

31st Annual Report 2005-2006

(15 Months)



ASHIM INVESTMENT COMPANY LIMITED

BOARD OF DIRECTORS	: Lajpat Rai Puri Sitab Chand Jain Ashok Kumar Kinra Pramod Kumar Jain Deepak Kumar Rajgarhia
BANKERS	: Central Bank of India UTI Bank Ltd.
AUDITORS	: G.P. Agrawal & Company Chartered Accountants
REGISTERED & ADMINISTRATIVE OFFICE	: Link House, 3, Bahadur Shah Zafar Marg, New Delhi - 110 002
REGISTRAR & SHARE TRANSFER AGENT	: MCS Limited Shri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110 020 Ph.: 011-41406149, 41406151-52 Fax: 011-41406148
COMPANY WEBSITE	: www.ashiminvestco.com
COMPANY SECRETARY	: Dillip Swain

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of the Company for the 15 months period ended 30th June 2006.

Scheme of Reconstruction, Arrangement and Demerger

The Scheme of Reconstruction, Arrangement and Demerger between JK Lakshmi Cement Limited (JKLC) and Ashim Investment Company Limited (the Company) and their respective Shareholders and Creditors (the Scheme) sanctioned by the Hon'ble High Courts of Rajasthan (Jodhpur) and Delhi has become effective on 31st March 2006 (Effective Date) and operative w.e.f. 1st April 2005, the Appointed Date under the Scheme.

Pursuant to the Scheme -

- (i) The pre-Scheme paid up Equity Share Capital of the Company of Rs.10,00,00,000 divided into 1,00,00,000 Equity Shares of Rs.10 each stood reorganized and reduced to Rs.43,47,830 divided into 4,34,783 fully paid Equity Shares of Rs.10 each.
- (ii) The Investment Division of JKLC together with all the assets and liabilities comprised therein stood transferred to and vested in the Company w.e.f. 1st April 2005.
- (iii) 55,15,725 fully paid Equity Shares of Rs.10 each and 89,161 7% fully paid Cumulative Redeemable Preference Shares of Rs.10 each were issued and allotted to the members of JKLC as on 19th April 2006, the Record Date fixed for the purpose by JKLC.
- (iv) All the profits accrued and/or losses incurred in respect of the business of the said Investment Division carried on by JKLC from 1st April 2005 till the Effective Date, i.e. 31st March 2006 for and on account of and in trust for the Company, were transferred to the Company.

Financial year

With a view to give impact of the Scheme in the Accounts of the Company, the financial year of the Company commencing 1st April 2005 which would have normally ended on 31st March 2006, has been extended by 3 months, i.e. upto 30th June 2006.

Financial Results

The financial results of the Company for the period ended 30th June 2006 (15 months) are as under:

	<u>Rs./Lacs</u>
Profit before Depreciation and Tax	<u>349.13</u>
Profit after Tax	300.67
Surplus brought forward	<u>41.99</u>
Amount available for appropriation	<u>342.66</u>
Appropriations:	
Statutory Reserve	60.14
Dividend including Dividend Tax	68.74
Surplus carried to Balance Sheet	<u>213.78</u>
	<u>342.66</u>

Dividend

Your Directors are pleased to recommend a dividend of 10% on the Equity Shares (i.e. Re.1.00 per Share) in addition to the fixed preferential dividend @ 7% p.a. on the Cumulative Redeemable Preference Shares for the period 1.4.2005 to 30.6.2006. If approved at the Annual General Meeting, the Dividend will absorb Rs.68.74 lacs (inclusive of dividend tax of Rs.8.46 lacs).

Business Overview

Through the aforesaid Scheme, the size of the investments of the Company increased manifold with good potential of increase in income. Efforts will be made for further consolidation of the investment business of the Company.

