



☪ SAKTHI FINANCE

AN EDIFICE BUILT ON TRUST

*Statement of Chairman **Dr. M. MANICKAM**
on the Company's performance for
the year ended 31st March 2011*

Dear Shareholders,

It gives me great pleasure to welcome you all to the 54th Annual General Meeting of the Shareholders of the Company. The Directors' Report and the Audited Accounts of the Company for the Financial Year ended 31st March 2011, have been with you for some time and with your permission, I shall take them as read.

Economy Has Inherent Strength

The progress of the economy in 2010-11 was commendable as all sectors, particularly agricultural and allied industries contributed handsomely to the growth of 8.5 per cent in GDP. Indeed, the Agricultural sector has performed admirably and the output of food grains in the past agricultural season has had to be revised upward on several occasions and output has risen to the unbelievably high level of 241.56 million tons. A new record has been established at 85.93 million tons in respect of wheat and 18.09 million tons relating to pulses. These bumper crops have also necessitated exports in large volumes and securing sizeable foreign exchange earnings in the process for the country.

Since the de-rating of the credit worthiness of the US to AA+ from AAA by Standard & Poor and European crisis also has not been fully overcome, there were sudden developments in various financial centers. It's now recognized that the US administration is well placed for discharging debt obligation and the US congress also has revised upward the debt ceiling on the understanding that economy measures will be adopted by the U S Administration. The confusion in world centers however persist and it will take some time before returning to a situation which is not considered so depressing.

The Governor, RBI, has however adopted an extremely cautious approach and it is estimated that the GDP will grow only by 8 per cent. The adoption of a persistent dear money policy for combating inflation has also contributed to slower economic growth though in some quarters it is believed that higher increases of those in the agricultural sector and indeed in the rural areas will be helpful in off-setting any decline in demand for manufactured products in the urban areas and export markets. It may not be incorrect to assume that the GDP will grow by 8.2 per cent plus and the inflationary pressures also will be felt less acutely as the latest trends give room for cautious optimism.

Because of the excess output of food grains, food inflation is now under control. But with a downtrend in commodity prices in world markets latterly and a drop in world crude prices and petro products, imported inflation will not be exerting pressure and non-food inflation will not be so bothersome as it has been so far. The actual growth in GDP may thus be better than the lower estimates as stated above, especially, as an increase in export earnings may not get pruned as feared even with authorities apprehending a slow-down of economic growth.

Auto Industries Spectacular Growth

The automobile industry has not been affected adversely in a significant manner so far. The output of all Automobiles constituted a record at 17.92 million units representing an increase of 27.45 per cent over 2009-10. It is significant that production of Commercial Vehicles improved noticeably by 32.63 per cent, Three Wheelers 29.12 per cent, Two Wheelers 27.24 per cent and Passenger Cars 26.73 per cent. The progress has been sustained from 2008-09 and increase in the output of all vehicles by 60.34 per cent in three years. There was also no difficulty in effecting sales in the domestic and export markets. Out of the total sales of 17.92 million units in 2010-11, the domestic market accounted for 15.57 million units and the export market 2.35 million units. The performance in 2011-12 too will on present indication be satisfactory in spite of record hike in prices for controlled petro products. However, in spite of apprehension that there may be a downtrend in production and sales because of a reduced growth in GDP, the actual performance will be satisfactory though the growth may be slightly in a less pronounced manner because of larger base and impact of slow recovery in US and the difficult predicament of some members of European Union (EU).

Impressive Progress in 2010-11

I am happy to inform you that the working results for 2010-11 are the best in recent memory. It has thus been possible for the management to increase disbursement by 18.64 per cent to **₹ 351.27 crores** from ₹ 296.09 crores. That the encouraging progress in 2009-10 has been sustained and the disbursements could be increased substantially as indicated above. With availability of adequate financial resources and improved conditions in the market for pre-owned vehicles, the income from Hire Purchase charges thus rose again sharply to **₹ 82.83 crores** from ₹ 74.25 crores.

Taking into account also income from other sources, the aggregate income is **₹ 91.67 crores** against ₹ 78.86 crores. Even after providing for a heavier burden of interest charges under different heads and other adjustments and exceptional items, the profit before tax is **₹ 10.93 crores** against ₹ 10.53 crores. As the allocation for taxation and other items are lower at **₹ 3 crores** against ₹ 4.26 crores, the profit after tax was distinctly higher at **₹ 7.94 crores** against ₹ 6.28 crores. After transferring to Statutory Reserve **₹ 1.59 crores** (₹ 1.26 Crores) and strengthening general reserve by as much as **₹ 15 crores** (NIL) by utilizing the large surplus brought in, your Directors have pleasure in announcing a dividend of 10 per cent which will be payable on the equity capital of the company.

Prospects For 2011-12

The prospects for 2011-12 also can be viewed with cautious optimism as additional credit limits have been secured from banks and a higher target of ₹ 420 crores had been fixed for effecting disbursements in spite of the expectation that there may be a slower growth in GDP. Your Directors feel that the demand for pre-owned and other vehicles will continue to be brisk with a further improvement in income from Operations and Profits. The outlook for 2011-12 and subsequent years depends on the pursuance of the monetary and credit policy in a flexible and helpful manner.

RBI Can Adopt A Helpful Approach

The preoccupation of the monetary authorities as well as the Union Finance Ministry has so far been on combating inflation even while it is clear that supply constraints and external developments are the main determining factor. The growth process has slowed down significantly and it may have its inflationary implications in other direction as efforts to control money supply may not be fully effective with good portion of newly generated incomes being not easily regulatable or controllable. The pursuit of dearer money policy since March last year has resulted in a sharp increase in the cost of funds and therefore in the lending rates of Banks and Non-Banking Financial Companies (NBFCs). It is also important that Industrial production should be raised on a sustained basis for meeting the increasing demand for consumer products in the domestic market and the requirement of importers in foreign countries also have to be met. It may therefore be examined whether there can be a pause or retreat from dearer money policy in order to re-energize the Industrial Sector as desired by the Union Finance Minister.

Bright Future For NBFCs

I am happy to say that the future for well placed NBFCs is bright as they can undertake new types of banking and insurance business subject to the observance of the new norms prescribed by the RBI. Apart from the fact that the Regulations relating to provisions under different heads have been made more stringent, the prudential norms also have been strengthened with many NBFCs having to mobilize additional owned resources and undertake various types of business on that basis which will not have a devitalizing effect on the structure of even well-placed NBFCs under influential auspices. If the financial sector reforms take full shape, the existing and new institutions can grow considerably in stature in the coming years.

Acknowledgments

On behalf of the Board of Directors, I wish to convey my sincere thanks to the shareholders, customers, depositors, bankers, financial institutions and employees of the Company.

I pray the Goddess **SAKTHI** to shower Her blessings and guide us in all our endeavours.

28th September 2011
Coimbatore

M Manickam
Chairman

Note: This does not purport to be a report of the proceedings of the 54th Annual General Meeting of the Company.