Income Tax authorities.

### B. Profit & Loss Account.

4.a) "Administrative and other expenses" includes remuneration to Auditors towards:

|                 | 2003-04            | 2004-05 |
|-----------------|--------------------|---------|
|                 | (Rs. in thousands) |         |
| Statutory Audit | 25.00              | 25.00   |
| Tax Audit       | 10.00              | 10.00   |
| Certification   | 2.00               | 2.00    |

d) "Bad Debts Written Off" during the year

The Company has, during the year, written off a net amounts of Rs. 60,25,672/- as Bad Debts to comply with the prudential norms of the Reserve Bank of India.

## 5 Contingent Liabilities:

### Income Tax Demand Rs. 1,90,59,301/-

*For the Block Assessment period 1993-94 to 1996-97, the Assessing Officer has passed orders disallowing the Depreciation claimed by the Company and has demanded tax of Rs.1,02,43,906/- The Company has appealed before the Hon'ble high Court of Chennai. For the assessment year 1996-97, 1997-98 and 1998-99, the Income tax authorities have raised a tax demand of Rs. 88,15,395/- disallowing certain lease expenses and claim of depreciation for the years. The Company has appealed to the Commissioner and Appellate tribunal against the orders.*

### Corporate Guarantee

The Company has extended corporate guarantee in respect of the credit facilities of Rs 3,50,00,000/- provided to M/s Money Shoppe Network Limited by Ing - Vysya Bank Limited.

Two windmills owned by the Company with SC Nos: 195 & 199, have been given as security to ING Vysya Bank Limited in respect of credit facilities availed by M/s. Money Shoppe Network Limited from the said bank.

- 6 Information with regard to other matters specified in Part II of schedule VI of the companies Act, 1956, are either NIL, or not applicable to the company for the period under audit.
- 7 Expenditure in Foreign currency - Nil
- 8 Earnings in Foreign Currency - Nil
- 9 Previous year's figures have been regrouped wherever found necessary.

As per our report of even date  
for and on behalf of  
S. Vasudevan & Associates  
Chartered Accountants

For and on behalf of  
Board of Directors

Sd/-  
S. Vasudevan  
Partner

Sd/-  
P.K.Raghu Kumar  
Director

Sd/-  
A. Raja Sukumar  
Director

Place : Chennai  
Date : 19/08/2005

# CASH FLOW STATEMENT

## A. CASH FLOW FROM OPERATING ACTIVITIES

|                                                        | 2004-2005   |              | 2003-2004    |               |
|--------------------------------------------------------|-------------|--------------|--------------|---------------|
| Profit Before Tax                                      | 1,212,233   |              | 980,816      |               |
| Add: Financial Expenses                                | 2,167,505   | 3,379,738    | 18,058,507   | 19,039,323    |
| Depreciation                                           |             | 1,488,804    |              | 3,664,385     |
| Interest / Dividend received                           |             | (35,750)     |              | (4,728,657)   |
| Other Income                                           |             | (12,305,028) |              | (30,418,234)  |
|                                                        |             | (7,492,236)  |              | (12,443,183)  |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES        |             |              |              |               |
| (Increase) Decrease in net stock on hire               | (1)         |              | 1,838,281    |               |
| (Increase) Decrease in leased assets -                 |             |              |              |               |
| (Increase) Decrease in stock of Shares                 | (8,876,498) |              | (43,326,900) |               |
| (Increase) Decrease in Bills Purchased                 |             |              | 318,288.00   |               |
| (Increase) Decrease in loans and advances              | (3,381,384) |              | (13,794,857) |               |
| Increase (Decrease) in current liabilities             | (126,066)   |              | (15,687,475) |               |
| Cash generated from operations                         |             | (12,383,949) |              | (70,652,663)  |
| Financial expenses                                     | (2,167,505) |              | (18,058,507) |               |
|                                                        |             | (2,167,505)  |              | (18,058,507)  |
| NET CASH FROM OPERATING ACTIVITIES (A)                 |             | (22,043,690) |              | (101,154,353) |
| B. CASH FLOW FROM INVESTING ACTIVITIES                 |             |              |              |               |
| Sale / (Purchase) of fixed assets                      | -           |              | 37,214,259   |               |
| Sales / (Purchase) of investments                      | 3,550,000   |              | 27,556,000   |               |
| Interest received                                      | -           |              | 45,101       |               |
| Dividend Income                                        | 35,750      |              | 2,058,556    |               |
| Investment Income                                      | -           |              | 2,625,000    |               |
| Other Income                                           | 12,305,028  |              | 30,418,234   |               |
|                                                        |             | 15,890,778   |              | 99,917,150    |
| NET CASH FROM INVESTING ACTIVITIES (B)                 |             | 15,890,778   |              | 99,917,150    |
| C. CASH FLOW FROM FINANCING ACTIVITIES:                |             |              |              |               |
| Decrease / (Increase) in Mis. expd                     | 4,300,176   |              | 977,000      |               |
| Increase / (Decrease) in long term borrowings          | 1,584,298   |              | 1,062,128    |               |
| Increase in Reserves                                   | -           |              | -            |               |
| Increase (Decrease) in unsecured loans                 | -           |              | -            |               |
| Dividends paid                                         | -           |              | -            |               |
|                                                        |             | 5,884,474    |              | 2,039,128     |
| NET CASH FROM FINANCING ACTIVITIES (C)                 |             | 5,884,474    |              | 2,039,128     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)  |             | (288,438)    |              | 801,925       |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR |             | 1,103,431    |              | 301,506       |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR       |             | 814,993      |              | 1,103,431     |

