



B.N.RATHI SECURITIES LIMITED

BOARD OF DIRECTORS

Sri LAXMINIVAS SHARMA - Chairman
Sri BADRI NARAYAN RATHI
Sri K.HARISHCHANDRA PRASAD
Sri HARI NARAYAN RATHI - Managing Director
Sri CHETAN RATHI - Executive Director

AUDITORS

Kalyandas & Co.,
Chartered Accountants
15,Venkateshwara Colony,
Narayanguda, Hyderabad - 500029.

BANKERS

HDFC Bank Ltd.
Karur Vysya Bank Ltd
ICICI Bank Ltd
Andhra Bank

REGISTERED OFFICE

6-3-652,Kautilya, Amrutha Estates,
Somajiguda, Hyderabad-500082
Phones : 040-30527777,30727777
e-mail : support@bnrsecurities.com
Web : www.bnrsecurities.com

STOCK EXCHANGES (LISTED)

Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Phone : 040- 23420816-824
Fax : 040 -23420814
e-mail : einward.ris@karvy.com

DEMAT ISIN NUMBER IN NSDL &CDSL INE710D01010



B.N.RATHI SECURITIES LIMITED

NOTICE

Notice is by given that the 24th Annual General Meeting of the Members of B N Rathi Securities Limited will be held on 24th September 2010 at 9.30 A.M. at Rajasthani Graduates Association Hall, 5-4-790/1,1st Floor, Abids, Hyderabad-500001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2010 together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Badri Narayan Rathi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K Harish Chandra Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS

6. APPOINTMENT OF SHRI CHETAN RATHI AS AN WHOLE TIME DIRECTOR/ EXECUTIVE DIRECTOR

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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 Shri Chetan Rathi, Director be and is hereby appointed as Whole time Director of the Company for a term of 3 years with effect from 1st April, 2010 on the following terms and conditions,

I) REMUNERATION: Rs 40000/- (Rupees Forty Thousand Only) per Month.

II) PERQUISITES:

- A) Medical Reimbursement: of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- B) Leave Travel Concession: For self and family, once in a year incurred in accordance with the rules of the Company.
- C) Club Fees: of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee
- D) Provident Fund: Company's contribution towards Provident Fund and Family Pension Fund as per the Rules of the Company but not exceeding 12% of the Salary.
- E) Gratuity as per the Rules of the Company, but shall not exceed one-half month's salary for each completed year of service.
- F) Provision of car with driver for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.
- G) Personal Accident Insurance Premium not to exceed Rs.10,000 per annum.
- H) Reimbursement of entertainment expenses, traveling and all other expenses actually and properly incurred for the purpose of Company's business.

7. REAPPOINTMENT OF SHRI HARI NARAYAN RATHI AS A MANAGING DIRECTOR

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

"RESOLVED THAT pursuant to Sections 198, 269,309, 310 and 311, read with Part I of Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, including any statutory modification(s) or enactment(s) thereof, for the time being in force, and with the approval of the members in the Annual General Meeting consent and in accordance with Articles of Association of the Company Shri Hari Narayan Rathi, Managing Director be and is here by re-appointed has Managing Director of the Company for a further period of five years with effect from 1st October, 2010"

"RESOLVED FURTHER THAT the Board of Directors be and are here by authorised to take all necessary steps as may be necessary to give effect to the above resolution."

8. APPROVAL OF REMUNERATION OF SHRI HARI NARAYAN RATHI, MANAGING DIRECTOR

To consider and if thought fit, to pass with or without modification the following resolution as an Special resolution

"RESOLVED THAT pursuant to Sections 198, 269, 302, 309,310, 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, including any statutory modification(s) or enactment(s) thereof, for the time being in force, subject to the approval of the Central Government and such other approvals as may be required, the consent and approval of the Company be and is hereby accorded to the payment of remuneration to Shri Hari Narayan Rathi as Managing Director of the Company for a period of 5 years from 1st October 2010 on the existing terms of payment as set out hereunder:

- a. Basic Salary: Rs.1,20,000/- per month (Rupees One Lack Twenty Thousand only)
- b. PERQUISITES:
 - A) Medical Reimbursement: Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - B) Leave Travel Concession: For self and family, once in a year incurred in accordance with the rules of the Company.
 - C) Club Fees: Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee



- D) Provident Fund : Company's contribution towards Provident Fund and Family Pension Fund as per the Rules of the Company but not exceeding 12% of the Salary.
- E) Gratuity as per the Rules of the Company, but shall not exceed one-half month's salary for each completed year of service.
- F) Provision of car with driver for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.
- G) Personal Accident Insurance Premium not to exceed Rs.10,000 per annum.
- H) Reimbursement of entertainment expenses, traveling and all other expenses actually and properly incurred for the purpose of Company's business.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation in the provisions relating to the payment of remuneration to managerial persons or to Schedule XIII to the Companies Act, 1956, the Board of Directors be and are hereby authorized to vary or increase the remuneration including Basic Salary, Commission, Perquisites, Allowances etc. within such prescribed limits.

