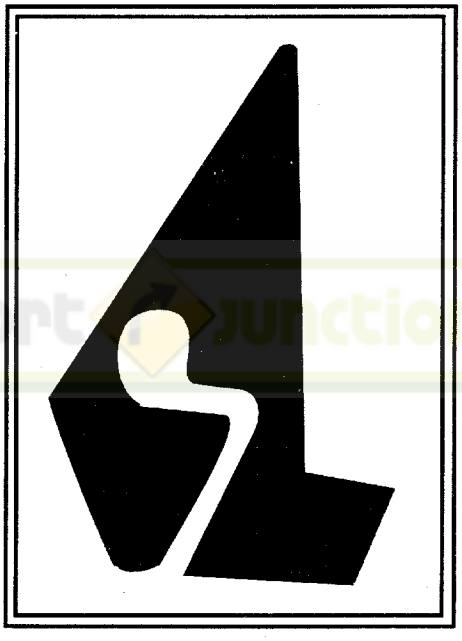
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ARAVALI SECURITIES & FINANCE LIMITED



25TH ANNUAL REPORT 2004-2005

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ARAVALI SECURITIES & FINANCE LIMITED

BOARD OF DIRECTORS	1.	Shri Ranjan Kumar Poddar
	2.	Shri Gautam Khaitan
	3.	Shri Naresh Kumar Magoo
	4.	Shri Dinesh Kumar Birla
	5.	Shri R. A. Kila
	6.	Shri Hardev Singh
SECRETARY		Shri Davinder Bhalla
AUDITORS		Salarpuria & Partners
BANKERS		Punjab National Bank
REGISTERED OFFICE		UCO Bank Building, III Floor, Parliament Street, New Delhi-110001
BRANCH OFFICE FOR CORRESPONDANCE		28, II Floor, Jia Sarai, New Delhi-110016
SHARE & TRANSFER AGENT		M/s. Skyline Financial Services Pvt. Ltd. 123, Vinoba Puri, Lajpat Nagar-II, New Delhi-110024

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ARAVALI SECURITIES & FINANCE LIMITED

Regd. Office: UCO Bank Building, III Floor, Parliament Street, New Delhi - 110 001

NOTICE

Notice is hereby given that the 25th Annual General Meeting of the members of M/s. Aravali Securities & Finance Ltd. will be held on Wednesday, the 7th Day of September, 2005, at 11.30 a.m. at Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi.

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2005, and the Profit and Loss account for the year ended on that date together with the Auditors' and Directors' Reports thereon.
2. To appoint auditors of the company to hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

Ordinary Resolution

3. To appoint a director in place of Shri Dinesh Kumar Birla who was appointed as an additional director by the board of directors of the company and who holds office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice in writing from a shareholder proposing his candidature for the office of director and signifying his intention to move the following resolution for the approval of the members with or without modification as an ordinary resolution :-

   "RESOLVED THAT Shri Dinesh Kumar Birla be and is hereby appointed as a director of the company who is liable to retire by rotation in accordance with section 256 of the Companies Act, 1956."

4. To appoint a director in place of Shri R.A. Kila who was appointed as an additional director by the board of directors of the company and who holds office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice in writing from a shareholder proposing his candidature for the office of director and signifying his intention to move the following resolution for the approval of the members with or without modification as an ordinary resolution :-

   "RESOLVED THAT Shri R.A. Kila be and is hereby appointed as a director of the company who is liable to retire by rotation in accordance with section 256 of the Companies Act, 1956."

5. To appoint a director in place of Shri Hardev Singh who was appointed as an additional director by the board of directors of the company and who holds office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice in writing from a shareholder proposing his candidature for the office of director and signifying his intention to move the following resolution for the approval of the members with or without modification as an ordinary resolution :-

   "RESOLVED THAT Shri Hardev Singh be and is hereby appointed as a director of the company who is liable to retire by rotation in accordance with section 256 of the Companies Act, 1956."