Directors

Shri Sitab Chand Jain, Shri Ashok Kumar Kinra, Shri Pramod Kumar Jain were appointed as additional Directors w.e.f. 31st March 2006 and they shall hold the said office upto the date of the forthcoming Annual General Meeting. The Company has received from members notices pursuant to Section 257 of the Companies Act 1956 proposing the candidature of Shri Sitab Chand Jain, Shri Ashok Kumar Kinra and Shri Pramod Kumar Jain for appointment as Directors liable to retire by rotation. The Board commends approval to the said appointments.

Shri P.S. Sharma and Shri U.K. Gupta resigned from the Board of Directors of the Company w.e.f. 31st March 2006. Shri R.N. Saraf resigned from the Board w.e.f. 28th April 2006 and, in the casual vacancy so caused, Shri Deepak Kumar Rajgarhia was appointed as Director w.e.f. 15th May 2006.

The Board places on record its appreciation of the valuable services rendered by Shri P.S. Sharma, Shri U.K. Gupta and Shri R.N. Saraf during their respective tenures of office.

Shri Lajpat Rai Puri retires by rotation and being eligible, offers himself for re-appointment at the Annual General Meeting.

Manager

Shri U.K. Gupta has been appointed as Manager of the Company for a period of three years w.e.f. 15th May 2006 subject to the approval of the members of the Company pursuant to Section 269 of the Companies Act 1956.

Consolidated Accounts

Consequent to the transfer of the Investment Division of JKLC to the Company pursuant to the Scheme, the subsidiary companies of JKLC, viz., Sidhi Vinayak Investment Ltd., Mayfair Finance Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd. and Panchmahal Properties Ltd., became subsidiary companies of the Company w.e.f. 1st April 2005.

Pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements are being presented by the Company for the period under report. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act 1956, copies of the Balance Sheets, Profit & Loss Accounts, Reports of the Boards of Directors and the Reports of the Auditors, etc. of the subsidiary companies have not been attached to the Balance Sheet of the Company. The Company will make available these documents/details upon request by any members interested in obtaining the same.

Auditors

Messrs. G.P. Agrawal & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

ASHIM INVESTMENT COMPANY LIMITED

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act 1956, your Directors state that -

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the accounting policies selected and applied are consistent and judgements and estimates made 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 15 months period and of the profit or loss of the Company for that period;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

Corporate Governance Report

Your Company reaffirms its commitment to good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

Particulars of Employees

During the period under review, the Company had no employee in the category specified under Section 217(2A) of the Companies Act 1956.

Information pursuant to Section 217 (1)(e) of the Companies Act 1956.

The requirement of furnishing particulars of energy conservation, technology absorption, etc. is not applicable to the Company. There has been no foreign exchange earning or outgo during the year.

Fixed Deposits

The Company is a registered non-Banking Finance Company and does not accept fixed deposits and as required by the Reserve Bank of India (RBI), the Board of Directors have also passed necessary resolution not to accept fixed deposits without prior approval of RBI.

Acknowledgements

Your Directors wish to place on record their thanks to the shareholders, Financial Institutions and Banks for their co-operation and support to the Scheme. They also extend a warm welcome to the members of JKLC who have become members of this Company through the aforesaid Scheme.

On behalf of the Board

Sitab Chand Jain
Director

Lajpat Rai Puri
Director

New Delhi
29th September 2006

MANAGEMENT DISCUSSION AND ANALYSIS

Risks and concerns

Ashim Investment Company Limited (the Company) is essentially an Investment Company. Its sources of income are mainly from the dividends receivable on investments made and held by it in other companies. Any adverse financial impact on the operations/businesses of the investee companies may impact the revenues of the Company.

Management Perception

Pre-Scheme, the investments of the Company were of the order of Rs.11.06 Crores. Post-Scheme, as on 30th June 2006, the investments of the Company are of the order of Rs.171.99 Crores. On account of the multifold increase in the size of investments and other assets, income of the Company has grown and is further expected to grow.

