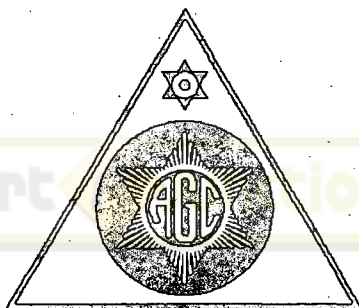


ALAGENDRAN FINANCE LIMITED



18th Annual Report 2006 - 2007



ALAGENDRAN FINANCE LIMITED

BOARD OF DIRECTORS

Sri. R. Alaghentren
(Chairman and Managing Director)

Sri. A. Murugeson

Smt. M. Vasantha Kumari

Sri. R. Nagarajan

Sri. N. Nagarajan

Sri. S. Mohan Gandhi

AUDITORS

M/s. P.T. Ponnaiah & Co.,
Chartered Accountants,
Chennai - 600 010.

BANKERS

M/s. City Union Bank Limited,
Madurai - 625 001.

REGISTERED OFFICE

338 (Old No. 165), "Lotus Court",
II Floor,
Thambu Chetty Street,
Chennai - 600 001.

CORPORATE OFFICE

178-A, North Veli Street,
Madurai - 625 001.

BRANCHES

Madurai, Sivakasi,
Coimbatore and Chennai.



ALAGENDRAN FINANCE LIMITED

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the members of the Company will be held at "Indra Sabha Hall", Hotel Palmgrove, No.5, Kodambakkam High Road, Chennai-600 034 on Saturday, the 22nd September, 2007 at 12.00 Noon to transact the following business :

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. a) To appoint a Director in the place of Sri. A. Murugeson who retires by rotation and being eligible offers himself for re-appointment.
b) To appoint a Director in the place of Smt. M. Vasantha Kumari who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration. The retiring Auditors M/s. P.T. Ponnaiah & Co., Chartered Accountants, Chennai are eligible for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.
"RESOLVED THAT pursuant to Sections 198, 269 & 309 read with Schedule XIII and applicable provisions if any of the Companies Act 1956, the Company hereby accords its approval and consent to the reappointment of Sri. R. Alaghentren as Managing Director without any remuneration for a period of five years with effect from 31st January, 2007".

By order of the Board

Place : Chennai.
Date : 27th June, 2007

R. ALAGHENTREN
Chairman and Managing Director

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 4

The Board of Directors at their meeting held on 29th January, 2007 re-appointed Sri. R. Alaghentren, as Managing Director of the Company without remuneration for a period of five years with effect from 31st January, 2007. The said term of appointment is within the guidelines laid down in Schedule XIII of the Companies Act, 1956 and require your approval. Hence the said resolution is submitted to you. None of the Directors except Sri. R. Alaghentren, Sri. A. Murugeson and Smt. M. Vasantha Kumari are concerned or interested in the said resolution.

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 the proxy need not be a member. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. Proxies once issued will hold good for any adjournment of this meeting.
2. The Register of members and share transfer books of the Company will remain closed from 14th September, 2007 to 22nd September, 2007. (both days inclusive)
3. Members are requested to notify change of address, if any, to the Company immediately.
4. If you are attending the Annual General Meeting in person, please bring the printed attendance slip sent to you along with the Balance Sheet.
5. Members / Proxies are requested to bring their copies of the Annual Report to the meeting.



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DIRECTORS' REPORT

Your Directors have great pleasure in submitting the Eighteenth Annual Report with Audited Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS :

	2006-07 (Rs. in Lakhs)	2005-06
Profit before Interest, Depreciation, Tax, Bad Debts and Provision for Non-Performing Assets	19.93	30.40
Less : Depreciation	6.28	7.26
Profit before Tax, Bad Debts & Other Provisions	13.65	23.14
Less : Bad Debts Written Off	2.95	5.88
Provision for Diminution in value of Investments	57.51	0.72
Provision for Non-Performing Assets	55.14	0.03
Profit / (Loss) after Tax	(101.95)	16.51

APPROPRIATION

Transfer to Special Reserve Fund (As per RBI Act)	---	3.31
Balance carried to Balance Sheet	---	13.20
	---	16.51

DEPOSITS

All the outstanding Public Deposits as on 15th September 2004 Rs.10.25 Lakhs and their accrued interest upto 31st March 2004, Rs.20.47 Lakhs was transferred to an Escrow Account on 22nd September 2004 with M/s. City Union Bank Limited, Madurai. As on 31st March 2007, balance outstanding in the Escrow Account was Rs.19.71 Lakhs.

ADVANCES

Total disbursements during the year under Demand Promissory Note Loan was Rs.21 Lakhs.

MONEY CHANGING BUSINESS

During the year, your Company has earned an income of Rs.3.36 lakhs from the money changing business at Madurai, Coimbatore, Sivakasi and Chennai.

INVESTMENTS

Due to non redemption, 100% provision has been provided for the investments in Secured Debentures of Rs.54,23,438/- with M/s. Micro Stretch Elastomers Private Ltd., Pondicherry.

