

Annual Report

2009-2010

ADARSH MERCANTILE LIMITED

BOARD OF DIRECTORS

KSHITIZ CHHAWCHHARIA
SUCHITA CHHAWCHHARIA
P NARAYANAN
GAUTAM AGARWALA
RAKESH NAGAR

SECRETARIAL COMPLIANCE OFFICER

P S & ASSOCIATES

AUDITORS

P MUKHERJEE & CO.
CHARTERED ACCOUNTANTS

BANKERS

CITIBANK N.A.

CONTENTS

NOTICE	2
DIRECTORS' REPORT	3
AUDITORS' REPORT	16
BALANCE SHEET	21
PROFIT & LOSS ACCOUNT	22
CASH FLOW STATEMENT	23
SCHEDULES TO FINANCIAL STATEMENTS	24

REGISTERED OFFICE

8A & 8B, SATYAM TOWERS
3, ALIPORE ROAD
KOLKATA – 700 027

NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held at the Registered Office at 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027, on Wednesday, the 1st day of September 2010 at 12.00 P.M. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Statement of Profit & Loss and Cash Flow Statement for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Kshitiz Chhawchharia who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mrs. Suchita Chhawchharia who retires by rotation and is eligible for re-appointment.
4. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Section 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s R Ray & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting in place of the retiring Auditors, M/s P Mukherjee & Co., Chartered Accountants, to audit the accounts of the Company for the financial year 2010-2011 at a remuneration to be fixed by the Board of Directors."

Notes:

- a) Each shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a shareholder. The proxy form should, however, be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- b) Corporate Members intending to send their authorized representatives at attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- c) Members/Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in.
- d) The Register of Share Transfers of the Company will remain closed for accepting share transfer applications from 24th August 2010 to 31st August 2010.

By Order of the Board of Directors

For Adarsh Mercantile Ltd.

K Chhawchharia
Director

Date: August 14, 2010
Place: Kolkata

ADARSH MERCANTILE LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are hereby presenting the Annual Report together with the audited accounts of the company for the year ended 31st March 2010.

FINANCIAL RESULTS

The working of the Company during the year under review shows a net loss of Rs 22,566 which is accumulated with the credit balance in Profit & Loss Account of Rs 7,402,210 after providing for IT Adjustments for Rs 6,538.

DIVIDEND

Your Directors do not recommend payment of any dividend for the year.

STATUTORY INFORMATION

a) Conservation of Energy

Your Company not being a Manufacturing Company, the provisions relating to measures for conservation of energy and reduction of energy consumption are not applicable.

b) Technology absorption

No comment is being made on technology absorption considering the nature of activities undertaken by your Company during the period under preview.

c) Foreign Exchange Earning/Outgo

There has been no foreign exchange earnings or outflow during the period under preview.

d) Information u/s 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

None of the employees of the Company was in receipt of remuneration in the aggregate which was in excess of Rs 2,400,000 if employed throughout the year, or at a rate which was in excess of Rs 200,000 per month, if employed for a part of the year.

e) As required under Section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state that:

- i) in the preparation of the annual accounts for the year under review, the applicable Accounting Standards, subject to Notes on Accounts as stated in the Schedule annexed to the account, has been followed;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year concerned and of the profit/loss of the Company for the year under review;
- iii) the Directors had 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;

ADARSH MERCANTILE LIMITED

- iv) the Directors had prepared the Annual Accounts for the year under review on a going concern basis.

PARTICULARS OF EMPLOYEES

There is no employee in respect of whom particulars pursuant to section 217(2) of the Companies Act, 1956 are required to be given.

AUDITORS

M/s P. Mukherjee & Co., Chartered Accountants, retires on conclusion of the Annual General Meeting and being eligible offer themselves for reappointment.

COMPLIANCE CERTIFICATE

Pursuant to Proviso to sub-section (1) of Section 383A of the Companies (Amendment) Act, 2000 and Rule 3(1) of the Companies (Compliance Certificate) Rules, 2001, the Board has appointed Ms Swati Bajaj, Company Secretary for certifying the compliance by the Company under the Companies Act, 1956 and other allied Rules for the financial year ended on 31.03.2010. The compliance certificate given by Ms Swati Bajaj forms part of the Directors' Report and is annexed herewith.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report under Annexure. The certificate from the Company's auditors confirming the compliance in terms of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchange is annexed thereto. A certificate from CEO/CFO of the Company is also annexed.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere thanks to the shareholders for their support, co-operation and confidence in the management of the Company.

The observations made by the auditors in their report are as duly explained in the relevant notes on accounts.

By order of the Board

Kolkata
May 29, 2010

Rakesh Nagar
(Director)

Kshitiz Chhawchharia
(Director)

MANAGEMENT DISCUSSION AND ANALYSIS

The key areas of Management Discussion and Analysis are given below.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian economy which had managed to emerge out of the global turmoil in the year 2008-09 relatively unscathed, witnessed a quick rebound in the year 2009-10. The global growth momentum also saw a rise following the unprecedented boost of liquidity by Federal Governments across countries, especially in developed economies. While recovery in real economy remained on track, the returns from Stock Markets, especially in emerging markets were much more. The synchronized measures introduced by the policy makers to restore stability and confidence in the markets were clearly achieving what they intended to.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The Company is engaged primarily in the business of trading activities accordingly there are no separate reportable segments.

OUTLOOK

Your Company is making all efforts to accelerate the growth of its business. In spite of the market risks faced by your Company, your directors are optimistic about the future prospects of the Company.