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

"RESOLVED THAT in accordance with applicable provisions of the Companies Act, 1956 and in accordance with any other provision of law applicable to such appointment, Shri Ranjan Kumar Poddar, be and is hereby appointed as Managing Director of the company with effect from the passing of this resolution for a period of five years without payment of any remuneration and perquisites and who shall not be liable to retire by rotation as director of the company till he hold such office and on the following terms and conditions :

TERMS AND CONDITIONS :

(a) The appointment may be terminated by any party giving a three months notice.
(b) If at any time the appointee cease to be a director of the company, he shall cease to be a Managing Director.
(c) The appointee shall manage the whole affairs or substantially the whole affairs of the company subject to the superintendence, control and directions of the Board of Directors.
(d) The appointee shall not supplement his earning under the contract with any buying or selling commission. He shall also not become interested or concerned directly or through his wife or children in any buying or selling agency of the company.
(e) No sitting fee shall be paid to the appointee for attending the meeting of the Board of Directors or a committee thereof of the company.

"FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorized to decide for payment of such remuneration in the future as the board may deem fit but subject to the approval of the remuneration committee and the necessary provisions of the Companies Act and subsequent approval of the shareholders in their meeting."

7. To consider and, if thought fit, to pass the following resolution with or without modification as an ordinary resolution :

"Resolved that, in accordance with the applicable provisions of the Companies Act, 1956 and the Listing Agreement with Stock Exchanges, or any amendment or re-enactment thereof, consent be and is hereby accorded for payment of fees to the Non-Executive Directors of the Company, for attending meetings of the Board of Directors ('The Board') or Committees thereof, of amount(s), as may be determined by the Board, within the limit of Rs.5,000/- (Rupees Five Thousand) individually per meeting which is within the limits prescribed by the Central Government or to determine such other limit as may be prescribed by the Central Government from time to time in this behalf."

Registered Office :
UCO Bank Building, III Floor
Parliament Street
New Delhi - 110001
Dated : 25th July, 2005

By Order of the Board of Directors
For ARAVALI SECURITIES & FINANCE LTD.

DAVINDER BHALLA
G.M. & Company Secretary

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NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.

2. *Corporate members are requested to send a certified copy of the Board Resolution, pursuant to Section 187* of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 5th day of September, 2005 to Wednesday, the 7th day of September, 2005, both days inclusive.

4. *Members are requested to notify immediately any change in their addresses to the Registered Office of the* Company situated at UCO Bank Building, III Floor, Parliament Street, New Delhi-110 001 or its office at IInd floor, 28, Jia Sarai, New Delhi-110 016.

5. Members/Proxies should bring the admission slip duly filled in for attending the Meeting along with their copy of the report and accounts.

6. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the company to keep the information ready.

7. The Company has entered into agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), for the dematerialisation of securities. The Shareholders can have their shares dematerialised through these depositories.

   Members desiring to have their shares in dematerialised form may send their share certificates through their depository participants, to the Registrar of the Company namely M/s. Skyline Financial Services Pvt. Ltd., *123, Vinoba Puri, Lajpat Nagar-II, New Delhi-110 024, Tel. No.26918352.*

8. *Individual members holding shares in physical form on their own behalf singly or jointly can make nomination* for their holding. The nomination form will be made available on request. The members holding shares in dematerialised form may contact their depository participants for recording of the nomination for their holding.

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ANNEXURE TO NOTICE

Explanatory Statement (As required under section 173 (2) of the Companies Act, 1956) on the special business mentioned in the notice at Item No. 3, 4, 5, 6, & 7.

ITEM NO.3

The Board of Directors in their meeting held on 25th July, 2005 appointed Shri Dinesh Kumar Birla as additional director. Shri Dinesh Kumar Birla holds office upto the date of ensuing Annual General Meeting, if not appointed by the shareholders. The company has received a notice from the shareholder specifying his intention of proposing the candidature of Shri Dinesh Kumar Birla for the office of the director. The members are requested to consider the resolution specified in the notice and to pass the same with or without modification.