## AUDITORS CERTIFICATE

We have verified the above cash flow statement of Subuthi Finance Limited derived from the audited annual accounts for the years ended March 31, 2004 and March 31, 2005 and found the same to be drawn in accordance therewith and also with the requirement of clause 32 of the listing agreement with Madras Stock Exchange Limited.

For S.VASUDEVAN AND ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 19.08.2005

Sd/-  
S.Vasudevan  
Partner

## **REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreement)

### **Introduction**

The Company is complying with the mandatory requirements of the Code of Corporate Governance (Code) introduced by the Securities and Exchange Board of India (SEBI) and incorporated in Clause 49 of the Listing Agreement in all material aspects.

#### **A) Company's Philosophy on Corporate Governance**

The Company is committed to the highest standards of corporate governance in all its activities and business practices. The Company looks at Corporate Governance as a measure to ensure sustained better financial performance and to serve the shareholders by providing better service. The Company considers Corporate Governance in its widest sense. The Corporate Governance measures the delivery of Company's objects with a view to translate the ability, opportunity into reality and results. The Board ensures better implementation of the key elements in Corporate Governance like transparency, disclosure, internal controls etc. It takes feedback into account in its reviews of the principles of commitment and growth to ensure better improvement and growth.

The following is the report on the practices of the company on major aspects of corporate governance:

##### **a) Composition of the Board**

The Company has complied with the corporate governance norm in terms of constitution of the board, headed by its Chairperson, Sri. A. Rajasukumar. The Board comprises of 3 Directors. Details are given in Table 1.

##### **b) Number of Board Meetings.**

Subuthi Finance Limited held 7 Board Meetings during the year ended 31<sup>st</sup> March 2005. These were on 30<sup>th</sup> April 2004, 25<sup>th</sup> June 2004, 31<sup>st</sup> July 2004, 27<sup>th</sup> August 2004, 29<sup>th</sup> October 2004, 19<sup>th</sup> November 2004 and 31<sup>st</sup> January 2005.



c) **Directors' attendance record and directorship held**

See Table 1 for details

**Table 1: Details about Subuthi Finance Limited's Board of Directors**

| <b>Name</b>          | <b>Designation</b> | <b>Board Meetings held during the year</b> | <b>Board Meetings attended during the year</b> | <b>Whether attended last AGM</b> | <b>Other Directorships</b>                                                                               |
|----------------------|--------------------|--------------------------------------------|------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------|
| Sri. A. Raja Sukumar | Director           | 7                                          | 7                                              | Yes                              | <b>Director in:</b><br>1. M/s. Televista Digital Ltd.<br>2. M/s. ABC Insurance Services Ltd.             |
| Sri. R. Satyendran   | Director           | 7                                          | 7                                              | Yes                              | <b>Director in:</b><br>1. M/s. SGM Windfarms Pvt. Ltd                                                    |
| Sri.P. K. Raghukumar | Director           | 7                                          | 7                                              | Yes                              | <b>Director in:</b><br>1. M/s. Money Shoppe Network Limited<br>2. M/s. Radaan Mediaworks (India) Limited |

Independent Director means a Director who, apart from receiving a Director's remuneration does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgment of the Board may affect the independence of judgment of the Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

**Information supplied to the Board:**

Among others, this includes:

