

ARONI COMMERCIALS LIMITED

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22nd ANNUAL REPORT
2006 - 2007

BOARD OF DIRECTORS

Shri Ashwin Kumar Kothari
 Shri Rohit Kothari
 Shri Vasantlal Bhavsar
 Shri Umaidmal Kala

BANKERS

HDFC Bank
 State Bank of India
 UCO Bank

AUDITORS

M/s Lalit Mehta Associates
 Chartered Accountants,
 Bharat House, 2nd Floor,
 Mumbai Samachar Marg,
 Mumbai - 400 023.

REGISTERED OFFICE

K. K. Chambers, 4th Floor,
 Sir Purshothamdas Thakurdas Marg,
 Fort, Mumbai - 400 001.

NAGDA OFFICE

Birlagram, Nagda - 456 331
 Madhya Pradesh.

REGISTRAR & SHARE TRANSFER AGENT**INTIME SPECTRUM REGISTRY LIMITED**

C - 13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West),
 Mumbai - 400 078.

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NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of **Aroni Commercials Limited** (Formerly Aroni Chemical Industries Ltd) will be held at 29, Bank Street, 1st Floor, Fort, Mumbai- 400 023 on Saturday, the 29th day of September, 2007 at 4:00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and Profit and Loss Account and annexures thereto for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ashwin Kumar Kothari, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Rohit Kothari, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

For and on behalf of the Board of Directors

Place: Mumbai.
Dated: 24th August, 2007

ASHWIN KUMAR KOTHARI
CHAIRMAN

REGISTERED OFFICE:

K. K. Chambers,
4th Floor,
Sir Purshottamdas Thakurdas Marg,,
Fort, Mumbai- 400 001.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries to the Chairman, so as to reach the registered office of the Company at least seven days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent possible.
3. The Register of Members and Share Transfer Books will remain closed from Saturday, 22nd September 2007 to Saturday, 29th September, 2007 (both days inclusive).
4. Members are requested to notify immediately any change in their address / bank mandate to their respective Depository Participant (DP) in respect of their electronic share accounts and to the Company's Registrar & Share Transfer Agent at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup- (West), Mumbai- 400078 in respect of their physical share folios.
5. Members are requested to bring their copy of Annual Report to the Meeting.
6. Members are requested to bring the Attendance Slip sent herewith duly filled for attending the Meeting.
7. The relevant details as required by Clause 49 of the Listing Agreement entered into with the Stock Exchange, of person, seeking re-appointment as Directors under Item Nos. 2 and 3 above, is annexed.

BRIEF RESUME OF PERSONS PROPOSED TO BE RE-APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING:

| Name | Shri Ashwin Kumar Kothari | Shri Rohit Kothari |
|--|--|---|
| Date of Birth | 14 th September, 1942 | 10 th December, 1974 |
| Qualification | S.B.(MIT) | A.C.A. & MBA. |
| Nature of Expertise | Business | Business |
| Experience | Experience of over 26 years in the field of Investment Trading, Finance & Manufacturing. | Varied Experience in the Trading, Investment, Finance Management and Stock Broking. |
| Name of Companies in which also holds Directorship | 1) Sam-Jag-Deep Investment Pvt. Ltd. 2) Gwalior Chemical industries Ltd. 3) Five Star Trading & Investment co. Ltd. 4) Rajashree Holding Ltd. 5) Park Avenue Engineering Ltd. 6) Meenakshi Steel Industries Ltd. 7) Jatayu Textile & Industries Ltd. 8) Sunayana Traders and Investment Co.Ltd. 9) Essel Mining & Industries Ltd. 10) Aditya Birla Health Services Ltd. 11) Sambhav Finance and Trading Co. Ltd. 12) Precision Wires India Ltd 13) Mahavir Box Manufacturing Pvt. Ltd. | 1) Monsoon Trading Company Ltd. 2) Sushree Trading Limited 3) Alpine Trading & Finance Ltd. 4) Rangoli Holdings Limited 5) Gwalior Chemical Industries Ltd. 6) Four Dimensions Securities (India) Limited 7) Four Dimensions Capital Markets Private Limited 8) Mountain View Realtors Private Limited |
| Name of the Companies in Committees of which holds membership / chairmanship | 1) Precision Wires India Ltd- Member of Audit Committee and Remuneration Committee | NIL |
| Shareholding in Aroni Commercials Limited | 282640 Equity Shares of Rs. 10/- each. | 310005 Equity Shares of Rs.10/-each. |

DIRECTORS' REPORT

The Members;

Your Directors have pleasure in presenting the 22nd Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS:

| Particulars | (Rs. in Lacs) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2007 | Year ended 31.03.2006 |
| Interest Received and other Income | 682.33 | 649.92 |
| Profit before Interest, Depreciation, Extraordinary items and Tax | 653.52 | 611.17 |
| Less: Interest | 0.14 | 0.03 |
| Less: Depreciation | 0.03 | 0.04 |
| Profit before Tax | 653.35 | 611.10 |
| Add/(Less): Provision for Taxation | | |
| a) Current | (68.00) | (105.10) |
| b) Previous Year | (1.06) | — |
| c) Deferred Tax Expenses | 0.01 | 0.01 |
| d) Fringe Benefit tax | (0.01) | (0.04) |
| Net Profit after Taxation | 584.29 | 505.97 |
| Balance brought forward from Previous Year | 2054.55 | 1548.59 |
| Balance Carried Forward | 2638.84 | 2054.55 |

Dividend:

Your Directors do not recommend any dividend for the year ended on 31st March 2007 with a view to conserve the resources for future.