Overall Remuneration

The aggregate of Basic Salary, Commission, Perquisites and Allowances in any Financial Year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, for the time being in force.

Where in any Financial Year comprised by the period of appointment, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid or given to the Managing Director in accordance with the approval of the Central Government, wherever required.

Adequate Profits

Where in any Financial Year, during the tenure of Shri Hari Narayan Rathi, the Company has adequate profits, the Company shall pay to Shri Hari Narayan Rathi, remuneration by way of Basic Salary, Commission, Perquisites and Allowances not exceeding the amount approved by the Central Government and which shall not exceed the limits prescribed from time to time under Sections 198, 309 read with Schedule XIII to the Companies Act, 1956 for the time being in force.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all necessary steps as may be necessary to give effect to the above resolution."

- 9 To consider and if thought fit, to pass with or without modification the following resolution as a Special resolution.

"RESOLVED THAT pursuant to Sections 17 and all other applicable provisions if any, of the Companies Act, 1956, sub-clause 7 of the MAIN OBJECTS CLAUSE as mentioned in clause III (A) of the Memorandum of Association of the company be and is hereby deleted and substituted with the following :

7. To carry on business as underwriters and brokers of stock shares, debentures stock, Government Bonds, Units of Unit Trust, National Savings Certificates, capitalists and financiers and to undertake depository participant activities and for that purpose to obtain the membership of the Depositories under the Depositories Act, 1996 by registering with the Central Depository Services (India) Limited and/or National Securities Depository Limited or such other entity as may be recognized in this behalf and provide services such as demat account opening and maintenance, dematerialization and rematerialization of shares and other applicable securities, provision of transaction statements, transaction execution, creation and cancellation of pledge of securities, facilitating settlement of trades through market transactions, off-market transfers and inter-depository transfers, distribution of non-cash corporate actions, nomination/transmission and other demat related services

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to take all such necessary steps as may be required to give effect to the above resolution."

By Order of the Board
for **B.N. Rathi Securities Limited**

Date : 29.07.2010
Place : Hyderabad.

HARI NARAYAN RATHI
MANAGING DIRECTOR



NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member.
2. The instrument of Proxy in order to be effective shall be deposited at the Corporate Office of the Company by not less than **48 hours before the commencement of the Meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2010 to 24.09.2010 (Both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL, for this purpose.
4. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before 23.10.2010 to those members whose names appear on the Company's Register of Members as on 24.9.2010.
5. The valid transfer deeds should be lodged with the Registrar before the book closure date to determine entitlement of the dividend.
6. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy of annual report to the Meeting.
7. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Karvy Computershare Pvt Ltd., Share Transfer Agents of the Company for their doing the needful.
8. Members are requested to notify change in address, if any, immediately to M/s Karvy Computershare Pvt Ltd., Share Transfer Agents of the Company, quoting their folio number.

Explanatory Statement (Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO 6 :

The Ordinary Resolution at item No.6 of the Notice is to seek the members' approval to the appointment of Shri Chetan Rathi as Whole-time Director of the Company under the designation "Executive Director" made by the Board of Directors of the Company at its meeting held on 18-03-2010. Shri Chetan Rathi after post graduating from Pune University in the year 1998 Shri Chetan Rathi having thus acquired a good knowledge and experience in Share broking business, the Directors of your Company thought proper to appoint him as the Whole-time Director of the Company for a period of 3 years with effect from 01.04.2010 to 31.03.2013 subject to the approval of the members of the Company.

Further the same be treated as abstract of the contract to Section 302(1) (b) of the Companies Act, 1956.

Accordingly, the Board recommends the resolution for approval of the members as an ordinary resolution.

None of the Directors except Shri Badri Narayan Rathi and Hari Naryaan Rathi are concerned or interested in the said resolution.

ITEM NO 7:

Sri Hari Narayan Rathi present 3 years term of office as the Managing Director of the Company expires on 28th September 2010. Sri Hari Narayan Rathi has been in the office as such Managing Director since 1st October, 1997 thus completing a period of about 13 years. During the tenure Sri Hari Narayan Rathi as Managing Director, the Company has made considerable progress in all the spheres and is optimistic on the future progress.

