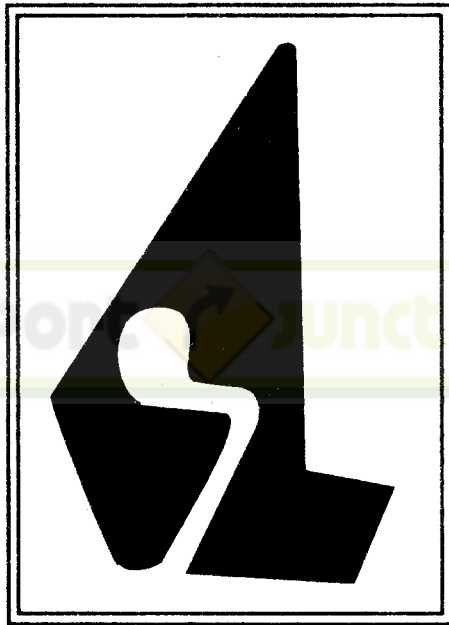
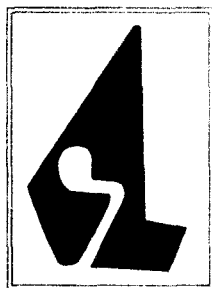


## **ARAVALI SECURITIES & FINANCE LIMITED**



## **26TH ANNUAL REPORT 2005-2006**



## **ARAVALI SECURITIES & FINANCE LIMITED**

### **BOARD OF DIRECTORS**

1. Shri Ranjan Kumar Poddar
2. Shri Gautam Khaitan
3. Shri R. A. Kila
4. 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**

28, II Floor, Jia Sarai,

### **CORRESPONDANCE**

New Delhi-110016

### **SHARE & TRANSFER AGENT**

M/s. Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri, Lajpat Nagar-II,  
New Delhi-110024



## ARAVALI SECURITIES & FINANCE LIMITED

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

### NOTICE

Notice is hereby given that the 26th Annual General Meeting of the members of M/s Aravali Securities & Finance Limited will be held on Monday, the 25th day of September, 2006, at 11.00 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, 2006, 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.
3. To re-appoint Mr. Gautam Khaitan as director of the company.

Registered Office :  
UCO Bank Building, III Floor  
Parliament Street  
New Delhi - 110001

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

Dated : 29th July, 2006

DAVINDER BHALLA  
G.M. & Company Secretary

## 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 Thursday the 21st day of September, 2006 to Monday the 25th day of September, 2006, 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 28, IInd floor, 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.29833777.
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.
9. Members holding shares in the same name(s) under different folio(s) are requested to apply for consolidation of such folios by sending relevant share certificates.

Registered Office :  
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Parliament Street  
New Delhi - 110001

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

Dated : 29th July, 2006

DAVINDER BHALLA  
G.M. & Company Secretary



## 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, 2006.

<b>WORKING RESULTS</b>	<b>2005-2006</b> <b>(Rupees in lacs)</b>	<b>2004-2005</b> <b>(Rupees in lacs)</b>
<b>Profit/(Loss) before interest, depreciation and taxes</b>	<b>(176.89)</b>	<b>283.88</b>
(Add)/Less : Interest	<b>(187.69)</b>	<b>170.60</b>
<b>Profit/(Loss) before depreciation, NPA's and taxes</b>	<b>(364.58)</b>	<b>113.28</b>
(Add)/Less : Depreciation (including lease adjustment charges)	<b>(46.77)</b>	<b>54.21</b>
<b>Profit/(Loss) before provision of tax and NPA's</b>	<b>(411.35)</b>	<b>59.07</b>
Add : Withdrawal from NPA Provisions as per RBI Prudential Norms	<b>789.38</b>	<b>46.33</b>
: Withdrawal from diminution in value of investments as per RBI Prudential Norms	<b>0.48</b>	<b>0.13</b>
<b>Profit before taxation</b>	<b>378.51</b>	<b>105.53</b>
Less/(Add) : Provision for Tax		
Fringe Benefit Tax	<b>1.06</b>	<b>NIL</b>
Deferred Tax	<b>(11.73)</b>	<b>22.53</b>
<b>Profit after Taxation</b>	<b>389.18</b>	<b>83.00</b>
Less : Debit Balance brought forward from previous year	<b>(278.80)</b>	<b>(393.81)</b>
	<b>110.38</b>	<b>(310.81)</b>
Add/(Less) : Amount Transferred from Debenture Redemption Reserve	<b>NIL</b>	<b>(32.01)</b>
: Amount Transferred to NBFC Reserve Fund	<b>(89.65)</b>	<b>NIL</b>
<b>BALANCE CARRIED TO BALANCE SHEET</b>	<b>20.73</b>	<b>(278.80)</b>

