

ESAAR (INDIA) LIMITED
4A, COUNCIL HOUSE STREET,
KOLKATA - 700 001

Audited
Balance Sheet
&
Profit & Loss Account
For the year ended on 31st March, 2007

AUDITORS
AGARWAL GUPTA NOKARI & RUSTAGI ASSOCIATES
Chartered Accountants

12, Waterloo Street, 3rd Floor, Suite No.6
Kolkata - 700 069

Tel. : 2248-7696 / 3296-2308, Fax No. (033) 2248-3151

COMPLIANCE CERTIFICATE

To
The Member of Esaar (India) Limited

We have examined to the compliance of conditions of Corporate Governance by ESAAR (INDIA) LIMITED for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges with the relevant records and documents maintained by the company and furnished to us.


The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency of the effectiveness with which the management has conducted the affairs of the Company.

During the year Company has not received any grievances from any shareholders as per the records maintained by the Company.

On the basis of our review and according to the information and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange have been complied with in all respect except for discrepancies stated in the Corporate Governance Report by the Company.

For AGARWAL GUPTA NOKARI &
RUSTAGI ASSOCIATES
Chartered Accountants


(B.C. KHAITAN)
Partner
Membership No. 17387

12, Waterloo Street, Kolkata - 700 069

Dated this 2nd day of August, 2007.

AGARWAL GUPTA NOKARI & RUSTAGI ASSOCIATES
CHARTERED ACCOUNTANTS
12, WATERLOO STREET, KOLKATA - 700 069
PHONE NO.2248-7696, 3296-2308 FAX NO.(033)2248-3151

AUDITOR'S REPORT

TO
THE DIRECTORS OF M/S. ESAAR (INDIA) LIMITED

As required by the "NBFC Auditors Report (reserve Bank) Directions, 1988" issued by Reserve Bank of India in terms of Section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934) and on the basis of such checks as we considered appropriate, we hereby state that:-

- (A) The Company has applied for registration as provided in Section 45IA of the Reserve Bank of India Act (2 of 1934) and has received due communication from RBI to this effect vide there Certificate No.05.01860 dated 30.04.1998.

We further state that :-

- (i) The Board of Directors has passed a resolution in their meeting dated 2nd day of April, 2007 for the non-acceptance of any Public Deposit.
- (ii) The Company has not accepted any Public Deposits during the relevant year and

However, the Company has appended to its Balance Sheet the particulars in the prescribed format at Schedule 17 as required Vide para 9BB of the Non Banking Companies prudentials Norms (reserve Bank) Directions, 1998.

**FOR AGARWAL GUPTA NOKARI &
RUSTAGI ASSOCIATES**
Chartered Accountants


(B.C.KHAITAN)

Partner

Membership No.17387

12, Waterloo Street, Kolkata - 700 069

Dated this 2nd day of August, 2007.

AUDITORS REPORT

TO THE MEMBRES OF ESAAR (INDIA) LIMITED

- 1 We have audited the attached Balance Sheet of ESAAR (INDIA) LIMITED, Kolkata as at March 31st, 2007 and the profit and loss account 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 statement based on our audit.
- 2 We conducted our audit in accordance with the 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 misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that:
 - i) 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:
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books:
 - iii) The balance sheet and profit & loss Account dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, The Balance sheet and profit and loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to sub-section 3(c) of section 211 of the Companies Act, 1956 except point regarding impairment of leased assets amounting to Rs.34.77 Lacs referred to in Notes to the Accounts.


SANSCO SERVICES - Annual Reports Library Services - www.sansco.net
AGARWAL GUPTA NOKARI & RUSTAGI ASSOCIATES
CHARTERED ACCOUNTANTS