MANAGING DIRECTOR'S REMUNERATION

The Managing Director has not received any remuneration during the current year.

PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956.

None of the employees fall within the purview of the above Section and the Rules framed there under.



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COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

Parts A, B and C of the above rules does not apply to the Company.

DIRECTORS

Your Directors Sri. A. Murugeson and Smt. M. Vasantha Kumari retire by rotation, being eligible they offer themselves for re-appointment.

Sri A. Murugeson was appointed as a director on 15th November 2001. He is 43 years old and he is a Director of M/s. Alagendra Textiles Limited, Alagendran Benefit Fund Limited, Alagendran Property Developers Limited, Alagendran Auto Agencies Limited and Alagendran Automobiles Private Limited.

Smt. M. Vasantha Kumari was appointed as a director on 31st January, 2003. She is 37 years old and she is a Director in M/s. Alagendra Textiles Limited, Alagendran Benefit Fund Limited, Alagendran Property Developers Limited and Alagendran Auto Agencies Limited.

RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 the Directors confirmed that :

- in the preparation of the annual accounts for the year ended 31st March, 2007 applicable accounting standards have been followed with no material departure ;
- your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and the loss for the year ended on that date ;
- your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- the accounts for the year ended 31st March, 2007 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A report is enclosed.

AUDITORS

M/s. P.T. Ponnaiah & Co., Chartered Accountants, Chennai retires at this Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENT

Your Directors thank the Bankers, Shareholders and Customers for their continued support and co-operation to the Company. Your Directors also appreciate the employees of the Company for their good work.

On behalf of the Board of Directors

Place : Chennai.
Date : 27th June, 2007

R. ALAGHENTREN
Chairman



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REPORT ON CORPORATE GOVERNANCE

I. BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS :

The Company is fully complied with the Corporate Governance norms in terms of constitution of the Board with a good combination of Executive and Independent Directors. The Board comprises of six members out of which three are independent directors. Sri. R. Alaghentren is the Chairman and Managing Director. Sri. A. Murugeson and Smt. M. Vasantha Kumari represent the Promoter group. The remaining Directors Sri. S. Mohan Gandhi, Sri. R. Nagarajan and Sri. N. Nagarajan are independent Directors.

II. BOARD MEETING

The Board of Directors met 4 times during the financial year 2006-07. The dates of the Board meetings were :

2006
8th July
31st July
30th October

2007
29th January

The attendance of each director at the Board Meetings, the last Annual General Meeting and number of other directorship held by them as on 31st March, 2007 are as under :

Name of the Director	No. of Board Meetings held	No. of Board Meetings attended	Whether Last Annual General Meeting Attended	Directorship (other than AFL)	Member of Committee in other Companies
R. Alaghentren	4	4	No	8	---
A. Murugeson	4	2	No	8	---
M. Vasantha Kumari	4	3	No	8	---
S. Mohan Gandhi	4	4	Yes	2	1
R. Nagarajan	4	4	Yes	1	1
N. Nagarajan	4	4	Yes	1	1

III. AUDIT COMMITTEE

Composition of the Audit Committee is as follows :

Sri. N. Nagarajan - Chairman
Sri. S. Mohan Gandhi - Member
Sri. R. Nagarajan - Member

The Company has an independent Audit Committee consisting of three members all being Non-Executive Independent Directors. All the members of the Committee have excellent financial and accounting knowledge. The role of the Audit Committee in brief is to review financial statements, internal controls, accounting policies and internal audit.

Besides, the Committee reviews audit plans, audited and un-audited financial results, observations of the external auditors and follow-up reports of the management.

During the financial year 2006-07, the Committee met 4 times on 30.6.2006, 22.7.2006, 25.10.2006 and 29.1.2007. All the members attended all the Committee Meetings.



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IV. REMUNERATION OF DIRECTORS

The Managing Director does not receive any remuneration from the Company. The Directors are being paid sitting fees and they are being reimbursed travelling and conveyance expenses for attending the Board Meeting.

V. SHAREHOLDERS AND INVESTOR GRIEVANCE COMMITTEE

Composition of the Committee is as follows :

Sri. N. Nagarajan	- Chairman
Sri. R. Alaghentren	- Member
Smt. M. Vasantha Kumari	- Member

The Shareholders and Investor Grievance Committee formed under clause VI C of clause 49 of the Listing Agreement approves and monitors transfers, transmission, splits and consolidation of the Shares of the Company. The Committee reviews redressal of complaints from Shareholders relating to transfer of shares and other grievances. The Committee also reviews the compliances with Statutory and regulatory requirements.

During the year 2006-07, the Committee met two times on 30.6.2006 and 30.09.2006. All the committee members attended the Meetings.

Sri. K. Narayanan, Finance Manager cum Company Secretary is the Compliance Officer. During the year under review, the Company has received 69 correspondence from shareholders, which have been attended to and there were no grievances remaining unresolved as on 31st March, 2007.