Operations & Performance:

During the year ended 31st March, 2007, your Company achieved a total income aggregating to Rs. 682.33 Lacs as compared to Rs. 649.92 Lacs in the previous year. After providing for Depreciation and Finance Charges, the Company has registered a profit before tax of Rs. 653.35 Lacs for the current year as against Rs. 611.10 Lacs for the previous year ended 31st March, 2006. After making provision for tax, the net profit after tax of Rs. 584.29 Lacs (previous year Rs. 505.97) has been carried to the Balance sheet.

Although the Company maintains adequate internal control systems covering all its operation areas, the Company's Audit Committee reviews these internal control systems in detail for their effectiveness and their adequacy in the present scenario. The Directors are putting in their efforts and are hopeful of improved working during the years to come.

Change of the name of the Company from "Aroni Chemical Industries Limited" to "Aroni Commercials Limited":

During the year under review, the company has changed its name from Aroni Chemical Industries Limited to Aroni Commercials Limited as approved by the Shareholders vide special resolution passed at the previous Annual General meeting held on 30th September, 2006. Subsequently the Company has also obtained Fresh Certificate of Incorporation consequent upon the Change of the name of the Company dated 21st November, 2006 from the Registrar of Companies, Maharashtra, Mumbai.

Directors:

Shri Ashwin Kumar Kothari and Shri Rohit Kothari, Directors of the Company, retire by rotation and being eligible, offers themselves for re-appointment at the ensuing Annual General Meeting.

A brief profile of Directors proposed to be re-appointed is given in the notes to the Notice of the ensuing Annual General Meeting.

Directors' Responsibility Statement:

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors 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 as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
- that the Directors have 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.
- that the annual accounts for the year ended 31st March, 2007 have been prepared on a going concern basis.

Corporate Governance:

A Report on Corporate Governance along with a certificate from M/s. Rathi & Associates, Company Secretaries in practice, regarding compliance of the requirements of Corporate Governance, as also a Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement with the Stock Exchange are annexed hereto.

Auditors:

M/s Lalit Mehta Associates, Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Members are requested to appoint auditors for the current year and to authorize the Board to fix their remuneration.

Auditors' Report:

The observations made by the Auditors in their Report read with the relevant notes as given in the Notes on Accounts for the year ended 31st March, 2007 are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Public Deposits:

The Company has not accepted any deposits from public.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo:**A] Conservation of Energy and Technology Absorption:**

The Company has not engaged in any manufacturing activity and had no foreign collaboration and also has not imported or exported any goods and services.

B] Foreign Exchange Earnings & Outgo:**(Rs. In Lacs)**

| PARTICULARS | 2006-2007 | 2005-2006 |
|--------------------------|------------------|------------------|
| Foreign Exchange Earning | Nil | Nil |
| Foreign Exchange Outgo | Nil | 0.09 |

Particulars of Employees:

The Company does not have any employee in receipt of remuneration equal to or exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Acknowledgements:

Your Directors take this opportunity to express their gratitude for the support and co-operation from the Investors, Banks and Statutory Authorities. Your Directors express their deep appreciation to the Company's employees at all levels for their unstinted efforts and valuable contributions during the year.

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 24th August, 2007

ASHWIN KUMAR KOTHARI
CHAIRMAN

CORPORATE GOVERNANCE REPORT**(A) Company's Philosophy on Code of Corporate Governance**

Aroni Commercials Limited (ACL) is fully committed to and continues to practice good Corporate Governance. The Company believes that proper Corporate Governance generates goodwill among business partners, customers and investors, facilitates effective management and control of business and generates competitive returns for the investors. In addition to the basic governance issues, the Company lays significant emphasis on the principles of trusteeship, transparency, empowerment, accountability and integrity.

(B) Board of Directors**(I) Board Composition**

The composition of the Board is in accordance with the requirements of the corporate Governance code of Listing Agreement with the Stock Exchanges. The Board of Directors of the Company consists of optimal combination of Non-Executive and Independent directors. As on 31st March, 2007 the Board comprised of Four (4) Non-Executive Directors of which Two (2) are Independent. The Chairman of the Board is a Non-Executive Director.