The Board of Directors confidently feel that the Company should continue to avail the services of Sri Hari .Narayan Rathi as a very able and experienced person. Hence the Board of Directors at their meeting held on 29th July 2010 has considered it necessary to reappoint Sri Hari .Narayan Rathi as the Managing Director of the Company for further period of 5 years with effect from 1st October, 2010 subject to the approval of Members of the Company.

Further the same be treated as abstract of the contract to Section 302(1) (b) of the Companies Act, 1956.

Accordingly, the Board recommends the resolution for approval of the members as an ordinary resolution.

None of the Directors except Shri Badri Narayan Rathi, Shri Hari Naryaan Rathi and Shri Chetan Rathi are concerned or interested in the said resolution.

Item No. 8 :

Sri Hari Narayan Rathi has immensely contributed for the growth of the Company through his skills, talent and commitment. The Company has made remarkable progress under his guidance and supervision and has embarked upon the expansion and diversification activities to achieve a much higher growth rate.



The Remuneration Committee fixed the remuneration package with a view to align the package with the best corporate practices prevailing in the business. After considering the various factors, his contributions and responsibilities, the Remuneration Committee recommended the above mentioned terms of remuneration payable to Sri Hari Narayan Rathi.

The remuneration proposed to Sri Hari Narayan Rathi as recommended by the Remuneration Committee requires the approval of Members.

STATEMENT OF INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION :

- (1) Nature of Business: Dealing In Securities
- (2) Date or expected date of commencement of commercial production: N.A.
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- (4) Financial performance based on given indicators: (Amount in Rs.'000)

Financial Performance	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover	27903	44032	38620	61909	44308
Net profit as computed under Section 349	7935	11650	8093	11209	5898
Net profit / loss as per profit and loss account	7935	11650	8093	11209	5898
Amount of dividend paid (including dividend tax)	1710	1710	2105	2705	2948
Rate of dividend declared	10%	10%	15%	10%	10%

- (5) Export performance and net foreign exchange collaborations: Not Applicable
- (6) Foreign investments or collaborators, if any : Not Applicable

II. INFORMATION ABOUT THE APPOINTEES

- (1) Background details:
Shri Hair Narayan Rathi, aged 57 years, is Graduate in Science is associated with the Company since 1992.
- (2) Past remuneration:
Rs. 80,000/-
- (3) Recognition or awards: Not Applicable
- (4) Job profile and suitability:
Shri Hair Narayan Rathi is responsible to discharge the duties entrusted by the Board of Directors from time to time, which may include initiating speedy and stable growth strategies for the organization in line with the vision and mission of the Company, day-to-day management and administration of the Company.
- (5) Remuneration proposed:
As set out in the resolutions for the item 8 for Shri Hair Narayan Rathi the remuneration has the approval of the Remuneration Committee.
- (6) Comparative remuneration profile with respect to Business, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)
Taking into consideration of the size of the Company, the profile of Shri Hair Narayan Rathi and the responsibilities shouldered on them, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial positions in other companies.
- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:
Sri Chetan Rathi, is son of Shri Hair Narayan Rathi, Managing Director of the Company and is holding 149167 Equity Shares of the Company.



III. OTHER INFORMATION:

- (1) Reasons for inadequate profits:
The Company is engaged in shares & stock broking business which is prone to huge competition, lesser brokerage and huge cost of compliances with the various rules & regulations framed by SEBI & Stock Exchanges which in turn may result in inadequate profits.
- (2) Steps taken or proposed to be taken for improvement:
The following are the steps taken for improvement:
The Company has increased the number of sub-brokers/branches & accordingly opened branches in the State of Gujarat, Maharastra, Tamilnadu, Haryana and Rajasthan.
Further the Company is in the process to get empanelled with various institutions which will improve the profits in future.
- (3) Expected increase in productivity and profits in measurable terms.
The Financial markets are looking bright and have a better future. Economy is also growing due to which the company expects to do better in the coming years.

IV. DISCLOSURES:

- (1) The Shareholders of the company are informed of the remuneration package of the Managing Director by way of notice of Annual general Meeting.
- (2) The disclosures shall be mentioned in the Board of Director's Report under the heading "Corporate Governance" if any, attached to the Annual Report:- Not Applicable

The Board of Directors, therefore, recommends the passing of the Special Resolutions by Members of the Company as mentioned at item no. 6, 7 & 8 of the Notice.

The information provided herein may be deemed to be abstract as referred to under Section 302 of the Companies Act, 1956. The copies of the relevant resolutions of the Board in respect of reappointment and approval of remuneration are available for inspection by Members at the Registered Office of the Company during working hours of any working days till the date of annual general meeting.

