

Annual Report

2010-2011

ADARSH MERCANTILE LIMITED

BOARD OF DIRECTORS

P NARAYANAN
GAUTAM AGARWALA
EKTA DHANANIA

SECRETARIAL COMPLIANCE OFFICER

P S & ASSOCIATES

AUDITORS

S RAY & CO.
CHARTERED ACCOUNTANTS

BANKERS

CITIBANK N.A.

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REGISTERED OFFICE

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

NOTICE

Notice is hereby given that the Twenty Sixth 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 Tuesday, the 16th day of August 2011 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, 2011 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 the Statutory Auditors of the Company and fix their remuneration.

Special Business:

Item No. 3

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

"RESOLVED THAT in accordance with the provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof for the time being in force and the Articles of Association of the Company, Mrs. Ekta Dhanania, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member in writing, proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

Notes:

- a) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- b) 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.
- c) 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.
- d) Members/Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in.
- e) The Register of Share Transfers of the Company will remain closed for accepting share transfer applications from 8th August 2011 to 15th August 2011.

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**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956
(Annexure as referred to in the notes of Notice)**

Item No. 3

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors of the Company in its meeting held on January 3, 2011, appointed Mrs. Ekta Dhanania as an Additional Director of the Company.

The Company had received a notice in writing from a member along with a deposit of Rs 500 proposing the candidature of Mrs. Ekta Dhanania for the office of Director of the Company.

Mrs. Suchita Chhawchharia is not disqualified from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining a Directors' Identification Number in terms of Section 266A of the Companies Act, 1956.

The Board recommends the resolution for the appointment of Mrs. Ekta Dhanania as a Director of the Company.

Mrs. Ekta Dhanania does not hold any equity shares of the Company in her own name and except Mrs. Chhawchharia none of the Directors of the Company are, in any way, concerned or interested in this resolution.

By Order of the Board of Directors

For Adarsh Mercantile Ltd.

P Narayanan
Director

Date: May 30, 2011

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 2011.

FINANCIAL RESULTS

The working of the Company during the year under review shows a net profit of Rs 397,764 which is accumulated with the credit balance in Profit & Loss Account of Rs 7,379,644 after providing for taxes & income tax adjustments for Rs 78,880.

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 6,000,000 if employed throughout the year, or at a rate which was in excess of Rs 500,000 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;

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- 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 Ray & 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 M/s PS & Associates, Company Secretary for certifying the compliance by the Company under the Companies Act, 1956 and other allied Rules for the financial year ended on 31.03.2011. The compliance certificate given by M/s PS & Associates 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 30, 2011

P Narayanan
(Director)

Gautam Agarwala
(Director)

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY STRUCTURE AND DEVELOPMENTS

The current macro-economic scenario in India is characterised by an emerging dichotomy of a sustained momentum in domestic consumption and weakening pace of investment activity. However, the momentum seems to be tapering as is reflected in the more recent quarterly GDP and monthly IIP data. The re-balancing of current economic expansion in favour of investment requires tackling inflation, reigning in fiscal spending. While there are early signs of the government accelerating the approval process for major projects, the issues of inflation and fiscal spending are more difficult and interconnected.

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 376,052 compared to Rs 114,699 in the previous year. The Interest income during the year was Rs 794,795 as against Rs 1,038,582 in the corresponding previous period. The Company earned a profit of Rs 531,177 on disposal of Investments compared to loss suffered for Rs 805,199 in the previous year. The trading activities of the Company resulted in a profit of Rs 227,894 during the year as compared to Rs 425,167 during the previous year.

The profit before tax during the current period was Rs 476,644 compared to a loss of Rs 16,028 during the preceding previous year. The income on investments and higher dividend income has resulted in increased profits 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, 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, seven 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:

7th April 2010, 29th May, 2010, 14th August 2010, 13th November 2010, 30th November 2010, 3rd January 2011 & 14th February 2011

- 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, 2011):

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. P Narayanan	NED (I)	7	Present	2	-	-
Mr. Gautam Agarwala	NED (I)	7	Present	-	-	-
Mr. Rakesh Nagar (\$)	NED (I)	6	Present	-	-	-
Mrs. Ekta Dhanania (£)	NED (I)	2	Present	-	-	-

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

(*) Since resigned on 30th November 2010

(\$) Since resigned on 3rd January 2011

(£) Appointed on 3rd January 2011

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 16th August 2011 are given below :

Name of Director

Mrs. Ekta Dhanania

Date of Appointment

03-01-2011

Expertise in specific functional areas Senior Executive having experience in financial matters and advises on compliance with various laws.

List of other Directorship held

None

3. Audit Committee

The Board of the Company has constituted a Qualified and Independent Audit Committee comprising of three Non-Executive Independent Directors viz. Mr. Gautam Agarwala, Mr. P. Narayanan & Mrs. Ekta Dhanania. 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 29th May 2010, 14th August 2010, 13th November 2010 & 14th February 2011 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 (\$)	3
Mr. P. Narayanan	4
Mr. Kshitiz Chhawchharia (*)	3
Mrs. Ekta Dhanania (£)	1