During the 15 months period ended 30th June 2006 PBDT was of the order of Rs.349.13 lacs as against Rs.39.33 lacs in the previous year. Your Directors proposed 10% dividend on Equity Capital in addition to 7% p.a. fixed preferential dividend on the Cumulative Redeemable Preference Shares(CRPS). The dividend absorbs Rs.68.74 lacs inclusive of Dividend Tax.

The Company has already disposed off part of the non-yielding investment portfolio. The investments in the subsidiaries are backed by investments largely in listed companies with potential for reasonable income therefrom. Further, the investments of the Company and its subsidiaries in listed companies are shown in the books at cost of acquisition. With the buoyancy being witnessed in the capital market, the listed investments should have a good capital appreciation.

It may be mentioned that pre-Scheme, the Company had an aggregate paid up Equity Capital of Rs. 10 Crores and post-Scheme, it has a smaller aggregate paid up Capital of Rs. 6.04 Crores (Equity: Rs. 5.95 Crores and CRPS: Rs. 0.09 Crore) to be serviced.

NBFC

The Company is a Non-Banking Financial Company (NBFC) governed by Chapter III-B of the Reserve Bank of India Act, 1934 (RBI) which, with its regulatory and supervisory framework, ensures strong and healthy functioning of NBFCs by limiting excessive risk taking practices and protecting the interest of deposit holders. The Company does not accept Fixed Deposits and as required by the RBI, the Board of Directors have passed necessary resolution not to accept Fixed Deposits without prior approval of RBI.

Adequacy of internal control system

The Company's internal control systems and procedures are commensurate with the size of operations and are adequate to ensure-

- Safeguarding its assets and resources against loss, un-authorised use or disposition.
- Compliance with all statutes and regulatory policies and framework.
- All transactions are authorized, recorded and reported correctly.

The Audit Committee of Directors continually reviews adequacy of internal controls.

Cautionary Statement

The Statement in this Management Discussion and Analysis report, describing the Company's outlook, projections, estimates, expectations or predictions may be "Forward-looking Statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied.

ASHIM INVESTMENT COMPANY LIMITED

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are :-

- Commitment to excellence and customer satisfaction.
- Maximising long term shareholders value.
- A Socially valued enterprise.
- Caring for people and environment.

In nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholders' value and commitment to high standards of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

2. BOARD OF DIRECTORS :

The Board of Directors presently consists of five Non-Executive Directors(NED) out of which two are independent Directors (IND). The Board does not have a permanent Chairman. At each Board Meeting, Directors present elect one amongst themselves as Chairman of the meeting. Other details are as given hereunder:

Name of Director	Category	No. of Board Meetings attended during 2005-06	Whether attended last AGM	No. of other Directorships and committee Memberships/Chairmanships		
				Other Directorships*	Other Committee Memberships**	Other Committee Chairmanships**
Shri L.R. Puri	NED	15	Yes	8	1	1
Shri S.C. Jain (appointed w.e.f. 31.3.2006)	NED	4	NA	8	5	1
Shri A.K. Kinra (appointed w.e.f. 31.3.2006)	NED	3	NA	8	5	-
Shri P.K. Jain (appointed w.e.f. 31.3.2006)	IND	4	NA	4	-	2
Shri Deepak Kumar Rajgarhia (appointed w.e.f.15.5.2006)	IND	2	NA	-	-	-
Shri P.S. Sharma (ceased w.e.f. 31.3.2006)	NED	11	Yes	3	3	1
Shri U.K. Gupta (ceased w.e.f. 31.3.2006)	NED	12	No	2	1	-
Shri R.N. Saraf (ceased w.e.f. 28.4.2006)	NED	-	No	1	-	-

* Excluding Directorships in Private Limited Companies, Foreign Companies, memberships of Managing Committees of Chambers/bodies/Section 25 companies.

** only covers Membership/Chairmanship of Audit Committee, and Shareholders /Investors Grievance Committee.



DATES AND NUMBER OF BOARD MEETINGS HELD

During the financial year ended 30th June 2006, fifteen meetings of the Board of Directors were held on 30th April 2005, 11th July 2005, 26th July 2005, 30th July 2005, 29th October 2005, 11th November 2005, 30th November 2005, 21st December 2005, 31st December 2005, 23rd January 2006, 31st January 2006, 31st March 2006, 28th April 2006, 15th May 2006 and 19th June 2006.