- a) Annual operating plans and budgets and any updates.
- b) Quarterly financial results of the company
- c) Minutes of meeting of Audit Committee and other committees of the board
- d) Materially important show cause, demand, prosecution and penalty notices
- e) Fatal or serious accidents or dangerous occurrences
- f) Any materially relevant default in financial obligations to and by the company.
- g) Any issue which involves possible public claims of substantial nature
- h) Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- i) Sale of material nature, of investments, assets, which is not in the normal course of business
- j) Any issue which involves possible public claims of substantial nature
- k) Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of M/s. Subuthi Finance Limited is routinely presented with information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

**f) Committees of the Board****Audit Committee**

A qualified and an independent Audit Committee of the Board of the company is functioning. It monitors and supervises the Management's financial reporting process with a view to ensure accurate and proper disclosure, transparency and quality of financial reporting. The committee reviews the financial and risk management policies and also the adequacy of internal control systems and holds discussions with Statutory Auditors and Internal Auditors. This is enhancing the credibility of the financial disclosures of the company and also provides transparency.

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising of three Directors, Mr. A. Rajasukumar, Mr. R. Satyendran and Mr. P. K. Raghukumar who are eminent professionals having knowledge in project finance, accounts and company law. The minutes of each Audit Committee meeting are placed before, and discussed in the full Board.

The Audit Committee met 4 times during the year ended 31<sup>st</sup> March 2005

**Table 4: Attendance record of Audit Committee members**

| <b>Name of Director</b> | <b>No: of Meetings</b> | <b>Meetings attended</b> |
|-------------------------|------------------------|--------------------------|
| Mr. A. Rajasukumar      | 4                      | 4                        |
| Mr. R. Satyendran       | 4                      | 4                        |
| Mr. P. K. Raghukumar    | 4                      | 4                        |

In addition to the areas, Subuthi's Audit Committee looks into controls and security of the Company's critical internal control and assurance audit reports of all major divisions and profit centers and deviations from the code of business principles, if any.

#### **Shareholders/Investors Grievances Committee**

The Shareholders/Investors Grievances Committee specifically looks into redressing of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This Committee comprises of Mr. P. K. Raghukumar and Mr. R. Satyendran. Since there was no shareholder or investor grievance, there was no meeting held during the year.

### **MANAGEMENT**

#### **Disclosures by management to the Board**

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and interested Directors neither participate in the discussion, nor do they vote on such matters.

### **SHAREHOLDERS**

#### **a) Disclosure regarding appointment or re-appointment of Directors**

According to the Articles of Association of Subuthi, not less than 1/3<sup>rd</sup> of the Directors who are liable to retire by rotation, shall retire from office. All the directors are eligible and are offering themselves for re-appointment as and when required.

During the year, Sri. R. Satyendran retires and being eligible, offers himself for re-appointment. Mr. A. Rajasukumar who was appointed as additional director on 19<sup>th</sup> November 2004 and who holds office upto the conclusion of this Annual General Meeting is appointed as Director.

**b) Communication to shareholders**

Subuthi Finance Limited has its own web - site and all vital information relating to the Company and its performance including quarterly results, official press releases and presentation to analysts are posted on the web - site.

**c) Remuneration Committee**

Subuthi's remuneration policy is based on three Principles: pay for responsibility, pay for performance and potential, and pay for growth. The Company's Remuneration Committee is vested with all the necessary powers and authority to deal with all elements of remuneration package of all directors. This includes details of fixed components and performance-linked incentives.

As for the Non-Managing Directors, their appointment is for the benefit of their professional expertise in their individual capacity as independent Business executives. Accordingly, the service contract, notice period and severance fees, if any of the company are not applicable to such Non-Managing directors.

As the performance of the company is not good, the increase in remuneration is not considered. Hence, no Remuneration Committee Meeting was held during the year.

**d) Investor grievances**

As mentioned earlier in this chapter, the company has constituted Shareholder/Investors' Grievances Committee for redressing shareholders' and investors' complaints. The status on complaints is reported to the Board of Directors as an agenda item.

**e) Share transfer**

The company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares in physical mode which are lodged for transfer at either with the company or with the Share Transfer Agent are processed and share certificates are returned within the time prescribed by the authorities. A summary of transfer / transmission etc. of the company so approved by the Chairman is placed at every board meeting.

The Company obtains from a Company Secretary in practice on half- yearly basis, a certificate of compliance with the share transfer formalities as required under clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

## **REGISTRAR AND TRANSFER AGENTS**

M/s Cameo Corporate Services Limited Registrar, who is registered with SEBI as a category II Registrar, have been appointed as the registrar and share transfer agent of the Company for both physical and electronic segment and have attended to share transfer formalities regularly.

