

## **Twentieth Annual Report 2005-2006**

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**Chartered Capital  
and Investment Ltd.**

REGD. OFFICE : 711, MAHAKANT, OPP. V. S. HOSPITAL,  
ELLISBRIDGE, AHMEDABAD-380006

## Chartered Capital And Investment Limited

### BOARD OF DIRECTORS

1. Mr. Sanatan N Munsif	Chairman
2. Mr. A.L. Sanghvi	Vice Chairman
3. Mr. Mohib N. Khericha	Managing Director
4. Mr. M.K. Doogar	Director
5. Mr. Ashok Kavdia	Director

### AUDITORS

M/s Mayank Shah & Associates  
Chartered Accountants  
706, Mahakant Building  
Opp. V S Hospital  
Ashram Road,  
Ahmedabad – 380006.

### Company Secretaty

Manoj Kumar Ramrakhyani

### BANKERS

Corporation Bank

### REGISTERED OFFICE

711, Mahakant,  
Opp. V. S. Hospital, Ellisbridge,  
Ahmedabad - 380 006

### SHARE TRANSFER AGENT

Pinnacle Share Registry P Ltd.  
Ashoka Mills, Naroda Road,  
Ahmedabad – 380 025.

**ISIN No.** : INE 953B01010

**BSE Code** : 511696

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## NOTICE

Notice is hereby given that the 20th Annual General Meeting of the company will be held on Saturday the September 30, 2006 at 11-30 a.m. at the Registered office of the company at 711, Mahakant, Opp. V S Hospital, Ellisbridge, Ahmedabad - 380 006 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors Report thereon.
2. To appoint a Director in place of Mr. Sanatan Munsif, who retires by rotation and being eligible, has offered himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**By order of the Board of Directors**

Place: Ahmedabad

Date: August 25, 2006

**Mohib N. Khericha**  
**Managing Director**

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members/ proxies should bring attendance slip, duly filled in, for attending the meeting.
3. Members / proxies attending the meeting should bring their copy of the Annual Report for reference at the meeting.
4. The register of Members and share transfer books of the company will remain closed from September 27, 2006 to September 30, 2006 (both days inclusive).
5. Directors:

Mr. Sanatan Munsif is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Sanatan Munsif, BA (Economics), B.Com, LLB has been associated with the Company since 1993 and has over 30 years of experience in Banking which includes 20 years with Bank of India and 10 years with American Express Bank (1979-1989), in senior positions. He has worked overseas for a considerable period and possesses the right experience to lead CCIL. He liaisons and finalises deals with all Financial Intermediaries and Institutions including the Reserve Bank of India, Unit Trust of India, Development Banks, Corporate etc. and guides the Company to achieve its goals. Mr. Munsif does not hold directorship or membership/chairmanship of any Committee of any public limited company except our Company where he is member of Audit Committee & Chairman of Remuneration Committee.

6. The Register of Directors' shareholding maintained under section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.

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7. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to address their questions to the company so as to reach at least 7 days before the date of the meeting, so that the information required will be made available at the meeting, to the best extent possible.

**By order of the Board of Directors**

Place: Ahmedabad  
Date: August 25, 2006

**Mohib N. Khericha**  
**Managing Director**



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## DIRECTORS' REPORT

To,  
The Shareholders,  
Chartered Capital and Investment Limited

Your Directors are pleased to present herewith the 20th Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2006.

### FINANCIAL RESULTS

The Financial results for the year ended March 31, 2006 are summarized as under:

(Rs. in lacs)

Particulars	For the year ended	
	31/03/2006	31/03/2005
Total Income	131.98	61.50
Profit (Loss) before depreciation and taxes	39.32	26.82
Less : Depreciation	1.53	1.05
Less: Provision for taxes	2.70	1.50
Add: Deferred Tax Credit	0.72	0.39
Profit (Loss) After Tax	35.81	24.66

### OPERATIONS

During the year under review the Company has achieved the tremendous growth. The gross income of the Company has increased to Rs.131.98 lacs in comparison to Rs.61.50 lacs during the previous year. During the year company has earned Profit after Tax of Rs. 35.81 lacs as against Profit after Tax of Rs.24.66 lacs in the previous year and further hopes to improve its performance in the current year.

