

Growth  
Knowledge  
Performance  
Leadership  
Trust  
Vision  
Strength  
Patience  
Focus  
Results  
Innovation  
Endurance  
Efficiency  
Effectiveness  
Confidence  
Consistency  
Competitive



AEONIAN INVESTMENTS CO. LTD.

## 25TH ANNUAL REPORT 2005 - 2006

Commitment  
Strategic  
Faith  
Optimism  
Courage  
Dynamism  
Insight  
Loyalty

**Board Of Directors :**

Shri. Amit C. Choksey  
Shri. Bhanushankar R. Trivedi  
Shri. Manubhai G. Patel  
Shri. Dhiren P. Mehta  
Shri. Bipin V Jhaveri  
Smt. Priti A. Choksey

**Bankers :**

Central Bank of India  
Standard Chartered Bank

**Registrar and Share Transfer Agents :**

MCS LIMITED  
"Sri Venkatesh Bhavan"  
Plot No.27, Road 11,  
M.I.D.C.Area, Andheri (East),  
Mumbai – 400 093.

Report  junction.com

**AEONIAN INVESTMENTS COMPANY**

**Auditors :**

Ravi A. Shah & Associates  
Chartered Accountants  
Vile Parle (W), Mumbai – 400 056.

**Registered Office :**

N. K. Mehta International House  
178, Backbay Reclamation  
Babubhai M. Chinai Marg  
Mumbai – 400 020.

**AEONIAN INVESTMENTS COMPANY LIMITED****CONTENTS**

| <b>Particulars</b>   | <b>Page No.</b> |
|--|-----------------|
| Notice .....   | 1               |
| Director's Report & Management Discussion and Analysis .....         | 5               |
| Certificate of Compliance u/c 49 of Listing Agreement .....          | 10              |
| Corporate Governance Report .....                                    | 11              |
| Compliance Certificate .....   | 18              |
| Auditor's Report .....   | 24              |
| Balance Sheet .....  | 28              |
| Profit & Loss Account .....  | 29              |
| Cash Flow Statement .....  | 30              |
| Schedules to Accounts .....  | 31              |
| Notes to Accounts .....  | 38              |
| Balance Sheet Abstract and Schedule required as per NBFC Norms ..... | 41              |
| Consolidated Auditor's Report .....                                  | 44              |
| Consolidated Accounts .....  | 46              |
| ECS Mandate .....  | 61              |
| Proxy Form .....   | 62              |

## NOTICE

**NOTICE** is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held on Monday, the 22<sup>nd</sup> day of May, 2006 at 11:30 A.M. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2<sup>nd</sup> floor, 18/20, Dubash Marg, Kala Ghoda, Mumbai 400 023 to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and Profit and Loss Account for the year ended as on that date and reports of the Directors and Auditors thereon.
2. To declare a dividend on Equity shares.
3. To appoint a Director in place of Smt. Priti A. Choksey, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Shri Dhiren P. Mehta, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

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

**"RESOLVED THAT** Shri Bipin V. Jhaveri, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation as per provisions of the Articles of Association of the Company."

**By Order of the Board**

**AMIT C. CHOKSEY**  
**CHAIRMAN**

**PLACE : MUMBAI**  
**DATE : 22<sup>nd</sup> APRIL, 2006**

**Registered Office :**  
N K Mehta International House  
178 Backbay Reclamation House  
Babubhai M Chinai Marg  
Mumbai 400 020.

**Notes:**

- The explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business is annexed hereto and form part of the notice.
- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from 18<sup>th</sup> May, 2006 to 22<sup>nd</sup> May, 2006 (Both days inclusive), in connection with the ensuing Annual General Meeting (AGM) and the payment of dividend.
- The dividend as recommended by the Board of Directors, if approved by the shareholders at the Annual General Meeting shall be paid to those members whose names appear on the Register of members of the Company as on 22<sup>nd</sup> May, 2006. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as at the close of 22<sup>nd</sup> May 2006 as per the details of shareholding in the Company furnished by National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL) for the purpose as on that date.
- Members holding shares in physical form are requested to immediately intimate change of address, if any, to the Company / Registrar and Share Transfer Agents quoting reference of the Registered Folio Number. Members holding shares in the electronic form are advised to inform any change in their address to their respective Depository Participants. The address as furnished to the Company by the respective Depositories viz., NSDL and CDSL will be printed on the dividend envelopes.
- As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting. We hope you will help us in our endeavour to control cost.
- Members having multiple folios in identical names or in joint names in the same order are requested to send the share certificate(s) to the company's R & T Agents, M/s. MCS Limited, for consolidation of all such shareholding into one folio to facilitate better service.
- Members desirous of raising queries at the AGM are requested to send in their questions so as to reach the Company's Registered Office at least seven days in advance before the AGM so that the same can be adequately replied.
- Members are requested to produce the enclosed Attendance Slip duly signed at the entrance to the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for identification.
- The unclaimed dividend of the Company for the financial year 1997-98 has been transferred to the Investor Education and Protection Fund (IEPF) as required under section 205-C of the Companies Act,

1956. The balance amount in unpaid Dividend Account for the financial year 1998-99 is due for transfer to the IEPF administered by the Central Government during the month of September 2006. The shareholders whose dividends are unclaimed for the aforesaid financial year, are requested to claim it immediately from the Company. Further shareholders are requested to note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed for a period of seven years from the date that these became first due for payment and no payment shall be made in respect of any such claim.