None of the directors except Shri Dinesh Kumar Birla are interested in the resolution.

ITEM NO.4

The Board of Directors in their meeting held on 25th July, 2005 appointed Shri R.A. Kila as additional director. Shri R.A. Kila holds office upto the date of ensuing Annual General Meeting, if not appointed by the shareholders. The company has received a notice from the shareholder specifying his intention of proposing the candidature of Shri R.A. Kila for the office of the director. The members are requested to consider the resolution specified in the notice and to pass the same with or without modification.

None of the directors except Shri R.A.Kila are interested in the resolution.

ITEM NO.5

The Board of Directors in their meeting held on 25th July, 2005 appointed Shri Hardev Singh as additional director. Shri Hardev Singh holds office upto the date of ensuing Annual General Meeting, if not appointed by the shareholders. The company has received a notice from the shareholder specifying his intention of proposing the candidature of Shri Hardev Singh for the office of the director. The members are requested to consider the resolution specified in the notice and to pass the same with or without modification.

None of the directors except Shri Hardev Singh are interested in the resolution.

ITEM NO.6

In accordance with Section 269 of the Companies Act 1956, a public company having a paid up capital of Rs.5 crore or more is required to appoint a managing director. It has been decided by the board of directors in their meeting held on 25th July, 2005 to recommend the name of Shri Ranjan Kumar Poddar to the shareholder for appointment as managing director for a period of five years. Shri Ranjan Kumar Poddar is a Graduate in Economics and was previously also a Managing Director of the company. Since the company is not generating enough profit it was decided that the managing director shall not draw any remuneration and perquisites till the carry forward losses are written off or the board of directors approves payment of the same in future in accordance with the provision of the Companies Act and subsequent approval of the shareholder. The managing director shall have the power to manage the whole and substantially the whole affairs of the company subject to the supervision of the board of directors. The members are requested to consider the resolution specified in the notice and to pass the same with or without modification.

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None of the directors except Shri Ranjan Kumar Poddar are interested in this resolution.

The explanatory statement with accompanying notice should be deemed to be treated as an abstract of the terms of appointment and memorendum of concern or interest under section 302 of the Companies Act, 1956.

ITEM NO.7

In terms of the revised Clause 49 of the Listing Agreement with Stock Exchanges, approval of the shareholders is required for payment of sitting fees to the Non-Executive Directors of the company. The Non-Executive Directors of your company are entitled to sitting fees, as determined by the Board from time to time for attending meetings of the Board of Directors and committees thereof. The sitting fees of the Non-Executive Directors for attending the board meeting is Rs.2000/- and for committee meeting no sitting fees is paid.

The Board at its meeting held on 25.7.2005 recommended for the approval of the members payment of the sitting fees to the Non-Executive Directors, as provided in the resolution under Item No.5.

The Non-Executive Directors of your Company are interested in the Resolution to the extent of sitting fees that may be paid to them.

The Board of Directors recommend this resolution for your approval.

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Registered Office :
UCO Bank Building, III Floor
Parliament Street
New Delhi - 110001
Dated : 25th July, 2005

By Order of the Board of Directors
For ARAVALI SECURITIES & FINANCE LTD.

DAVINDER BHALLA
G.M. & Company Secretary

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Directors' Report

TO THE MEMBERS :

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company with Auditors' Report thereon for the year ended 31st March, 2005.