### DIVIDEND

In view of the results, the Board of Directors is unable to recommend any dividend for the year 2005-2006.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. Sanatan N Munsif, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Members are considered to consider their re-appointment as Directors of the Company.

The brief resume/detail relating to the Director who is to be re-appointed is furnished in the Notes to the Notice of the Annual General Meeting.

### MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report has been enclosed herewith vide "Annexure-A" and forming part of Director's Report.

### CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the standards of Corporate Governance as prescribed under Clause 49 of the Listing Agreement with the stock exchanges. A Report on Corporate Governance together with the Auditors Certificate on the same is annexed as part of the Annual Report.

Your Company has also adopted a "Code of Conduct" for its Directors and Senior Management, as prescribed under Clause 49 of the Listing Agreement.

### CEO/CFO CERTIFICATION

A certificate from the Managing Director, pursuant to Clause 49(V) of the Listing Agreement has been placed before the Board at its Meeting held on August 25, 2006.

### FUTURE OUTLOOK

The capital market had improved a lot in this year. In the year there was flood of IPO's in the primary market which increased our business opportunities to a great extent and in view of that company expects to perform

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better in the coming year. The company is continuing to exploit business opportunity in other non-fund based financial services.

### STOCK EXCHANGES

The company's shares are listed on Ahmedabad Stock Exchange (ASE) and Mumbai Stock Exchanges (BSE). The company has paid necessary listing fees of both the stock exchanges for the year 2006-2007.

### DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 217 (2AA) of the Companies Act, 1956 the Directors would like to state that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. 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 at the end of the financial year and of the profit or loss of the company for the period;
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguards in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;
- iv. The Directors have prepared the Annual Accounts on a going concern basis.

### DEPOSITS

During the year Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Particulars relating to the conservation of energy, technology absorption are not given as Companies (Disclosure of particulars in report of Board of Directors) Rules, 1988 is not applicable to the Company due to the nature of the Company's business operations, being an investment Banking Company. During the year under review there has been no foreign exchange earning or outgo.

### PARTICULARS OF EMPLOYEES COVERED UNDER THE (PARTICULARS OF EMPLOYEES) RULES, 1975

Provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended are not applicable to the Company as none of the employees of the Company was in receipt of total remuneration of Rs 24,00,000 per annum or Rs 2,00,000 per month during the year under review.

### AUDITORS AND AUDITORS' REPORT:

M/s Mayank Shah & Associates, Chartered Accountants, Ahmedabad hold office as Auditors of the Company until the conclusion of 20th Annual General Meeting and Board recommends their re-appointment till the conclusion of next Annual General Meeting

The Company has received a certificate from Auditors under Section 224(1) of the Companies Act, 1956 to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Act. Members are requested to consider their re-appointment as Auditors of the Company for the current year at a remuneration to be decided by the Board of Directors.

The notes to the accounts referred to in the Auditors Reports are self explanatory, and, therefore do not call for any further comments.

### APPRECIATION

Your Directors express their gratitude for the co-operation and assistance extended by the Government Departments, Bankers, Financial Institutions and all the Shareholders for their continued co-operation, support and confidence in the Company.

Your Directors also wish to place on record their deep appreciation for the efficient and loyal services rendered by all the employees of the Company.

For and on behalf of Board of Directors

Place: Ahmedabad

Mohib N Khericha

A L Sanghvi

Date: August 25, 2006

Managing Director

Vice chairman

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## MANAGEMENT DISCUSSION & ANALYSIS

### A. INDUSTRY STRUCTURE & DEVELOPMENTS

In 2005-06, the primary market sustained momentum backed by a buoyant secondary market and improved macro-economic fundamentals. During 2005-06, 138 companies accessed the market and mobilised Rs.27,295 crore compared to 60 issues which raised Rs.28,256 crore in 2004-05. While the number of issues in 2005-06 was more than double that in 2004-05, the amount mobilised, however, was less by 3.5 per cent in 2005-06.