- The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for crediting the dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the Payment Instruments for distribution of dividend.
- **ADDITIONAL INFORMATION ON DIRECTORS BEING RE-APPOINTED AT THE ANNUAL GENERAL MEETING :-**

Following is the biographical data of the Directors being re-appointed at the ensuing Annual General meeting:

**1. Smt. Priti A. Choksey**

Smt Priti A. Choksey has been associated with the Company since 1997 and has a good experience in the business of the Company.

**2. Shri Dhiren P. Mehta**

Shri Dhiren P. Mehta is a member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He has been associated with the Company since 2000. He is the Chief Executive Officer of Mazda Colours Limited, one of the leading manufacturers & exporters of various types of pigments and Intermediates. He is also on the Board of Pragati Chemical Limited.

**3. Shri Bipin V. Jhaveri**

Shri Bipin V. Jhaveri is a Fellow Member of the Institute of Chartered Accountants of India & the Institute of the Company Secretaries of India. He has more than four decade of experience in Accounting, Finance, taxation and legal matters.

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

**ITEM NO. 1**

The Board of Directors of your Company appointed Shri Bipin V. Jhaveri as an Additional Director at their meeting held on 9<sup>th</sup> September, 2005, pursuant to Section 260 of the Companies Act, 1956. In terms of the said section he holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director of the Company.

Shri Bipin V. Jhaveri is a Fellow Member of the Institute of Chartered Accounts of India and the Institute of the Company Secretaries of India. He has more than four decade experience in Accounting, Finance and legal

matters, having worked in a leading paint manufacturing Company as a Senior General Manager.

The Board of Directors of the Company are of the view that it is desirable to avail guidance and advice of Shri Bipin V. Jhaveri and accordingly the Directors recommend that he be appointed as Director of the Company.

His continuation on the Board will be of immense benefit to the Company.

Except, Shri Bipin V. Jhaveri none of the other Directors of the Company is concerned or interested in the said resolution.

**BY ORDER OF THE BOARD**

**AMIT C. CHOKSEY**  
**CHAIRMAN**

**PLACE: MUMBAI**  
**DATE : April 22, 2006**

**Registered Office :**  
N K Mehta International House  
178 Backbay Reclamation House  
Babubhai M Chinai Marg  
Mumbai 400 020.

**DIRECTORS' REPORT**

Dear Members,

Yours Directors have pleasure in presenting the Twenty-fifth Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2006.

**FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

| Particulars  | 2005-2006 | 2004- 2005 |
|--|-----------|------------|
| Income from operations   | 277.80    | 204.89     |
| Profit on sales of Investments   | 2208.70   | 1050.33    |
| Profit before depreciation and Tax                                       | 1808.90   | 1042.66    |
| Less : Depreciation  | 45.63     | 40.22      |
| Less : Provisions for Tax  |           |            |
| Current Tax  | 197.00    | 62.00      |
| Deferred Tax   | 26.82     | (11.64)    |
| Profit / Loss after tax  | 1549.45   | 952.08     |
| Add: Balance brought forward from previous year                          | 2837.52   | 2459.58    |
| Less : Short Provisions W. Off   | 34.24     | 0.48       |
| Profit available for appropriation                                       | 4352.73   | 3411.18    |
| <b>Appropriation</b>   |           |            |
| Proposed Dividend  | 336.00    | 240.00     |
| Tax on Proposed dividend   | 47.12     | 33.66      |
| Transfer to General Reserve  | 160.00    | 100.00     |
| Transfer to Reserve fund in terms of Section 45 IC(1) of R.B.I Act, 1934 | 320.0     | 200.00     |
| Balance carried forward to Balance Sheet                                 | 3489.61   | 2837.52    |

**Operational performance**

The total revenue has increased from Rs.1255.22 Lacs in the financial year 2004-05 to Rs.2,486.50 Lacs in the financial year 2005-06 an increase of 98.07%. The establishment and other expenses increased by 218.78 % from Rs.212.56 Lacs in the financial year 2004-05 to Rs.677.60 Lacs in the financial year 2005-06. This was mainly on account of investment management fees. The depreciation increased to Rs.45.63 Lacs in the financial year 2005-06 from Rs.40.22 Lacs in the financial year 2004-05.