WORKING RESULTS	2004-2005 (Rupees in lacs)	2003-2004 (Rupees in lacs)
Profit before interest, depreciation and taxes	**283.88**	308.58
Less : Interest	**170.60**	139.42
Profit before depreciation, NPA's and Taxes	**113.28**	169.16
Less : Depreciation (including lease adjustment charges)	**54.21**	55.87
Profit Before Provision of tax and NPA's	**59.07**	113.29
Add : Withdrawal from NPA Provisions as per RBI Prudential Norms	**46.33**	44.28
Withdrawal from provision for diminution in value of investments	**0.13**	0.43
Profit Before Taxation	**105.53**	158.00
Less : Provision for Income Tax		
Current Tax	**NIL**	4.24
Deferred Tax	**22.53**	4.47
Profit after taxation	**83.00**	149.29
Less : Balance brought forward from previous year	**(393.81)**	(631.13)
	(310.81)	(481.84)
Add/(Less) : Income Tax/ Wealth Tax in respect of earlier years	**NIL**	7.99
: Amount Transferred from Debenture Redemption Reserve	**(32.01)**	(96.02)
BALANCE (DEBIT) CARRIED TO BALANCE SHEET	**(278.80)**	(393.81)

DIVIDEND

Your directors are not recommending any dividend as it has been decided to first set off the carry forward losses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW:

Your company has earned a profit during the year under consideration of Rs.83.00 lacs after depreciation, interest and taxes.

Gross income / sales during the financial year 2004-2005 has reduced to Rs.1533.44 Lacs. The decrease is mainly on account of reduced activities in paper trading.

Your company's secured borrowing has been repaid except an amount payable to SBI Commercial and International Bank Ltd. who has filed a case against the company before Debt Recovery Tribunal Mumbai and which is being contested.

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RESOURCES AND LIQUIDITY :

The company during the year under consideration has not raised any secured funds from any bank, financial institutions or through Fixed Deposits. However, it has raised un-secured loans from limited companies for meeting its fund requirements.

INDUSTRY STRUCTURE AND DEVELOPMENTS :

Due to increased competition and availability of funds from the banking sector, the non-banking financial industry has suffered a set back except the housing finance companies. Most of the NBFC either has merged with the industrial companies or are making efforts to diversify in other service sectors.

The Govt. of India now has allowed 100% foreign direct investment in NBFC which is a major boost to the industry. Due to this factor the revival of majority of good NBFC is possible as the finance will be available at a cheaper rate than as prevailing in our country.

BUSINESS REVIEW :

Due to losses suffered in the past, your company is not doing any new leasing and hire purchase business. The trading business has been carried on but your company is not generating sufficient revenues to suffice the needs of your company and shareholders. Your company is not entering in any new field of business at present and is continuing to put more stress on the recoveries of dues. The company is considering to sell off its Non-Performing Account to one of the asset recovery company so that the part of the amount due on NPA's can be recovered.

OPPORTUNITIES :

The change in Indian Economy outlook and the keen interest shown by foreign investors to invest in India, the country's economy is looking for a fast growth of industrial sector as well as infrastructure. With the growth of these sectors the service industry is bound to progress. Opening of foreign direct investment upto 100% in NBFC Sector is also bound to increase the scope of various opportunities for the said companies. It's impact is yet not known but, if we look at the other developed countries than the role of NBFC is bound to increase substantially.

CHALLENGES :

As normal with every company, your company also face competition in its business. The biggest competition is from the banks who have low cost funds available to them to meet their requirement.

Your company's decision to work with its own fund will reduce the cost of borrowing and make it competitive to meet the challenge forced by the banking sector.

OUTLOOK :

Your company is still in the process of consolidation and has not decided to enter into new field. However, the various business opportunities are being analysed. It is also being analysed to have a foreign collaboration with some internationally reputed NBFC which is looking to expand their business in India. Barring unforeseen circumstances your directors hope to do better in the near future.

RISK AND CONCERNS :

Your company at present is exposed to the normal industry risk factor of volatility in interest rate, economic cycle and credit risk. The non receipt of lease rental and hire purchase charges is a major area of concern. Since the company has reduced its leasing and hire purchase activities, the risk of recovery has reduced. In the consolidation process, your company is negotiating for entering into arrangement to recover its lease rental and hire purchase charges from its clients. However, any arrangement will not affect the company's Balance Sheet as the provision for losses on the same has already been provided for in the previous years in accordance with RBI Prudential norms.