None of the Directors except Shri Badari Narayan Rathi, Chetan Rathi and Sri Hari Narayan Rathi are deemed to be concerned or interested in the above resolution.

Item No. 9:

CDSL, Depository has advised the Company to incorporate a provision in the Object Clause relating to undertaking of depository participant activities. Accordingly the Board decided to amend the Object Clause.

This requires alteration of the Objects Clause of the Memorandum of Association of the company in terms of Sec. 17 of the Companies Act, 1956 as set out in the notice by way of consent of the Members through postal ballot.

Your Directors recommend the Resolution as set out in the item no.9 of the Notice of Annual General Meeting for the approval of the shareholders as Special Resolution.

None of the Directors of the Company is concerned or interested in the above resolution.

By Order of the Board
for **B.N. Rathi Securities Limited**

Date : 29.07.2010
Place : Hyderabad.

HARI NARAYAN RATHI
MANAGING DIRECTOR

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 24th Annual Report together with Audited Statements of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2010 are summarised as under:

	(Rs. In Lakhs)	
	2009-'10	2008-'09
Total Income	696.41	443.08
Total Expenditure	563.49	384.10
Profit before Tax	132.92	58.98
Provision for taxation	46.46	20.09
Profit after Tax	86.46	38.89
Transfer to General Reserves	2.16	Nil
Profit available for Appropriation	84.30	38.89
Provision for proposed Equity Dividend	30.24	25.20
Provision for Corporate Dividend Tax	5.02	4.28
Balance carried to Balance Sheet	49.04	9.41

DIVIDEND:

Your Directors are pleased to recommend a Dividend @12% on the Paid up Equity Share Capital of the Company in respect of the financial year 2009-10. The total outgo on account of dividend, inclusive of dividend tax @16.61% stands at Rs. 35.26 lakhs, for which necessary provision has been made in the accounts.

OPERATIONS:

Company has acquired the membership of NSE, BSE & MCX-SX and DP with CDSL. The Company is in the process of employment with various institutions, mutual funds etc. The Company is also making all efforts to expand in the various parts of the company where the presence is nil as of today.

INSURANCE:

The assets of the company are adequately insured. The Company has also taken Stock Brokers Indemnity Insurance to cover the exposure arising from NSE, BSE & MCX-SX operations, and also a Liability insurance Policy for Central Depository Services (India) Limited.

LISTING:

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited (Stock Code 523019). The annual listing fees for the year 2010- 2011 has been paid to the Stock Exchange.

DIRECTORS:

Smt. Nisha Rathi resigned as Director of the Company on personal grounds. The Board expressed their sincere appreciation for the services rendered by her as Director.

Sri Badri Narayan Rathi & Sri K. Hari Chandra Prasad retire by rotation and being eligible offers themselves for re-appointment.

AUDITORS:

The Auditors of the Company M/s. Kalyandas & Co. Chartered Accountants, Hyderabad retire at the ensuing Annual General Meeting of the Company and have given their consent for re-appointment. The company has also received a certificate from them under Section 224 (1-B) of the Companies Act, 1956.

AUDITORS'REPORT:

The Board has duly reviewed the Statutory Auditors 'Report on the Accounts for the year ended March 31, 2010 and wish to reply to the report that the same does not have any reservation, qualification or adverse remarks.

FIXED DEPOSITS :

The Company has not accepted any deposits from the public.

PARTICULARS OF EMPLOYEES:

None of the employees are covered under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors report for the year ended 31st March, 2010.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

The Directors confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that they 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 the end of the financial year 31.03.2010 and of the profits of the company for that period;
- (iii) 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;
- (iv) that they have prepared the annual accounts on a going concern basis.

STATUTORY COMPLIANCE:

The Company has complied with the required provisions relating to statutory compliance with regard to the affairs of the Company in all respects.

COMPLIANCE CERTIFICATE:

The Compliance Certificate referred as per the provision to Sub - Section (1) of Section 383A of the Companies Act, 1956 is obtained.

CREDIT & GUARANTEE FACILITIES:

The Company has been availing facilities of Credit and Guarantee as and when required, for the business of the Company, from HDFC Bank Ltd. and Karur Vysya Bank Ltd from time to time and the Company has taken the required steps to increase the Bank Guarantee limits. Personal Guarantees given for obtaining Bank Guarantees by the Managing Director and Director Sri B N Rath without any consideration.