As on the date of this report, the constitution of the Board is as given below:

| Director | Executive/Non-Executive/ Independent | Directorships* | Number of other | |
|--|---|----------------|------------------------|--------------------------|
| | | | Committee Memberships# | Committee Chairmanships# |
| Shri Ashwin Kumar Kothari | Chairman, Non-Executive, Promoter | 11 | 2 | — |
| Shri Rohit A. Kothari | Non-Executive, Promoter | 6 | — | — |
| Shri Jaysuklal N Shah (Resigned w.e.f 14/08/2006) | Non-Executive | 2 | — | — |
| Shri Vasantlal J. Bhavsar | Non-Executive, Independent | — | — | — |
| Shri Umaidmal Kala | Non-Executive, Independent | — | — | — |

* Other Directorships exclude Directorships held in Private Limited Companies.

Committee of Directors includes Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of Directors only. Committee Membership do not include Membership in Committee of Directors of Aroni Commercials Ltd.

(II) Board Meetings and Attendance of Directors

The Board meets at least once in a quarter to consider amongst other business the performance of the Company and quarterly financial results. When necessary, additional meetings are held. The Board meetings are generally held at the Registered Office of the Company at Mumbai. Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board Member is free to suggest the inclusion of items on the agenda.

There were Eight Board Meetings during the year ended 31st March, 2007 i.e. on 29th April 2006, 29th June 2006, 31st July 2006, 14th August 2006, 31st October 2006, 15th December 2006, 28th December 2006 and 25th January 2007. The Table hereunder gives the attendance record of the Directors at the Board Meetings held during 2006-07 and the last AGM:

| Name of the Directors | Number of Board Meetings held | Number of Board Meetings attended | Whether attended last AGM |
|---|-------------------------------|-----------------------------------|---------------------------|
| Shri Ashwin Kumar Kothari | 8 | 7 | No |
| Shri Rohit A. Kothari | 8 | 6 | Yes |
| Shri Jaysukhlal N. Shah (resigned w.e.f. 14/08/2006) | 3 | 3 | No |
| Shri Vasantlal J. Bhavsar | 8 | 7 | No |
| Shri Umaidmal Kala | 8 | 7 | No |

(iii) Remuneration Policy:

None of the Directors is paid any remuneration or sitting fees. Presently, the Company does not have any stock option plan or performance linked incentives for its Directors.

Shares held by Non-Executive Director

| Name of the Non-Executive Director | Equity Shares held (No.) |
|--|--------------------------|
| Shri Ashwin Kumar Kothari | 2,82,640 |
| Shri Rohit A. Kothari | 3,10,005 |
| Shri Jaysukhlal N. Shah (Resigned w.e.f. 14/08/2006) | 99 |
| Shri Vasantlal J. Bhavsar | NIL |
| Shri Umaidmal Kala | NIL |

(C) Board Committees

To enable better and more focussed attention on the affairs of the corporation, the Board delegates particular matter to committee of the Board set up for the purpose. The committees prepare the groundwork for decision making and report at the subsequent Board meeting. Currently, the Board has two Committees – the Audit Committee and the Shareholders/ Investors Grievance Committee. As on date, the Audit Committee comprises of three members, of which two Members are Non-Executive Independent Directors and one member is a Non-Executive Director. The Shareholders/Investor Grievance Committee comprises of two Members. The Chairman of the said Committee is a Non-Executive Director.

The Board is responsible for the constitution, co-opting and fixing the terms of reference for Committee members of the said Committees.

(i) Audit Committee**Terms of reference****(a) Primary objectives of the Audit Committee**

The Audit Committee of the Company inter-alia provides assurance to the Board on the adequacy of the internal control systems and financial disclosures. The primary objective of the Audit Committee (the "Committee") is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The Committee oversees the work carried out in the financial reporting process – by the management, including the independent auditor – and notes the process and safeguards employed by each.

(b) Scope of the Audit Committee

1. Provide an open avenue of communication between the independent auditor and the Board of Directors ("BoD")
2. Recommending the appointment, re-appointment and if required the replacement or removal of statutory auditors, fixation of audit fees and also to approve the payment for other services.
3. Meet Four times a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
4. Confirm and assure the independence of the external auditor.
5. Review with independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.
6. Consider and review with the independent auditor the adequacy of internal controls including the computerised information system controls and security;
7. Reviewing with the management the Quarterly financial statements before submission to the Board for approval.
8. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - (a) Any changes in the accounting policies and practices
 - (b) The going concern assumption
 - (c) Compliance with accounting standards
 - (d) Compliance with listing and other legal requirements concerning financial statements
 - (e) Significant adjustment arising out of audit
 - (f) Disclosure of any related party transactions.
 - (g) Qualification in the draft audit report
9. Consider and review with the management and the independent auditor;
 - (a) Significant findings during the year, including the status of previous audit recommendations,
 - (b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
10. Review of the following information:
 - (a) Management discussion and analysis of the financial conditions and results of operations;
 - (b) Statement of significant related party transactions submitted by the management;
 - (c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors
11. To look into the reasons for substantial default in the payment to the depositors, debentures holders, shareholders (in case of non payment of declared dividends) and creditors.