ADEQUACY OF INTERNAL CONTROL :

The established Internal Control Systems of your company are adequate to ensure that all the activities are monitored and controlled against any misuse or misappropriation of asset and that the transactions are authorized, recorded and reported correctly. More so, these internal control systems are regularly monitored by the audit committee of your company and are improved upon on regular basis.

HUMAN RESOURCE DEVELOPMENT:

The team of experienced industry professionals depart regular training to the employees of the company.

FIXED DEPOSITS :

Your company does not accept fixed deposits from public and to this effect an undertaking is given to the Reserve Bank of India. However, the company has four unclaimed deposits amounting to Rs.65,000/= of the past. The company has sent the intimation to the said depositors at their addresses available with the company but no response has been received from them till date. The said unclaimed deposits amount alongwith interest has been kept in the fixed deposit escrow account with the scheduled bank.

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DIRECTORS AND MANAGING DIRECTOR :

Shri Naresh Magoo, the director of the company is liable to retire by rotation and not being eligible to be reappointed as per the provisions of the Companies Act is not considered for re-appointment.

Shri Dinesh Kumar Birla, Shri R. A. Kila and Shri Hardev Singh were appointed as additional directors who hold office upto the ensuing Annual General Meeting. Notices have been received from the shareholders specifying their intention proposing their candidature for the office of directors. The said persons are eligible for re-appointment as directors of the company. Your directors recommend their re-appointment. The information required to be furnished under Clause 49 (VI) of the listing agreement in respect of the said directors is enclosed as annexure to this report.

As per requirement of Section 269 of the Companies Act, 1956, your company is required to appoint a managing director. It was decided by the board of directors in their meeting held on 25.7.2005 that Shri Ranjan Kumar Poddar be recommended to the general body for his appointment as managing director without payment of any remuneration except sitting fee for attending meeting of the board of directors. You are requested to consider the said resolution for approval with or without modificaton.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed.

a) That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

b) That they have 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 and of the profit of the company for the year ended on that date;

c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) That they have prepared the annual accounts on a going concern basis.

AUDITORS AND AUDITORS' REPORT :

M/s. Salarpuria & Partners, Chartered Accountants, as Statutory Auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. Your Company has received a certificate from M/s. Salarpuria & Partners, Chartered Accountants, to the effect that the appointment, if made, would be within the prescribed limits u/s 224 (1-B) of the Companies Act, 1956. The shareholders will be required to elect auditors for the current year and to fix their remuneration.

Auditors have stated that assets on lease have not been physically verified by the management. The directors have taken steps to obtain confirmation from the lessees for verification of fixed assets except in cases where suit for recovery of possession of the assets have been filed in the courts.

PERSONNEL :

The company had no employee during the year ended 31st March, 2005, who was in receipt of remuneration of Rs. 24 lacs or more per annum, if employed for whole of the year or Rs. 2 lacs or more per month, if employed for part of the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company being engaged in the financial services and trading, does not have any energy utilization or technology absorption. The Company during the year under consideration has not earned or spent any foreign exchange.

CORPORATE GOVERNANCE :

Your company has taken adequate steps to ensure that all mandatory provisions of 'Corporate Governance' as provided in the listing agreement of the Stock Exchanges with which the company's shares are listed, are duly complied with.

A separate report on 'Corporate Governance' alongwith Auditors Certificate for its due compliance is annexed hereto as part of this report

ACKNOWLEDGEMENT :

Your Directors would like to express their sincere appreciations for the co-operation received from shareholders, bankers and other business constituent during the year under review. Your directors also wish to place on record their deep sense of appreciation for the commitment displayed by all employees of the company.

Registered Office :
UCO Bank Building, III Floor
Parliament Street
New Delhi - 110001
Dated : 25th July, 2005

For ARAVALI SECURITIES & FINANCE LTD.
RANJAN KUMAR PODDAR
GAUTAM KHAITAN
NARESH KUMAR MAGOO
Directors

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