FORFEITURE OF PREFERENTIAL CONVERTIBLE WARRANTS

During the year the company has forfeited a sum of Rs 11,92,400/- received towards 54,200 convertible warrants for non-opting of conversion of warrants into equity.

CONSOLIDATED FINANCIAL STATEMENTS

The Company has prepared Consolidated Financial statements in accordance with Accounting Standard 21 (AS21) issued by the Institute of Chartered Accountants of India. The Consolidated Statements reflect the results of the Company and those of its Subsidiary. As required by Clause 32 of the Listing agreement with Stock Exchange, the Audited Consolidated Financial statements together with Auditors' Report thereon are annexed and form the part of this Annual Report.

SUBSIDIARY COMPANY

During the financial year, your company acquired 100% of the equity capital of M/s B. N. Rath Comtrade Pvt. Ltd. and B. N. Rath Comtrade Pvt. Ltd. has become a wholly owned subsidiary of your Company. B. N. Rath Comtrade Pvt. Ltd. is a Trading Cum Clearing Member of MCX and NCDEX.

INTERNAL AUDIT:

M/s.T.R.Chadha&Co., Chartered Accountants, Hyderabad are the internal Auditors of the Company, and are the Concurrent and Internal Auditors for CDSL Operations also.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE:

The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Directors) Rules, 1988 has not been given as the same is not applicable. The particulars regarding income and expenditure in Foreign Currency is nil.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation for the valuable co-operation, support and assistance received from the Government Departments and Local Authorities, Securities and Exchange Board of India, Financial Institutions, Banks, National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Central Depository Services (India) Limited.

Your Directors also acknowledge the continued support given by the valued and esteemed customers and sub-brokers and the sincere and dedicated services of the employees of the Company at all levels.

Your Directors also like to express their thanks to the shareholders for the confidence which they reposed in the management of the Company.

For and on behalf of the Board

Date : 29.07.2010
Place : Hyderabad.

Laxminiwas Sharma
CHAIRMAN



AUDITOR'S REPORT

To.
The Members of B.N.Rathi Securities Limited,

We have audited the attached Balance Sheet of **M/s B.N.RATHI SECURITIES LIMITED** as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow Statement of the Company 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.

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 mis-statements. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We report that:

- a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law, have been kept by the Company so far as it appears from our examination of the same.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report, are in agreement with the Books of Account of the Company.
- d) In our Opinion, the Balance Sheet, the 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 subject to Notes on Accounts.
- e) As per the representations made by the Company and all its Directors, no Director is disqualified from being appointed as Director U/s 274(1)(g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes on the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company, as at 31st March, 2010 and
 - (ii) in case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.
- g) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us we further report the matters to the extent applicable as under:



- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company have been physically verified by the management at the year end and no serious discrepancies were noticed on such verification. Fixed Assets disposed off during the year are not material and therefore do not affect the going concern assumption.
b) The Company has purchased land bearing GHMC No 14-9-806 admeasuring 590 Sq Yrds situated at Goshakat,Jumerat Bazar,Hyderabad for a consideration Rs 43.52 Lkajs. During the year the company sold the land for a consideration of Rs 46 Lakhs and the same was approved by the Board.Government has fixed the registration value for payment of stamp duty which worked out to Rs 77.74 Lakhs.
- 2) The stock of inventory has been physically verified by the management at reasonable intervals. In our opinion, and according to the information given to us, the procedure for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. In our opinion the company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3) a) The Company has not granted secured or unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Act.
b) The Company has not obtained unsecured loans from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- 4) In our opinion there are internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of stock (shares) and services requires Improvement. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control systems.
- 5) In our opinion and according to the explanation given to us, the particulars of Contracts or arrangements required to be entered in the register under Section 301 of the Companies Act, 1956 have been entered and transactions aggregating during the Financial year to Rupees Five Lakhs or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such securities or the prices at which transactions for similar securities or services have been made with other parties.
- 6) The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other relevant Provisions of the Companies Act, 1956 and the Rules framed there under.
- 7) In our opinion the Company has a system of internal audit which commensurate with its size and nature of its business.
- 8) The Central Government has not prescribed the maintenance of cost records under clause (d) of the sub-section (1) of Section 209 of the Act for any of its products.
- 9) a) The Company is regular in depositing with appropriate authorities undisputed amount of Provident Fund, Investor Education and Protection Fund, Income Tax, Service Tax and other statutory dues as applicable and no undisputed amounts payable are outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.
b) The Company has disputed Income Tax Demand Rs. 1,44,656/- for the Assesment year 2006- 07 and Rs. 79,900 for the Asst.year 2007-08 and the first appeal is pending disposal.