VI. GENERAL BODY MEETING

The date, time and venue of the last three Annual General Meetings are given below :

Year	Date	Time	Location
2006	28.09.2006	11.00 A.M	Hotel Palmgrove, 5 Kodambakkam High Road, Chennai - 600 034.
2005	29.09.2005	11.00 A.M	Hotel Palmgrove, 5 Kodambakkam High Road, Chennai - 600 034.
2004	31.12.2004	10.00 A.M	Hotel Palmgrove, 5 Kodambakkam High Road, Chennai - 600 034.

VII. GROUP DISCLOSURE

The Related Party Disclosures as per Accounting Standard 18 during the year 2006-07 is given below :

Name of the Company	As on. 31.3.2007 (Rupees)	Nature of Transaction
Alagendra Textiles Limited	8,92,901/- (Credit)	Reversal of Excess finance charges. (F.Y. 2003-2004)
Alagendran Exports Private Ltd.,	12,00,000/-	Amount Receivable towards DPN



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VIII. MEANS OF COMMUNICATION

The quarterly / half yearly un-audited financial results and the annual audited financial results are published in Trinity Mirror and Makkal Kural.

Shareholder's Information :

Financial Year	1.4.2006 to 31.3.2007
Board Meeting for consideration of Accounts	27.6.2007
Posting of Annual Reports along with notice of AGM	on or before 28.8.2007
Book closure dates	14.9.2007 to 22.9.2007
Last date for receipt of Proxy Forms	20.9.2007
Board Meetings to take on record (tentative)	
Financial Results for the quarter ended 30.6.2007	Last Week of July 2007
Financial Results for the quarter ended 30.9.2007	Last Week of October 2007
Financial Results for the quarter ended 31.12.2007	Last week of January 2008
Financial Results for the quarter/year ended 31.3.2008	Last Week of April 2008, in case of unaudited quarterly results or alternatively last week of June 2008 in case of audited results for the year.

The Company has paid the listing fees for the financial year 2006-07 to Mumbai Stock Exchange. Share transfers were processed and share certificates despatched within 30 days from the date of lodgement in accordance with the stock exchange listing agreement.

Distribution of shareholding as on 31st March 2007 :

	Total Shareholders	Total Shares	Total % to Capital
0 - 250	6,053	8,05,080	16.10
251 - 500	1,534	6,57,500	13.15
501 - 1000	1,011	9,45,450	18.91
1001 - 5000	416	9,43,610	18.87
5001 - 10000	21	1,70,690	3.41
10001 - 50000	32	7,03,810	14.08
50001 - 100000	3	1,81,320	3.63
100001 and above	4	5,92,540	11.85
T O T A L	9,074	50,00,000	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

The Indian economy has been continuously exhibiting strong performance in the recent past. The current trend in the financial market where established banks and foreign intermediaries are competing with one another for capturing the business of retail finance segment witnesses dynamic and volatile changes bringing multi-dimensional challenges to other players including NBFCs. Your Company having the constraint of limited resources is forced to encounter those challenges with more difficulty.

On the NPA front, your company has made some progress as in the previous year and have initiated measures for greater success in the coming months. During the year, your Company has recovered some portion of Non-Performing Assets to the extent of Rs.16.62 lakhs.



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Faced with the unpredictable volatilities of the current market and the constraint of limited resources, your Company proceeds with caution as to the new avenue of business. Constant endeavors are being made to identify a safe and secured platform for launching profitable activity.

CEO CERTIFICATION

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Sri R. Alaghentren, Chairman and Managing Director (CEO) was placed at the meeting of the Board of Directors held on 27th June 2007.

The Board of Alagendran Finance Limited has laid down a code of conduct for all the Board Members and Senior Management. All the Board Members and Senior Management Personnel have affirmed compliance of the code.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Shareholders of Alagendran Finance Limited,

We have examined the compliance of conditions of Corporate Governance by Alagendran Finance Limited for the year ended on 31st March, 2007 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 was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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 explanation given to us,

1. We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
2. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **P.T. PONNAIAH & CO.,**
Chartered Accountants

P.T. PONNAIAH
Partner
Membership No.19873

Place : Chennai
Date : 27th June, 2007



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AUDITOR'S REPORT TO THE MEMBERS OF ALAGENDRAN FINANCE LIMITED

1. We have audited the attached Balance Sheet of **ALAGENDRAN FINANCE LIMITED** as at 31st March 2007, the Profit and Loss account and also the Cash Flow Statement for the year 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.
2. 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 misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report as under :
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
 - ii) 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 those books ;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
 - iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ;
 - v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ;
 - vi) We further report that the investments in Debentures of Rs.54,23,438/- were not redeemed. The financial status of the Company was affected to this extent.
 - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - a) in conformity with the accounting principles generally accepted in India ;
 - b) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - c) in the case of Profit and Loss Account, of the loss for the year ended on that date ; and
 - d) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P.T. PONNAIAH & CO.,**
Chartered Accountants

P.T. PONNAIAH
Partner
Membership No.19873

Place : Chennai
Date : 27th June, 2007