12, WATERLOO STREET, KOLKATA - 700 069

PHONE : 2248-7696, 32962308, FAX : (033) 2248 - 3151

- v) The Company has granted loans and advances amounting to Rs.353.24 lakhs to Various parties Rs.204.96 lakhs are due from M/s. Hemlata Textiles. The recovery of this amount is subject to settlement referred to in note no.4 of notes to account. The Company is currently under suspension of operations and case filed by secured creditors is pending before DRT. In view of management this amount is fully recoverable and no provision is required to be made in books of accounts.
- vi) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956:
- vii) In our opinion and to the best of our information and according to the explanations given to us and the said 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
- (a) In the case of the balance sheet, of the state of affairs of the company as at 31st March, 2007.
- (b) In the case of profit & loss account , of the loss for the year ended on that date.
- and
- (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For AGARWAL GUPTA NOKARI &
RUSTAGI ASSOCIATES
Chartered Accountants


(B. C. KHAITAN)

Partner

Membership No.17387

12, Waterloo Street, Kolkata - 700 069

Dated, this 2nd day of August, 2007

CHARTERED ACCOUNTANTS

12, WATERLOO STREET, KOLKATA - 700 069

PHONE : 2248-7696, 32962308, FAX : (033) 2248 - 3151

ANNEXURE TO THE AUDITORS REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a system of verifying all its major fixed assets over a period of three years. The fixed assets so scheduled for verification during this year have been physically verified by the management. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) During the year the Company has not deposited off any substantial / major part of fixed assets.
- (ii) (a) As per the information furnished the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stock, the frequency of the physical Verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, procedures of physical Verification of inventory followed by the management are reasonable and adequate in relation to the size of Company and the nature of its business.
- (c) The company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical Verification were not material in relation to the operation of the Company and the same have been properly dealt with in the books of account.
- (iii) (a) The company has neither granted nor taken any loan secured / unsecured from Companies covered in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956).
- (b) As stated above sub clause (b) to (g) of clause (iii) of the companies (auditors Reports) order, 2003 are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for sale of the goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.

AGARWAL GUPTA NOKARI & RUSTAGI ASSOCIATES**CHARTERED ACCOUNTANTS****12, WATERLOO STREET, KOLKATA - 700 069****PHONE : 2248-7696, 32962308, FAX : (033) 2248 - 3151**

- (v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that, sub-clause (a) & (b) of clause (v) of the Companies (Auditors Report) order, 2003 is not applicable since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into by the Company during the year.
- (vi) The Company has not accepted any deposit from the Public within the meaning of section 58A and 58AA of the Companies Act, 1956.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the companies Act, 1956 for the products of the Company.
- (ix) (a) According to the information and explanations given to us and records examined by us, the company is generally depositing with appropriate authorities undisputed statutory dues including provident fund, investors education and protection fund, employees state insurance, income tax, sales tax, Wealth tax, service tax, custom duty, excise duty, cess and other statutory dues wherever applicable. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, Service tax, excise duty and cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) In our opinion according to the informations and explanations given to us, the company has not taken any loans from financial institution, bank or debenture holders. Therefore, the provision of clause 4 (XI) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

AGARWAL GUPTA NOKARI & RUSTAGI ASSOCIATES

CHARTERED ACCOUNTANTS

12, WATERLOO STREET, KOLKATA - 700 069

PHONE : 2248-7696, 32962308, FAX : (033) 2248 - 3151

- (xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi /mutual benefit fund / societies.
- (xiv) In respect of dealing / trading in securities and other investment, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The securities have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken, by its holding company, fellow subsidiaries, associates and others, from Bank or financial institutions.
- (xvi) The Company has not availed of any term long during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used to finance short term assets except permanent Working Capital.
- (xviii) The Company has not made any preferential allotment of shares to parties of companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For AGARWAL GUPTA NOKARI &

RUSTAGI ASSOCIATES

Chartered Accountants


(B. C. KHAITAN)

Partner

Membership No.17387

12, Waterloo Street, Kolkata - 700 069

Dated, this 2nd day of August, 2007

ESAAR (INDIA) LIMITED

REPORT ON CORPORATE GOVERNANCE1) **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Your Company has always recognised the importance of high standards of Corporate Governance. In the past, shareholders were provided all the material information in the most transparent manner. It has been the practice in your Company to encourage wider and active participation from shareholders at every General Meeting, this provided opportunity for the Directors to interact with the main shareholders. The Company has taken series of steps to comply with the clause 49 of the listing agreement. The Company has appointed two new additional independent director in 2003.

