

**CFL CAPITAL FINANCIAL SERVICES LTD.**



**ANNUAL REPORT 2009-10**

## BOARD OF DIRECTORS

H.C. Mathur *Chairman & Managing Director*  
Sujit Dutta  
B.N. Tripathi  
Sudhamoy Chatterjee  
A.V. Sudhakaran

## COMPANY SECRETARY

R.C. Kurup

## AUDITORS

Tarmaster & Co.  
Chartered Accountants

## REGISTERED OFFICE

Century Plaza  
Unit No. 233, Second Floor  
81, Netaji Subhas Road  
Kolkata 700 001

## CORPORATE OFFICE

207-215, Bezzola Complex  
B Wing, 71, Sion Trombay Road  
Chembur, Mumbai 400 071

## BANKERS

Bank of Rajasthan Ltd.  
Dena bank  
Federal Bank Ltd.  
HDFC Bank Ltd.  
The IndusInd Bank Ltd.  
Oriental Bank of Commerce  
State Bank of India  
State Bank of Travancore  
The Catholic Syrian Bank Ltd.  
The South Indian Bank Ltd.  
UTI Bank Ltd.  
Vijaya Bank

## REGISTRARS & TRANSFER AGENTS

Link Intime India Private Limited  
59 C, Chowringhee Road, 3rd Floor  
Kolkata 700 020  
Phone : 033 - 2289 0540, Telefax : 033 - 2289 0539  
E-mail : [kolkata@linkintime.co.in](mailto:kolkata@linkintime.co.in)

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# CFL CAPITAL FINANCIAL SERVICES LTD.



## NOTICE

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of the members of CFL Capital Financial Services Limited will be held at Birla Academy of Art and Culture, 108-109, Southern Avenue, Kolkata-700 029 on Friday, the 23rd day of July, 2010 at 10.30 A.M to transact the following business:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March 2010, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Sudhamoy Chatterjee who retires by rotation and is eligible for reappointment
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

By Order of the Board

**R C Kurup**  
Company Secretary

Registered Office:  
Century Plaza  
81, Netaji Subhas Road  
Unit No.233, Second Floor  
Kolkata-700 001

Dated : 28th May, 2010

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members of the Company will remain closed from 16th July, 2010 to 23rd July, 2010, both days inclusive.
3. Brief profile of Mr.Sudhamoy Chatterjee who is seeking re-appointment at the ensuing Annual General Meeting required to be provided pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges is furnished in the statement on Corporate Governance published elsewhere in this Report.
4. Shareholders desiring any information as regards the Accounts are requested to write to the Company at least seven days in advance of the date of the Meeting to enable the Company to keep the information ready, as far as possible.
5. Due to the prohibitive cost of paper and printing, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report with them for the meeting.
6. The Equity Shares of the Company have already come under compulsory dematerialised trading with effect from 28th August 2000. Members are, therefore, at liberty to dematerialise their holdings in the Company through a Depository Participant.

# CFL CAPITAL FINANCIAL SERVICES LTD.

## DIRECTORS' REPORT

Your Directors hereby present their Twenty-fifth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2010.

## FINANCIAL RESULTS

(Rs. in Lakhs)

	For the year ended 31-3-2010	For the year ended 31-3-2009
Gross Income (including Interest on Income Tax Refunds)	230	149
Less: Expenditure	1130	1140
Less: Depreciation	11	11
Gross Profit/(Loss)	(911)	(1022)
Add Write off/provision against doubtful and irrecoverable debts and diminution/loss in value of investments	1	140
Less Provision for expenses/NPA no longer required/ bad debts recovered etc	124	439
Profit/(Loss) before tax	(788)	(703)
Provision for tax	-	4
Profit/ (Loss) after tax	(788)	(707)
Transfer from Special Reserve	-	(250)
Add: Balance brought forward from earlier years	(49339)	(48882)
Loss carried to Balance Sheet	(50127)	(49339)

## DIVIDEND

In view of the continued losses, your Directors regret their inability to recommend any dividend on the Preference or Equity Shares.