OPPORTUNITIES & THREATS

Your Company's growth and profitability are dependent on the functioning of Commodity & Capital Markets. Your Company expects a favorable market in the years to come. Your Company on its part is also well poised to seize new opportunities as they come.

RISKS & CONCERNS

Your Company is exposed to several market risks like credit risk, liquidity risk and interest rate risk. The volatility of the capital markets in which your Company operates is also a major cause of concern to the Company.

INTERNAL CONTROL SYSTEM AND ADEQUACY

Internal control systems and procedures in the Company are commensurate with the size and the nature of Company's business and are regularly reviewed and updated by incorporating changes in regulatory provisions in order to safeguard the assets and to ensure reliability of financial reporting.

FINANCIAL PERFORMANCE

During the year under review the Company received dividend of Rs 114,699 compared to Rs 555,768 in the previous year. The Interest income during the year was Rs 1,038,582 as against Rs 969,681 in the corresponding previous period. The Company suffered a loss of Rs 805,199 on disposal of Investments compared to profit earned for Rs 602,338 in the previous year. The trading activities of the Company resulted in a profit of Rs 425,167 during the year as compared to a loss of Rs 1,749,278 during the previous year.

The loss before tax during the current period was Rs 16,028 compared to a profit of Rs 131,165 during the preceding previous year. The loss on investments sold and lower dividend income has resulted in lower profit during the year.

REPORT ON CORPORATE GOVERNANCE**(Pursuant to Clause 49 of the Listing Agreement)****1. Company's philosophy on Code of Governance**

It is the Company's philosophy that good Corporate Governance is necessary to achieve long-term goals and to enhance shareholder value. The Board and management of the Company commit themselves to such corporate governance practices that meet the expectations of all the stakeholders. Apart from compliance with regulatory requirements, the company takes measures to ensure high standard of ethics. All the employees are bound by a Code of Conduct that sets forth the Company's policies.

2. Board of Directors

- Composition and Size of the Board**

The Board of the Company consists of three Non-Executive Independent Directors and two Executive Directors, who are having in-depth knowledge of the business.

The independent Directors bring independent judgment in the Board's deliberations and decisions. The size and composition of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchanges. None of the Directors on the Board is a member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49 of the Listing Agreement) across all the companies in which they are Directors.

- Number of Board Meetings held during the year along with the dates of the Meetings**

During the financial year under review, five Board meetings were held and the gap between two Board Meetings did not exceed three months. The Board Meetings were held on the following dates:

30th April 2009, 30th June 2009, 31st July 2009, 31st October 2009 & 30th January 2010.

- The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The Agenda and the papers for consideration at the Board Meetings are circulated at least three days prior to the meeting. Adequate information is circulated as a part of Board papers and is made available at the Board Meetings to enable the Board to take informed decisions.
- Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director / Member (as on 31st March, 2010):

Directors	Category of Directorship	Board Meetings Attended	Attendance at the last AGM	No. of other Directorship held in other Companies	No. of Board Committees of which Member / Chairman in other Companies	
					Chairman	Member
Mr. Kshitiz Chhawchharia	Promoter	5	Present	-	-	-
Mrs. Suchita Chhawchharia	Executive Director	5	Present	-	-	-
Mr. Gautam Agarwala	NED (I)	5	Present	-	-	-
Mr. Rakesh Nagar	NED (I)	5	Present	2	-	-
Mr. P Narayanan	NED (I)	5	Present	-	-	-

(NED)- Non-Executive Director, (ED)-Executive Director, (I)-Independent.

ADARSH MERCANTILE LIMITED

Notes :

1. Number of Directorship held in other companies, exclude Directorship in private companies, foreign companies and Alternate Directorships.
 2. An Independent Director is a Director who, apart from receiving Director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries and associates, which in the judgment of the Board may affect their independence of judgment.
- Details of Directors seeking re-appointment at the ensuing Annual General Meeting fixed on 1st September 2010 are given below :

Name of Director	Mr. Kshitiz Chhawchharia	Mrs. Suchita Chhawchharia
Date of Appointment	03-10-2000	06-03-2006
Expertise in specific functional areas	Senior Executive having experience in financial matters and advises on compliance with various laws.	Senior Executive having experience in financial matters and advises on compliance with various laws.
List of other Directorship held	None	None

3. Audit Committee

The Board of the Company has constituted a Qualified and Independent Audit Committee comprising of three Non-Executive Independent Directors and one Promoter Director viz. Mr. Gautam Agarwala, Mr. Rakesh Nagar, Mr. P. Narayanan & Mr. Kshitiz Chhawchharia. The Members of the Committee are well versed with finance and accounts / legal matters and general business practices. All Directors are financially literate and Mr. Gautam Agarwala has accounting and financial management expertise.

The Statutory Auditors are invitees to the meeting.

The terms of reference of the Audit Committee include the matters specified in Clause 49(II) of the Listing Agreement with the Stock Exchanges and covers inter-alia overseeing Company's financial reporting process, adequacy of internal control systems, reviewing financial risk management policies and compliance with Accounting Standards etc.

There were four meetings of the Audit Committee during the year held on 30th June 2009, 31st July 2009, 31st October 2009 & 30th January 2010 and the gap between two meetings was not more than four months. The attendance of each Member of the Committee is given below :

Name of the Director	No. of Meetings Attended
Mr. Gautam Agarwala	4
Mr. Rakesh Nagar	4
Mr. P. Narayanan	4
Mr. Kshitiz Chhawchharia	4

All the above members of the Audit Committee were present at the Annual General Meeting of the Company held on 30th September, 2009.