Your Company took advantage of the market movements and channeled it's portfolios with expertise of its professional portfolio managers and earned higher income from operations and profit on sales of shares. Gross Profit before depreciation and tax witnessed over 73.48 % rise. Profit after tax rose by over 62.74 % during the year.



**Taxation :** The net tax provision for financial year 2005-06 was Rs.213.82 Lacs as compared to Rs. 50.36 Lacs in the previous year.

**The Profit after Tax :** The Company's Profit after tax increased to Rs.1549.45 Lacs during the year under review, as compared to Rs.952.08 Lacs in the previous year, on account of encashment of gains.

### **DIVIDEND**

The Directors are pleased to recommend a dividend of Rs.5/- per Equity Share (Previous year Rs.100/- per share on the face value of Rs.10/- each) for the financial year ended 31<sup>st</sup> March, 2006 and a special silver Jubilee Dividend Rs.2/- per Equity share of Rs.2/- each (Previous year NIL).

Outgo on account of these dividends will absorb Rs.383.12 Lacs including Dividend Tax payable by the Company. A sum of Rs 3,489.61 Lacs has been "carried forward" in the Profit and Loss account of the year as shown under Reserves and Surplus in the Balance Sheet as 31<sup>st</sup> March, 2006.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

#### **Industry Structure and Development**

Your Company, being an Investment Company, invests in shares- both quoted and unquoted and in Units of Mutual Funds. The industry structure relevant to the Company's operations is mainly concerned with the Capital Market and to a lesser extent with the Mutual Fund Industry. The Company handles its investments in capital market mostly through reputed Portfolio Managers and to some extent on its own.

#### **Industry Overview**

The fiscal year 2005 -2006 has been a very good year for the Indian Capital Market. Upper movement in the sensex and other similar indicators during the year was mainly driven by Indian economy growing at better rate, better companies performances, events of merger acquisition in the country and abroad by certain large Indian Corporates and confidence of foreign institutional investors for investment in large and mid - cap companies etc. The country has seen ever increasing inflows of funds coming to Indian capital market in the past 12 months.

As compared to Equity Investments, Investments in Debt Instruments have not been very attractive.

In the above scenario, your Company performed better on both realised and unrealised gain in its various portfolios.

#### **Outlook**

The Company expects the current year to be another year for Equities, mainly because Indian economy is expected to grow further. Better prospects for the Company are therefore, expected.

#### **Risk and Concerns**

Company's performance is closely linked to Indian Capital Market and risks associated with market operations.

The value of Company's Investments may be affected generally by factors affecting capital markets, such as price and volume volatility, interest rates, currency exchange rates, foreign investment, changes in government policy, political economic or other developments, crude oil prices and economic performance overseas.

Company believes that the long term growth story of India remains intact though there would be several short term upheavals like crude oil prices and interest rates in the U.S. etc. Our performance in the fiscal year 2005-06 will be subject to some of these factors on the Indian Capital Market. Moreover, share index presently stands quite high, the Company may not improve its performance similar to that of the year 2005-06 in the year 2006-2007.

Large part of Company's investments are under the discretionary management of reputed and well organised portfolio manager who operate in the financial services Industry in its different segments. Company is exposed to risks associated with dealing with such third parties.

## Segment

The primary segment of the Company is investment in capital market.

## Internal Control Systems and Adequacy

Adequate system of internal control is in place, which assures us of maintaining proper accounting records and reliability of financial information. Company is initiating efforts to set up risks control procedures for investment risks in capital market.

## Cautionary Statement

*(The statement in this report including Management's Discussion and Analysis report reflects Company's projections, estimates, expectations or predictions and contains forward-looking statements that involve risks & uncertainty. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. Actual results, performances, or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only of the expectations as on the date.)*

## DIRECTORS

In accordance with the Articles of Association of the Company, Smt. Priti A. Choksey and Shri Dhiren P. Mehta, Director of the Company, retire by rotation and being eligible, offer themselves for re - appointment.

Shri Bipin V. Jhaveri was appointed as an Additional Director of the Company w.e.f. 9<sup>th</sup> September, 2005 and holds the office till the ensuing Annual General Meeting of the Company. Shri Bipin V. Jhaveri is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has more than four decade of experience in Accounting, Finance, taxation and legal matters. Your Directors commend the appointment of Shri Bipin V. Jhaveri.

## SUB- DIVISION OF SHARES

In order to increase the liquidity of Company's Equity shares in the capital market the Nominal Value of Equity shares of Rs.10/- each was sub - divided into Shares of Rs.2/- each with effect from 01.09.2005.

## BONUS SHARES

During the financial year the Company has capitalised a sum of Rs.72,00,000/- out of its Reserves and Surplus and issued 36,00,000 Equity shares of the face value of Rs.2/- each as fully paid Bonus shares in the