## OPERATIONS

The Company, during the year under review, was able to carry on only residual activities, such as managing its existing investments portfolio and pursuing the litigations for speedy recovery of its debts. All the deposits due for payment during the year as per CLB Order dated 13.10.2009 have been paid on time. There were 4691 unclaimed deposits aggregating to Rs. 702.75 lakhs at the close of the year. Certain plans of commencing new activities other than NBFC activities were considered. However the same could not be commenced due to lack of support for the required funds. The Directors will continue their efforts to firm up new viable plans for revival of the Company.

## DIRECTORS

Mr. Sudhamoy Chatterjee retires by rotation and, being eligible, offers himself for re-appointment.

## PARTICULARS OF EMPLOYEES

Mr.Amarendra Nath Misra was the only employee falling within the purview of Section 217(2-A) of the Companies Act, 1956 and his particulars are appended below:

Desigation	Remuneration (Rs.)	Nature of Employment whether contractual or otherwise	Nature of Duties	Qualification and total service Experience (Years)	Date Of Commencement of employment	Age	Last employment held and Designation
Vice-President- Legal	Rs 45,36,036	Contractual	In-charge of Legal functions and recoveries	B.A., LL.M., MBA, PGDCS 26 Years	06.09.1995	45	Head Legal Dept.Indo-Gulf Fertilisers & Chemicals Limited



\*Remuneration has been calculated as per Section 198 of the Companies Act, 1956 and includes expenditure incurred by the Company on salary and provision of benefits in respect of Mr.Misra. Terms of employment provide for termination of service by either party upon giving 6 months notice from either side.

Mr.Misra is not a relative of any Director of the Company and does not hold any shares in the Company either in his own name or in the name of his relatives.

#### **SUBSIDIARY**

The Directors' Report along with the Auditors' Report, Balance Sheet and Profit and Loss Account of Ceat Securities Limited for the year ended 31st March, 2010 are annexed to this Report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO**

Your Company did not consume energy of any significant level during the year under review and, therefore, there was not much scope for taking any measures for energy conservation and for making any additional investment for reduction of energy consumption. Further, there being no involvement of any technology in the Company's activities during the year no comment is made in this regard.

There has been no foreign exchange earning or outgo during the year under review.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) 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 at the end of the financial year and of the profit/loss of the Company for that period;
- (iii) 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 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the Accounts on a going concern basis.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### **CORPORATE GOVERNANCE**

In accordance with the requirements of the Listing Agreements with the Stock Exchanges, a report on Management Discussion and Analysis is attached hereto (Annexure 'A'). A report on Corporate Governance along with a certificate of the Auditors confirming compliance is also attached. (Annexure 'B')

##### **AUDITORS & AUDIT REPORT**

Messrs Tarmaster & Co., Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Regarding Auditors' comments on non-compliance of the provisions of the Non-Banking Financial (Deposit Accepting or Holding) Companies (Reserve Bank) Directions, 2007 and non-maintenance of minimum Capital Risk Asset Ratio (CRAR) as prescribed by the Reserve Bank of India your Directors draw your attention respectively to Note B26 in Schedule 12 forming part of the Accounts which are self explanatory.

##### **ACKNOWLEDGEMENT**

Your Directors wish to record their appreciation of the encouragement, support, assistance and co-operation received from the Company's bankers, financial institutions, shareholders, depositors and employees extended to it throughout the year.

For and on behalf of the Board

**H C Mathur**  
Chairman

Kolkata, Dated: 28th May, 2010

# CFL CAPITAL FINANCIAL SERVICES LTD.

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Annexure 'A' to the Directors' Report

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Arranging resources for current activities has become a difficult proposition in view of the absence of any viable revenue generating activity in the recent past and the gradual depletion of the recoverable assets. The funds garnered were just sufficient for payment of the instalments due to the depositors and for operating expenses.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company does not fall under any industrial structure consequent to the cancellation of its Certificate of Registration as a Non-Banking Finance Company by the Reserve Bank of India and in the absence of any significant business activity. The dues to the depositors for the installment payable under the Order of the Hon'ble Company Law Board within 2009 were met by the Company. Proceedings initiated against the Company by most of the banks for recovery of their dues are at various stages before the Debt Recovery Tribunal. Orders have been passed against the Company. The Company has appealed against the Orders and has taken appropriate steps for defence at the next higher level of appeal.