The Board periodically reviews compliance reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non-compliances if any.

In terms of the provisions of Clause 49 of the Listing Agreement and contemporary practices of good Corporate Governance, the Board has laid down a Code of Conduct for all Board members and senior management of the Company and the same is available on the website of the Company (www.ashiminvestco.com). All the Board members and senior management personnel have affirmed compliance with the Code.

3. AUDIT COMMITTEE :

The Terms of Reference of the Audit Committee have been revised in conformity with the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement. The Audit Committee had consisted of Shri L.R. Puri, Shri P.S. Sharma, Shri R.N. Saraf and Shri U.K. Gupta. With the resignations of Shri P.S. Sharma, Shri R.N. Saraf and Shri U.K. Gupta from the Board, the Audit Committee was reconstituted. Presently, the Committee consists of Shri P.K. Jain (Independent) Chairman, Shri Deepak Kumar Rajgarhia (Independent) and Shri S.C. Jain. During the period ended 30th June 2006, 6 meetings of the Audit Committee were held as detailed hereunder:

Date of Meeting	No. of Members attended
30 th April 2005	3
11 th July 2005	3
30 th July 2005	3
29 th October 2005	3
31 st January 2006	3
28 th April 2006	3

4. REMUNERATION COMMITTEE :

The Company does not have any Executive Director. Accordingly, there is no Remuneration Committee. The non-executive Directors do not draw any remuneration from the Company except sitting fees. The Company has paid sitting fees aggregating to Rs.11,250 to the non-executive Directors for attending the meetings of the Board of Directors of the Company during the financial year ended 30.6.2006.

Shri Sitab Chand Jain holds 11 Equity Shares in the Company. No other Directors hold any shares in the Company.

5. SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE :

The Shareholders/Investors Grievance Committee consisted of 3 non-executive Directors, namely, Shri L.R. Puri, Shri P.S. Sharma and Shri U.K. Gupta. After the resignation of Shri P.S. Sharma and Shri U.K. Gupta from the Board, the Committee was reconstituted. Presently, the Committee consists of Shri L.R. Puri, Chairman, Shri S.C. Jain and Shri P.K. Jain. During the process of sanction and implementation of the Scheme, queries were received from certain shareholders regarding the Scheme, non-receipt of circular regarding option to receive CRPS in lieu of equity entitlements, non-receipt of share certificates, etc. The said letters were promptly replied to and share certificates which had come back as undelivered mail were sent again to the shareholders concerned. There are no complaints pending. The Company has also a Committee of Directors which approves registration of transfers of shares in physical mode, etc. on fortnightly basis. All valid requests for transfers of shares in physical form were processed in time and there are no pending transfers of shares.

6. GENERAL BODY MEETINGS :

Location and time for the last three Annual General meetings:

Year	Date & Time	Location
2002-03	29 th September 2003 at 11.00 A.M.	Registered Office at 'Link House' (4 th floor)3, Bahadur Shah Zafar Marg, New Delhi-110002.
2003-04	29 th September 2004 at 11.00 A.M.	-do-
2004-05	26 th September 2005 at 12.30 P.M.	-do-

No special resolutions were passed in the previous 3 AGMs. Also, no special resolutions were required to be put through postal ballot.

In addition to Annual General Meetings, Company holds Extraordinary General Meetings (EGM) of the shareholders as and when need arises. Special resolutions for increase of Authorised Capital and alteration of Articles of Association of the Company were passed at the EGM held on 29th April 2006.

7. (a) *Disclosures on materially significant related party transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:*

Suitable disclosures as required by Accounting Standard (AS-18) on Related Party Transactions have been made in the Annual Report.