### DIVIDEND

Due to non-availability of sufficient funds, your directors are not recommending any dividend.

**MANAGEMENT DISCUSSION AND ANALYSIS****FINANCIAL REVIEW:**

Your company has an operational loss of Rs.411.35 lacs after depreciation and interest. The same is due to the fact that the company has sold its leased assets as well as its overdue debtors on which it has suffered a loss, which has been written off. However, against the said assets the company has made a provision in the previous year of non-performing assets, which is added back. The net result is a profit of Rs.378.51 lac before taxes. A provision of deferred tax made earlier has been reversed and profit after tax is Rs.389.18 lacs which has been reduced by brought forward losses of Rs.278.80 lacs and provision for NBFC Reserve Fund of Rs.89.65 lacs. The amount after the same of Rs. 20.73 lacs has been carried to Balance Sheet. 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, which is being contested.

**RESOURCES AND LIQUIDITY:**

The company, as in the past, is not relying on any borrowing except unsecured loans. More so, due to reduction in its activities, the requirement of fund has been reduced substantially.

**INDUSTRY STRUCTURE AND DEVELOPMENTS:**

Entrance of the banks in consumer durable financing as well as in car financing has brought a huge liquidity in this sector and there are very few takers who are getting financed from the private sector. This has virtually put a stop on private financing and most of the Non-Banking Finance Companies are out of this business. Most of the finance companies either have diversified their activities or are doing investment business or engaged in other finance related services.

**BUSINESS REVIEW:**

Your company being classified as an investment company is doing long term and short term investments. It is also trading in the shares and securities of other companies. The company has sold its non-performing assets and the financing activities have virtually been stopped. The investments division of the company in hotels industry is in the process of being demerged. Consequently, the shareholders of the company, on approval of the said scheme of demerger from the Hon'ble High Court and shareholders, the shareholders of the company will get 19.2182 Equity shares of Rs.10/- each of Boutique Hotels India Limited (BHIL) against 100 Equity shares of the company held by them on the record date as may be announced in the near future.

**OPPORTUNITIES:**

With the change in world economic scenario, the Indian economy has emerged as one of the strongest economy in the world. The yearly GDP is 7% to 8% and it is expected that the same will, in the near future, may rise above this benchmark. It is expected that India with China will emerge as the biggest economic power in Asia. This change has already brought in various opportunities for all sectors and will create more in the near future.

**CHALLENGES:**

Your company being in the financial services sector is facing a very stiff competition from public sector as well as private sector banks and financial institutions. It is trying to cope up with the same but is finding it difficult to match up with them in expertise as well as finances available. However, the company is trying its level best to achieve the same level of competence to meet the challenges thrown in this 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. It has not yet decided its future course of activities as activities of Leasing, Hire Purchase and Bill Discounting have reduced substantially and is negligible. The losses suffered from these activities have already been accounted for in the previous years. The impact of new activity, as and when decided, will be known in the future.

#### **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 had four unclaimed deposits amounting to Rs.65000/= which has been transferred to Investor Protection Fund as envisaged under the Companies Act, 1956.