### OPPORTUNITIES, THREATS, RISKS, CONCERNS, PERFORMANCE AND OUTLOOK

The Company does not have adequate resources to take up new viable business as available resources are being used for meeting liabilities and operating expenses. Efforts to maximize recoveries are continuing with mixed results. However, the gradual drying up of the recoverable amounts over a period of time poses a threat and funds have to be sourced for meeting the liabilities. The results of the efforts in this regard will determine the Company's ability to recover. The Company is also working out on a plan for revival of the Company.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal check and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilisation.

### DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS

Your attention is drawn to the report of the Directors and more specifically to the issues mentioned under the head 'Operations' and to the comments under the head 'Opportunities, Threats, Risks, Concerns, Performance and Outlook' here before. The Company's financial position is under extreme stress and needs a concerted effort from creditors and shareholders for any significant positive result to emerge in the long run.

### HUMAN RESOURCES

The Company's relations with the employees continued to be cordial and the number of employees at the year end was 18

During the year, a few innovative ideas were received from the staff, many of which were implemented for improvement in cost control, business recoveries and for achieving greater efficiency.

For and on behalf of the Board

**H C Mathur**  
Chairman

Kolkata, Dated: 28th May, 2010



## Annexure 'B' to the Directors' Report

### CORPORATE GOVERNANCE REPORT

#### Company's Philosophy on Corporate Governance

Your Company continues to practise transparency in its dealings with emphasis on integrity and compliance of regulatory provisions. It attaches great importance to practice of good corporate governance for meeting the interests and aspirations of the stakeholders. Your Company has implemented the mandatory requirements regarding Corporate Governance as mentioned in Clause 49 of the Listing Agreements.

#### Board of Directors

The composition of the Board of Directors and other details as on 31st March, 2010 are given below:

Names of the Directors	Executive/ Independent/ Non-executive	No. of Board Meetings attended	Whether Attended Last AGM	No. of other Directorships in Public Ltd Companies	No of other Committee Chairman- ship/Member
Mr.H.C.Mathur	Managing Director	6	Yes	NIL	NIL
Mr.B.N.Tripathi	Independent Non-executive	6	Yes	NIL	NIL
Mr.Sujit Datta	Independent Non-executive	6	Yes	NIL	NIL
Mr.Sudhamoy Chatterjee	Independent Non-executive	6	Yes	NIL	NIL
Mr.A.V.Sudhakaran	Independent Non-executive	6	No	NIL	NIL

The re-appointment of Mr.H.C.Mathur as Managing Director of the Company for a further period of two years with effect from 1st May, 2009 has been approved by the Central Government vide letter reference SRN/A64054679/3/2010-CL.VII dated 1st April, 2010.

Mr. Sudhamoy Chatterjee retires by rotation and, being eligible, offers himself for re-appointment. Mr.Chatterjee is 60 years of age and has graduated in Commerce from Calcutta University. He has about 31 years experience in Commercial and Finance management.

During the year under review, 6 meetings of the Board of Directors were held on 20th April, 2009, 25th June, 2009, 31st July, 2009, 30th October, 2009, 29th January, 2010 and 23rd March, 2010. The meetings of the Board of Directors are generally held once in a quarter and are scheduled well in advance unless it is necessary to convene the same for urgent purposes. A detailed agenda is prepared by the Company Secretary in consultation with the Managing Director which is circulated to the members of the Board in advance.