2) **BOARD OF DIRECTORS**

As at 31st March, 2007, the Board of Directors of the Company consists of five members two of which are independent.

A) **THE CONSUMPTION OF THE RESTRICTED BOARD IS AS UNDER**

<u>NAME OF THE DIRECTOR</u>	<u>CATEGORY</u>
Mr. H.D. Saxena	Director (Non Executive)
Mr. O.P. Saxena	- do -
Mr. Sameer Saxena	- do -
Mr. Raj Kumar Bhalotia	Independent Director
Mr. Bajrang Lal Sharda	- do -

B) **MEETING OF THE BOARD OF DIRECTORS**

The Board of Directors provide the strategic direction and trust to the operations of the company. During the period under review 7(Seven) Board Meeting were held on 27th April, 2006, 24th July, 2006, 22nd October, 2006, 20th December, 2006, 23rd February, 2007.

Attendance of each Director at Board Meetings and Annual General Meeting (AGM) was as follows:-

<u>Sl. No.</u>	<u>Name of the Director</u>	<u>No. of Board Meeting attended</u>	<u>Attendance at AGM held on 30.09.2007</u>
1	Mr. H.D. Saxena	5	Yes
2	Mr. O.P. Saxena	5	Yes
3	Mr. Sameer Saxena	5	Yes
4	Mr. Bajrang Lal Sharda	5	Yes
5	Mr. Raj Kumar Bhalotia	5	Yes

3) **DETAILS OF DIRECTOR**

<u>Name of the Director</u>	<u>No. of other Pvt Ltd. Co.</u>	<u>Directorship Public Ltd. Co.</u>
Mr. H.D. Saxena	2	Nil
Mr. O.P. saxena	3	1
Mr. Samir Saxena	6	1
Mr. Raj Kumar Bhalotia	Nil	Nil
Mr. Bajrang Lal Sharda	Nil	Nil

4) **AUDIT COMMITTEE**

- i) An Audit Committee of the Board was constituted on 31st January, 2002 with the following terms of reference:-
- Overseeing of the Company's Financial reporting process and the disclosure of its Financial information to ensure that the Financial Statement is correct, sufficient and credible.
 - Re-commending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any services.
 - Reviewing with management the annual financial statements before submission to the Board, focussing primarily on:-
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise or judgement by management.
 - Qualification in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange (s) and legal requirements concerning financial statement.
 - Any related Compliance with Stock Exchange (s) and legal requirements concerning financial statement.
 - Transactions of the Company of material nature with promoters or the management, their subsidiaries or relatives or etc. that may have potential conflict with the interests of the company at large.
 - Reviewing with the management, external and internal auditors the adequacy of internal control system.
 - Discussion with external auditors before the audit commences, nature and scope of audit as well as having post-audit, discussion to ascertain any area of concern.
 - Reviewing the Company's financial and risk management policies.
 - To look in to the reasons for substantial defaults in the payment to the depositors, Shareholders (in case of non-payment of declared dividend) and creditors.
- ii) Composition, Name of Members and Chairman
 During the year ended March, 2007, 5(Five) meetings of the Audit Committee were held, the dates being 27th April, 2006, 24th July 2006, 22nd October 2006, 20th December 2006, 23rd February, 2007.
- | <u>Members</u> | <u>Meeting attended</u> | |
|------------------------|-------------------------|---|
| Mr. Raj Kumar Bhalotia | - do - | 5 |
| Mr. Banrang Lal Sharda | - do - | 5 |
| Mr. H. D. Saxena | - do - | 5 |
- iii) **CHAIRMAN**
 Mr. H D Saxena, Director is the Chairman of the Audit Committee.
- iv) Invitees entitled to attend as per relevant, provisions,
 a) The Statutory Auditors

5) **BOARD PROCEDURE**

In the year 2006-2007 Meetings of the Board were held. The intervening period between two Board meetings was well within the maximum time gap of three months prescribed in clause 49 of the Listing Agreement. The minimum information to be made available to the Board as per Annexure forming part of clause 49 are being complied with. Informations on Foreign Exchange exposures are not required at present, as company has no foreign exchange earning and has no Foreign Exchange outgo.