All the IPO issues were by the private sector companies in 2005-06, except that of Gujarat State Petronet Ltd. On the other hand, the number of rights issues during 2005-06 was higher at 36 mobilising Rs. 4,126 crore compared to 26 issues which mobilised Rs. 3,616 crore in 2004-05. The highest resource mobilisation for any month in 2005-06 was in December when Rs. 8,985 crore was raised. In 2005-06, there were 8 issues from the public sector which mobilised Rs. 7,183 crore compared to 5 issues which raised Rs.11,094 crore in 2004-05.

The other striking change in the capital market is the arrival of mega issues and exit of small companies, as reflected in the increase in the average size of issues, which worked out to Rs 470 crore per issue in 2004-05 compared to Rs 11.7 crore in 1995-96. It is apparent from the data that small companies raised relatively small amounts from the market probably due to high transaction cost, high listing fees and stringent disclosure norms set by the Securities and Exchange Board of India to protect investors.

Over the previous five-year period (2000-01 to 2004-05), IPOs have begun playing a major role in resource mobilisation, especially with the entry of government companies with mega offers. An analysis of the break-up of equity between equity at par and that at premium, shows that the latter's proportion has been rising. This shows remarkable comeback of equity capital and preference of investors for risk-taking, an evidence of the high expectation among investors for safe, fair and honest capital market.

### B. OPPORTUNITIES & THREATS

The share price witnessed substantial decline during the first fortnight followed by significant recovery during later part of June 2006 onwards. However, the undertone continued to remain weak. The institutional investors, mainly FIIs, were less active in the Indian markets during last few months. Large redemption pressures on the private sector mutual funds also weakened the sentiment. The Indian stock markets moved in consonance with the international markets which in turn were influenced by factors such as uncertainty in interest rates, inflationary pressures and high crude oil prices. The overall negative sentiment may affect the capital market and in turn the business of our Company. However we hope that in spite of some consolidation, the market will improve and the performance of the company will also improve accordingly.

### C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is engaging primarily in Merchant Banking activities only and there are no separate reportable segments as per the Accounting Standard 17.

### D. OUTLOOK

The Company has endeavoured to remain buoyant even in a challenging economic climate. The Company also has sought to strengthen its position by internally realigning its businesses and streamlining its operations, always with an eye to reduce cost and enhance stakeholders' value. Company's business strategy is to establish a dominant market share in the domestic market by building and strengthening client relationships, consolidating key accounts and undertaking aggressive client marketing.

### E. RISKS & CONCERNS

The gradual transformation of the Indian economy presents challenges and opportunities for organizations to take the next leap forward. Company with its 12 years of experience in providing quality financial services and a dedicated and trained team is constantly evolving itself to retain its leadership position and competitive edge. Company has the vision to put itself on the domestic as well as global map in integrated catering of diversified financial services.



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The Company is potentially exposed to any significant fluctuations in the state of the Indian economy. The Company with its strong systems & practices in place has positioned itself to counter these threats to the best possible extent through its highly integrated operations and thrust on value addition to its business.

### **F. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY**

Your Company's Internal Control System and procedures are adequate and commensurate with the Company's size and nature of business and are constantly reviewed. The internal control systems lay down the policies, authorization and approval procedures. The adequacy of the internal control systems has been reported by the auditors under the Companies (Auditor's Report) Order, 2003.

### **G. DISCUSSION ON FINANCIAL PERFORMANCE**

The gross income of the Company has increased to Rs.131.98 lacs in comparison to Rs.61.50 lacs during the previous year. During the year company has earned Profit after Tax of Rs.35.81 lacs as against Profit after Tax of Rs.24.66 lacs in the previous year and further hopes to improve its performance in the current year.

### **H. MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

There has been no material development on the Human Resource / Industrial Relations front during the year. Employee relations at all levels continue to remain cordial. The Company had 21 employees as on March 31, 2006.

### **CAUTIONARY STATEMENT**

Statements in this Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic developments in the country and improvement in the state of capital markets, changes in the Government regulations, tax laws and other status and other incidental factors.