### **f) General Body Meetings**

Details of last three annual general meetings are given in Table 7.

| Financial Year ended | Date       | Time     | Venue                                                           |
|----------------------|------------|----------|-----------------------------------------------------------------|
| 31.03.2002           | 30.09.2002 | 9.30 A.M | Kakani Towers, IInd floor, 15 Khader Nawaz Khan Road, Chennai-6 |
| 31.03.2003           | 30.09.2003 | 9.30 A.M | Kakani Towers, IInd floor, 15 Khader Nawaz Khan Road, Chennai-6 |
| 31.03.2004           | 30.09.2004 | 9.30A.M  | Kakani Towers, IInd floor, 15 Khader Nawaz Khan Road, Chennai-6 |

### **Disclosures:**

- a) **Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.**

There are no materially significant related party transactions made by the company with its Promoters, Directors or Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

- b) **Details of non-compliance by the company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

The Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently there were no strictures or penalties imposed by either SEBI or the stock exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

**c) Compliance by the Company**

The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital markets as and when applicable. The Stock Exchanges or SEBI or any other Statutory Authority has not imposed any penalty or stricture on the Company.

**GENERAL SHAREHOLDERS INFORMATION**

**AGM**

|                                           |                                                                                                                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date</b>                               | <b>30<sup>th</sup> September 2005</b>                                                                                                                                                                                                        |
| <b>Time</b>                               | <b>9.30 AM</b>                                                                                                                                                                                                                               |
| <b>Venue</b>                              | <b>Kakani Towers, II Floor, No.15, Khader Nawaz Khan Road, Chennai-600 006</b>                                                                                                                                                               |
| <b>Date of Book Closure</b>               | <b>24<sup>th</sup> September 2005 to 30<sup>th</sup> September 2005</b>                                                                                                                                                                      |
| <b>Listing on Stock Exchanges</b>         | <b>Madras Stock Exchange, Coimbatore Stock Exchange, The Bombay Stock Exchange</b>                                                                                                                                                           |
| <b>ISIN Number for NSDL &amp; CDSL</b>    | <b>INE075B01012</b>                                                                                                                                                                                                                          |
| <b>Registrar and Share Transfer Agent</b> | <b>M/s Cameo Corporate Services Limited,<br/>Subramanian Building<br/>No. 1, Club House Road,<br/>Chennai 600 002<br/>Ph: 044-28460390 fax: 044- 28460129<br/>E-mail: <a href="mailto:cameosys@satyam.net.in">cameosys@satyam.net.in</a></b> |

**Financial Calendar:****Adoption of the Quarterly Results for the quarter ending**

|                                       |                                      |
|---------------------------------------|--------------------------------------|
| <b>30<sup>th</sup> June 2004</b>      | <b>31<sup>st</sup> July, 2004</b>    |
| <b>30<sup>th</sup> September 2004</b> | <b>29<sup>th</sup> October, 2004</b> |
| <b>31<sup>st</sup> December 2004</b>  | <b>31<sup>st</sup> January, 2005</b> |
| <b>31<sup>st</sup> March 2005</b>     | <b>29<sup>th</sup> April, 2005</b>   |

**DISTRIBUTION OF SHARE HOLDING AS ON 31.03.2005**

| <b>Shareholding</b> | <b>Shareholders</b> |                   | <b>Share Allotment</b> |                   |
|---------------------|---------------------|-------------------|------------------------|-------------------|
|                     | <b>Number</b>       | <b>% of total</b> | <b>(in Rs.)</b>        | <b>% of total</b> |
| upto 5000           | 929                 | 92.5298           | 1,674,000              | 3.3480            |
| 5001-10000          | 39                  | 3.8844            | 334,000                | 0.6680            |
| 10001-20000         | 21                  | 2.0916            | 264,000                | 0.5280            |
| 20001-300000        | 1                   | 0.0996            | 30,000                 | 0.0600            |
| 30001-40000         | 3                   | 0.2988            | 114,000                | 0.2280            |
| 40001-50000         | 0                   | 0.0000            | -                      | 0.0000            |
| 50001-100000        | 0                   | 0.0000            | -                      | 0.0000            |
| 100001 and above    | 11                  | 1.0956            | 47,584,000             | 95.1680           |
| Total               | 1004                | 100.00            | 50,000,000             | 100.0000          |