- (b) *Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital market, during the last three years:*

There were no cases of non-compliance of any matter related to capital markets during the last three years.

- (c) The Company has laid down procedures to inform Board members about risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

8. MEANS OF COMMUNICATION :

Quarterly, half-yearly and annual Results of the Company are normally published in leading English Dailies like Financial Express/Business Standard and Vir-Arjun having wide circulation and promptly furnished to the Stock Exchanges for display on their respective websites. As the results are published in newspapers having wide circulation and also displayed on the respective websites of the Stock Exchanges, quarterly and half-yearly results are not separately sent to the shareholders.

Management Discussion and Analysis Report forms part of the Annual Report.

9. (i) GENERAL SHAREHOLDERS' INFORMATION :**(a) Annual General Meeting :**

Day & Date	:	Monday, 27 th November 2006
Time	:	3.00 P.M.
Venue	:	Gandhi Memorial Auditorium, Pearey Lal Bhawan, 2, Bahadur Shah Zafar Marg, New Delhi 110 002.

- (b) As required under Clause 49 VI(A), brief resume and other particulars of Directors retiring by rotation and/or seeking re-appointment/appointment at the aforesaid AGM are given in the Notes/Explanatory Statement to the Notice convening the said meeting.

(ii) **Financial Calendar (tentative) :****Quarter ending**

September 30, 2006	:	By end October 2006
December 31, 2006	:	By end January 2007
March 31, 2007	:	By end April 2007
June 30, 2007 (If unaudited)	:	By end July 2007
(If audited)	:	By end September 2007
Annual General Meeting for the year ending June 30, 2007	:	Between November and December 2007

(iii) **Book Closure** : From 16.11.2006 to 27.11.2006 (both days inclusive).(iv) **Dividend payment date** : Before 26th December 2006(v) **Listing on Stock Exchanges :**

The Scheme of Reconstruction, Arrangement and Demerger between JK Lakshmi Cement Ltd.(JKLC) and Ashim Investment Company Ltd. and their respective Shareholders and Creditors sanctioned by the Hon'ble High Courts of Rajasthan and Delhi has become effective on 31st March 2006 and operative w.e.f. 1st April 2005, the Appointed Date under the Scheme. Pursuant to the said Scheme—

- the pre-Scheme paid up Equity Share Capital of the Company of Rs.10,00,00,000 divided into 1,00,00,000 Equity Shares of Rs.10 each stood reorganized and reduced to Rs.43,47,830 divided into 4,34,783 fully paid Equity Shares of Rs.10 each.
- 55,15,725 fully paid Equity Shares of Rs.10 each and 89,161 7% Cumulative Redeemable Preference Shares of Rs.10 each(CRPS) were issued and allotted to the members of JKLC as on 19th April 2006, the Record Date fixed for the purpose by JKLC.

Certificates in respect of the shareholders holding shares in physical form were dispatched and the shares issued in dematerialized form have been credited to the respective beneficiary Accounts. The aforesaid shares have been listed on Bombay Stock Exchange (Equity Shares: Scrip Code 532753 and CRPS: Scrip Code700111) and trading commenced on 8th August 2006. The said shares were also listed on Calcutta Stock Exchange and the Uttar Pradesh Stock Exchange (Kanpur). Listing fees upto and for the year 2006-07 have been paid to all the aforesaid Stock Exchanges.

(vi) **Stock Market Price Data :**

No trading has been reported on the Stock Exchanges at Calcutta and Kanpur. Trading in the Equity Shares and CRPS of the Company commenced on BSE w.e.f. 8th August 2006. The market price data of Equity Shares on BSE during the months of August and September 2006 are as under:

<u>Month</u>	<u>High (Rs.)</u>	<u>Low (Rs.)</u>
August 2006	150.00	45.15
September (upto 29 th September 2006)	56.00	44.10

(vii) **Share Transfer System :**

The transfer/transmission of shares in physical form are normally processed and completed within a period of 15-20 days from the date of receipt thereof. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through their respective depository participants.