#### Audit Committee

The Company has a qualified Audit Committee comprising of three Non-executive Independent Directors. The terms of reference of the Committee are in accordance with the provisions of the Companies Act, 1956, the requirements of the Reserve Bank of India and of the Listing Agreements with Stock Exchanges. There were five meetings of Audit Committee on 25th June, 2009, 31st July, 2009, 30th October, 2009, 29th January, 2010 and 23rd March, 2010. The names of the members of the Committee and their attendance at the meetings are as follows:

Name of the members	No of meetings attended
Mr.Sujit Datta Chairman	5
Mr.B.N.Tripathi Member	5
Mr.Sudhamoy Chatterjee Member	5

#### Remuneration Committee

The Company has a Remuneration Committee to recommend/review the remuneration package of the Managing Director. Mr.B.N.Tripathi is the Chairman of the Committee with Messers Sujit Datta and Sudhamoy Chatterjee being the other members. The Committee did not have any meetings during the year as there was no business necessitating such meeting.

# CFL CAPITAL FINANCIAL SERVICES LTD.

## Remuneration Policy

Payment of remuneration to the Managing Director is governed by the terms and conditions contained in the Agreement entered into with him which incorporates remuneration within the limit sanctioned by the Central Government and the shareholders. The remuneration paid during the year under review is as under:-

## Directors' Remuneration

### Non Executive Directors

Name of the Director	Sitting Fees Paid(Rs)
1 Mr Sujit Datta	6,000/-
2 Mr. B N Tripathi	6,000/-
3 Mr. Sudamoy Chatterjee	6,000/-
4 Mr. A V Sudhakaran	6,000/-

### Executive Director

Name Business Relation	Mr. H C Mathur Chairman & Managing Director
<b>Remuneration paid</b>	
Salary	Rs.7,08,000/-
Allowances & Perquisites	Rs. 84902/-
Contribution to PF etc	Rs.1,06,195/-
<b>Total</b>	Rs.8,99,097/-

## Investors'/Shareholders' Grievance Committee

The Company has a Shareholders'/Investors' Grievance Committee of the Board of Directors under the Chairmanship of Mr.B.N.Tripathi, Non-Executive Director, to look into the redressal of investors' grievances with Messers H.C.Mathur and Sujit Datta as the other members. The Board of Directors has delegated power of approving transfer/transmission of shares to some senior executives of the Company. During the year the Committee met 5 times with all the members attending the meetings.

Mr.R.C.Kurup, Company Secretary, is the Compliance Officer of the Company.

During the year under review, no grievances were received from any shareholder. No share transfer/transmission/issue of duplicate share certificates was pending as on 31st March, 2010.

## General Body Meetings

Details of location and time of last three Annual General Meetings are as follows:

AGM	Financial Year	Venue	Date	Time	Special Resolution Passed in the AGM
22nd	2006-07	Birla Academy 108-109 Southern Avenue Kolkata-700 029	27.07.2007	10.30 A.M.	Yes
23rd	2007-08	- Do -	30.07.2008	10.30 A.M.	No
24th	2008-09	- Do -	24.07.2009	10.30 A.M	Yes

All resolutions placed before the members at the last Annual General Meeting were passed by the requisite majority.

## Code of Conduct

The Board of Directors has laid down a code of conduct for the Company which is applicable to all its Board Members and Senior Management Personnel. This code has been posted on the Company's website. For the year under review, all Directors and senior management personnel have confirmed their adherence to the provisions of the said code. A declaration to this effect signed by the Managing Director forms part of this Report.





## Disclosures

- a) The Company did not enter into any materially significant related party transactions with its promoters, directors or the management, their subsidiaries, relatives etc that may have a potential conflict with the interest of the Company at large.
- b) The Equity Shares of the Company remain suspended for trading by the National Stock Exchange for non-compliance of certain provisions of the Listing Agreement. The matter is still pending. Except as aforesaid, there were no non-compliance, penalties, and strictures by Stock Exchanges, SEBI or any statutory authority on any matter related to capital markets during the last three years.
- c) The Company does not have any Whistle Blower Policy as of now but no employee is being denied any access to the Audit Committee.
- d) The Company has complied with all the mandatory requirements under Clause 49 of the Listing Agreements with the Stock Exchanges. Out of the non-mandatory requirements the requirement as to Remuneration Committee is in place.