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## REPORT ON CORPORATE GOVERNANCE:

(Pursuant to Clause 49 of the Listing Agreement)

Your company in tune with the requirements of the provisions of Corporate Governance has taken all measures considered necessary for ensuring its compliance.

A detailed Compliance Report in this regard is given below:

### 1. COMPANY'S POLICY

The company's policy on Corporate Governance envisages the assignment of high level of transparency and accountability in the functioning of the company and the conduct of its business internally and externally, including its interaction with employees, shareholders, creditors, clients, bankers and other business places with due emphasis on regulatory compliance.

The company firmly believes that its system and actions must be devoted for enhancing corporate performance and maximizing shareholder value in the long run.

### 2. BOARD OF DIRECTORS

The Board of Directors of the company comprises 5 Directors.

Name	Category/ Designation	No. of outside Directorship and Committee membership/Chairmanship			
		Public Company	Private Company	Committee membership	Chairmanship
Mr. Sanatan N Munsif	Non- Executive Independent Director & Chairman	Nil	Nil	Nil	Nil
Mr. A. L. Sanghvi	Promoter Director, Non Executive Director & Vice Chairman	Nil	1	Nil	Nil
Mr. Mohib N. Khericha	Promoter Director, Managing Director	4	3	4	4
Mr. M.K. Doogar	Non Executive Independent Director	4	2	1	1
Mr. Ashok Kavdia	Non Executive Independent Director	Nil	2	Nil	Nil

The attendance of the Directors of the company at the Board Meetings is as follows:

Director	No. of Meetings		
	Held	Attended	Attended Last AGM
Mr. Sanatan N Munsif	16	8	No
Mr. A.L. Sanghvi	16	16	Yes
Mr. Mohib N. Khericha	16	16	Yes
Mr. M.K. Doogar	16	8	No
Mr. Ashok Kavdia	16	16	Yes

The Board of Directors met 16 times during the year on the following dates:

29/04/2005, 21/05/2005, 12/07/2005, 21/07/2005, 29/07/2005, 06/08/2005, 25/08/2005, 28/09/2005, 29/10/2005, 17/11/2005, 01/12/2005, 30/01/2006, 08/02/2006, 07/03/2006, 11/03/2006 and 21/03/2006

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The Company placed before the Board various information including those specified under Annexure IA of the Listing Agreement, as applicable from time to time.

### 3. CODE OF CONDUCT

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective codes have been made by the Directors and Senior Management of the Company.

### 4. AUDIT COMMITTEE

#### Terms of Reference

1. To review the adequacy of internal control systems and internal Audit Reports and their compliance thereof.
2. To oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
3. To recommend the appointment of auditors and fixation of audit fees.
4. To review the financial statements before submission to the Board.

#### Composition of Audit Committee

The audit committee of the company has been constituted with three Directors, Viz.,

1. Mr. Ashok Kavdia -Chairman
2. Mr. A L Sanghvi- Member
3. Mr. Sanatan N Munsif -Member

The Committee met 5 times during the year i.e. 29/04/2005, 29/07/2005, 25/08/2005, 29/10/2005 & 30/01/2006 and the attendances of members of the committee were as follow:

Director	No. of Meetings	
	Held	Attended
Mr. Ashok Kavdia	5	5
Mr .A L Sanghvi	5	5
Mr. Sanatan .N. Munsif	5	5

### 5. REMUNERATION COMMITTEE

The composition of the Remuneration Committee is:

- a) Mr. Sanatan N Munsif-Chairman
- b) Mr. Ashok Kavdia-Member.
- c) Mr. M K Doogar-Member.

Non-executive directors are not paid any sitting fee for attending any Board Meetings or meeting of committee thereof. The Managing Director's remuneration is in conformity with the existent laws and regulations and approved by the shareholders. He was paid a total remuneration of Rs.2,49,360/- including provident fund

### 6. SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

As a measure of Good Corporate Governance and to focus on the shareholders' grievances and towards strengthening investor relations, an investors' Grievance Committee has been constituted as a committee of the Board, to redress / minimize the grievance of shareholders/ Investors