## DISTRIBUTION OF SHAREHOLDING

**Name of the Company : SUBUTHI FINANCE LIMITED**  
**Quarter ending : 31.03.2005**

| Category                                                                                     | No. of Shares held | % Of Shareholding |
|----------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>A. PROMOTER'S HOLDING</b>                                                                 |                    |                   |
| <b>1. Promoters</b>                                                                          |                    |                   |
| - Indian Promoters                                                                           | 2050100            | 41.00             |
| - Foreign Promoters                                                                          | NIL                | NIL               |
| <b>2. Persons acting in concert</b>                                                          | NIL                | NIL               |
| Sub-Total                                                                                    | 2050100            | 41.00             |
| <b>B. NON-PROMOTER'S HOLDING</b>                                                             |                    |                   |
| <b>3. Institutional Investors</b>                                                            |                    |                   |
| a. Mutual Funds & UTI                                                                        | NIL                | NIL               |
| b. Banks, Financial Institutions, Insurance Companies(Central/State Government Institutions) | 96100              | 1.92              |
| c. FIIS                                                                                      | NIL                | NIL               |
| Sub-Total                                                                                    | 96100              | 1.92              |
| <b>4. Others</b>                                                                             |                    |                   |
| a. Private Corporate Bodies                                                                  | 1902000            | 38.04             |
| b. Indian Public                                                                             | 951800             | 19.04             |
| c. NRIs / OCBs                                                                               | NIL                | NIL               |
| d. Any Other (HUF)                                                                           | NIL                | NIL               |
| Sub-Total                                                                                    | 2853800            | 57.08             |
| Grand Total                                                                                  | 5000000            | 100.00            |

### **NON-MANDATORY REQUIREMENTS**

a. Chairperson of the Board: Whether the Chairperson of the Board is entitled to maintain a Chairperson's Office at the Company's expense and also allowed reimbursement of expenses incurred in the performance of his duties: No

b. The Company's audited and un-audited results are widely published in English and Tamil Newspapers.

c. Postal Ballot:

There were no resolutions passed through Postal Ballot.



## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

We have examined the compliance of conditions of Corporate Governance by M/s. Subuthi Finance Limited, for the year ended 31<sup>st</sup> March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investor grievances were pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investor's Grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place: Chennai  
Date: 19.08.2005

For S. VASUDEVAN AND ASSOCIATES  
Chartered Accountants

Sd/-  
S. VASUDEVAN  
Partner

**SUBUTHI FINANCE LIMITED**

2<sup>nd</sup> Floor, Kakani towers, # 15, Khader Nawaz Khan Road, Chennai- 600 006.

**ATTENDANCE SLIP**

Please fill Attendance Slip and hand it over at the Entrance of the Meeting Hall.

NAME AND ADDRESS OF THE SHAREHOLDER

|  |
|--|
|  |
|  |
|  |

|                  |
|------------------|
| <b>Folio No.</b> |
|------------------|

|                   |  |
|-------------------|--|
| <b>DP. Id</b>     |  |
| <b>CLIENT ID*</b> |  |

Applicable to investors holding shares in electronic form

I hereby record my presence a the 14<sup>th</sup> Annual General Meeting at 2<sup>nd</sup> Floor, Kakani towers, # 15, Khader Nawaz Khan Road, Chennai- 600 006.

| SIGNATURE OF THE MEMBER OR PROXY | SHARES HELD |
|----------------------------------|-------------|
|                                  |             |
|                                  |             |

**SUBUTHI FINANCE LIMITED**

2<sup>nd</sup> Floor, Kakani towers, # 15, Khader Nawaz Khan Road, Chennai- 600 006.

**PROXY FORM**

I/We \_\_\_\_\_ of  
\_\_\_\_\_ in district of \_\_\_\_\_ being a  
member(s) of the above named company hereby appoint Mr./Ms. \_\_\_\_\_ of  
\_\_\_\_\_ in the district \_\_\_\_\_ of or  
failing him Mr./Ms. \_\_\_\_\_ of  
\_\_\_\_\_ in district of \_\_\_\_\_ as my/our Proxy  
and to vote for me/us on my/our behalf at the 14<sup>th</sup> Annual General Meeting of the Company to be held on  
Friday the 30<sup>th</sup> day of September, 2005 at 9.30 am and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

FOLIO NO: \_\_\_\_\_

Re.1/=  
Revenue  
Stamp

DPID: \_\_\_\_\_ CLIENT ID: \_\_\_\_\_

- Notes: The proxy to be valid should be deposited at the Registered Office of the Company not later than Forty-Eight hours before the time fixed for holding the Meeting. The Proxy should be executed on Re.1 Revenue Stamp.