#### **DIRECTORS:**

Shri Gautam Khaitan, director of the company, being longest in the office, is required to retire by rotation but being eligible, offers himself for re-appointment. Your directors recommend his appointment by the shareholders.

#### **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 appoint them for the current year and to fix their remuneration.

Auditors in the Annexure to their report have drawn attention to the Point No. 2(c) stating that certain shares are not registered in the name of the company. The same are on account of bad delivery, for which efforts are being made to sort out the same.

#### **PERSONNEL:**

The company had no employee during the year ended 31st March, 2006, who was in receipt of remuneration of Rs.24.0 lacs or more per annum, if employed for whole of the year or Rs.2.0 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' along with 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 constituents during the year under review. Your directors also wish to place on record their deep sense of appreciation for the commitment displayed by all the employees of the company.

For ARAVALI SECURITIES & FINANCE LTD.

Registered Office :  
UCO Bank Building, III Floor  
Parliament Street  
New Delhi - 110001

RANJAN KUMAR PODDAR  
Managing Director

GAUTAM KHAITAN  
R. A. KILA  
HARDEV SINGH  
Directors

Dated : 29th July, 2006





**INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT  
IN RESPECT OF DIRECTORS BEING APPOINTED / RE-APPOINTED**

Name	Shri Gautam Khaitan
Date of Birth	06.05.1965
Appointed on	30.07.2004*
Qualification	B.Com., LLB
Expertise in Specific Functional Areas	He is an advocate and have vast knowledge in the field of law and and experience of approximately 10 years in the said field.
Directorship in Other Companies	J. K. SUGAR LTD. SALORA INTERNATIONAL LTD. I.C. TEXTILES LTD. ILPEA PARAMOUNT LTD. MEDSAVE HEALTH CARE LTD. JAS TOLL ROAD CO. LTD. SKS LTD.
Membership / Chairmanship of Committees across Public Companies	<b>Audit Committee :</b> Salora International Ltd. J. K. Sugar Ltd. I. C. Textiles Ltd. <b>Investor Grievance Committee :</b> J. K. Sugar Ltd. I. C. Textiles Ltd. <b>Share Allotment &amp; Transfer Committee :</b> I. C. Textiles Ltd.



## CORPORATE GOVERNANCE REPORT

The Directors present the Company's report on Corporate Governance.

### 1. The Company's Governance Philosophy

Aravali Securities & Finance Ltd (ASFL) governance philosophy is that the policies and procedures should be so strong that they don't leave any room for mistakes or manipulations. ASFL's emphasis is on providing complete transparency in management and fixing authority and responsibility of every person in the organisation. This enables every person in the organisation to work for the achievement of the Company's goal and thereby maximising the return to the company as also to the members of the company.

ASFL's Corporate Governance is based on two core principles:

- I. Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- II. This freedom of management should be exercised within a framework of effective accountability.

ASFL believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the company, and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management are not misused, and used with care and responsibility to meet stakeholders' aspirations and societal expectations.

The above belief and core principles of Corporate Governance adopted by ASFL lead to company's governance philosophy, trusteeship, transparency, accountability and responsibility which in turn is the basis of public confidence in corporate system.

### 2. Composition of the board

- I. The board of directors of the company consists of persons with professional expertise. ASFL's board consists of one whole time director and three non-executive directors. Two non executive directors are independent directors. Accordingly, the composition of the board is in conformity with the requirements of listing agreement.

Directors	Executive/ Non Executive Director	Independent Status	No. of other Directorships held in other Co's	Committee Membership (in other Companies) Member/Chairman	
Shri Ranjan Kumar Poddar Managing Director	Executive	Promotor	Two	One	One
Shri Gautam Khaitan Director	Non-Executive	Solicitor of the Company	Seven	Three	Nil
* Shri Naresh Kumar Magoo Director	Non-Executive	Independent	One	Nil	Nil
Shri R. A. Kila Director	Non-Executive	Independent	Seven	Nil	Nil
Shri Hardev Singh Director	Non-Executive	Independent	Nil	Nil	Nil