## Means of Communication

Quarterly and annual results are published in renowned daily publications such as Business Standard (English) and Kalantar or Arthik Lipi (Vernacular). Such results were posted on SEBI's Electronic Data Information Filing and Retrieval System (EDIFAR) website.

The Company has a website [www.cfltd.in](http://www.cfltd.in). The Company's Email ID for the purpose of investors for any grievance is [cfl-shhlddgrievance@rpg.in](mailto:cfl-shhlddgrievance@rpg.in). Individual communication of the half yearly results is not made to the shareholders. The Company has not made any presentation to institutional investors or analysts.

## General Shareholder Information

- a. Annual General Meeting:
 

Date and Time	23rd July, 2010(Friday) at 10.30 A.M
Venue	Birla Academy of Art & Culture 108-109 Southern Avenue Kolkata-700029
- b. Financial Calendar (Tentative and subject to change)
 

Financial results for quarter ending 30th June, 2010	End of July, 2010
Financial results for quarter ending 30th September, 2010	End of October, 2010
Financial results for quarter ending 31st December, 2010	End of January, 2011
Financial results for the year ending 31st March, 2011	End of June, 2011
Annual General Meeting for the year ending 31st March, 2011	End of September, 2011
- c. Book Closure Date 16th July, 2010 to 23rd July, 2010 (both days inclusive)
- d. List of Stock Exchanges where shares are listed and Stock Code

Name	Address	Stock Code
Bombay Stock Exchange Ltd., Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 023	511272
The National Stock Exchange of India Ltd.	Exchange Plaza, Plot C-1, IFB Center, G Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai-400 051	13042
The Calcutta Stock Exchange Association Ltd.	7, Lyons Range, Kolkata-700 001	CEATFIN

Listing fee has been paid to the Bombay Stock Exchange Limited for the year 2009-2010

The Company has applied to the Calcutta Stock Exchange Association Limited and the National Stock Exchange for delisting its Equity Shares from these Exchanges pursuant to Special Resolution passed by the shareholders at the Annual General Meeting of the Company held on 17th September, 2003 and is waiting for their approval. As such the Company has not paid the listing fees to these exchanges up to the year 2009-10.

## CFL CAPITAL FINANCIAL SERVICES LTD.

e. Market Price Data

Monthly High and Low of Company's Equity Shares (Rs.10 per share) for the year ended March 2010 at the Stock Exchange, Mumbai

Months	Company's Share		BSE Sensex	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2009	2.11	1.63	11492.10	9546.29
May, 2009	2.38	1.70	14930.54	11621.30
June, 2009	3.66	2.49	15600.30	14016.95
July, 2009	3.54	2.00	15732.81	13219.99
August, 2009	3.69	2.15	16002.46	14684.45
September, 2009	4.02	3.00	17142.52	15356.72
October, 2009	4.44	3.57	17493.17	15805.20
November, 2009	4.50	3.47	17290.48	15330.56
December, 2009	4.20	3.26	17530.94	16577.78
January, 2010	4.31	3.20	17790.33	15982.08
February, 2010	4.15	2.99	16669.25	15651.99
March, 2010	4.15	2.67	17793.01	16438.45

f. Registrars and Share Transfer Agent

Link Intime India Private Limited

The address and other details of the Registrars have been furnished in this Report under Serial m (i) below.

g. Share Transfer System

All physical shares lodged with the Company or Share Transfer Agent, Messrs. Link Intime India Private Limited, for transfer accompanied by valid transfer deeds are processed and returned to the shareholders within the stipulated period. In case of bad deliveries, the relevant documents are returned promptly.

h. Shareholding Pattern (as at 31st March, 2010)

Category	No. of Equity Shares held	Percentage of Shareholding
Promoters	100330715	72.35
Mutual Funds & UTI	Nil	0.00
Banks, Financial Institutions & Insurance Companies	10600	0.01
Private Corporate Bodies	29649102	21.38
Indian Public	8671872	6.25
NRI/OCBs	12711	0.01
<b>Total</b>	<b>138675000</b>	<b>100.00</b>