

EXPLICIT FINANCE LIMITED

18TH

ANNUAL REPORT

2011 – 2012

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BOARD OF DIRECTORS

Shri Jayesh Jain
Shri Gopal Dave
Shri Avinash Mainkar
Shri Satish Pai
Shri Deepak Oza

AUDITORS

M/s MVK Associates, Chartered Accountants
Mumbai.

REGISTRAR & TRANSFER AGENTS

Adroit Corporate Services Pvt. Ltd.
19, Jaferbhoy Industrial Estate,
Makwana Road, Marol Naka,
Andheri (E), Mumbai - 400 059.

Explicit Finance Limited

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of "EXPLICIT FINANCE LTD." will be held at the registered office 305, Sohan Commercial Plaza, Vasai (E), Thane - 401210 on Friday, 28th September, 2012 at 9.30 A.M. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012, and the Audited Statement of Profit & Loss Account for the year ended on that date and the Auditors' and Directors' Reports thereon.
2. To appoint a director in place of Mr Deepak Oza, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr Avinash Mainkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and if thought fit, to pass the following resolution with or without modification(s), as an Ordinary Resolution

"RESOLVED THAT pursuant to section 224 of the Companies Act, 1956, M/s MVK Associates, Chartered Accountants, Mumbai having registration number as 120222W be and are hereby re-appointed as Auditors of the Company to hold office till conclusion of the next Annual General Meeting at remuneration to be decided by the Board of Directors in consultation with them."

NOTES:

1. *A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.*
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business set above to be transacted at the meeting is annexed hereto and forms part of this notice.
3. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries at least seven days before the date of the meeting of the Company so that the information required may be made available at the meeting.
5. **Re-appointment of Directors:**
Mr. Deepak Oza and Mr. Avinash Mainkar who retire by rotation and being eligible, offers themselves for re-appointment.

The information required to be provided under the Listing Agreement in respect of Directors being re-appointed is given herein below.

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Mr. Deepak Oza, is a Chartered Accountant with indepth knowledge in the field of Accounts, Finance and Capital market and has more than 18 years of experience in various sectors and industries.

Directorship in other companies:

i. Merlin Pharma (I) Limited

Mr. Avinash Mainkar, is a Company Secretary by qualification and has wide experience in Corporate Laws & Compliances, Finance. His total work experience is around 25 years.

Directorship in other Companies:

i. Trunadhanya Tarding P Limited.

6. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the Office of the registrar and Transfer Agent of the Company.
7. Members are requested to bring their Attendance slip sent herewith duly filled for attending the Meeting.
8. Members are requested to notify immediately any change in their address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the company or to its Share Transfer Agents M/s Adroit Corporate Services Pvt. Ltd. 19, Jaferbhoy Industrial Estate, Makwana Road, Marol Naka, Andheri (East), Mumbai- 400 059 in respect of their holdings in physical form.
9. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
10. The register of members and the share transfer books will remain closed from Friday, 21st day of September, 2012 to Friday 28th day of September, 2012 (Both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.

REGD OFFICE:
305, Sohan Plaza, Vasai (E),
Thane - 401210
Dated: 28th August, 2012

By Order of the Board of Directors

Gopal Dave
Managing Director

Explicit Finance Limited

REPORT OF THE DIRECTORS' AND MANAGEMENT DISCUSSION ANALYSIS

To the Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report of the Company together with the Audited Accounts for the Financial Year ended 31st March 2012.

FINANCIAL RESULTS

Financial results of the company during the year vis-à-vis previous year are as follows: -

(Rs. In Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Total Income	1651.17	620.72
Profit before Depreciation and Tax	9.20	(2.18)
Less: Depreciation	0.85	0.36
Profit before Tax	8.35	(2.54)
Less: Provision for Income Tax	0.89	0.63
Profit after Tax	7.46	(3.17)
Balance brought forward from previous years	(45.93)	(42.76)
Balance carried to Balance Sheet	(38.47)	(45.93)

DIVIDEND

In view of brought forward losses the directors do not recommend any dividend for the year ended 31st March, 2012.

PERFORMANCE

The world economy has been passing through stress. Financial turmoil in Europe has affected other countries. This contagion has pushed up borrowing cost and slowed growth in many parts of the world, and capital flows to developing countries have fallen. As a result, and despite a strengthening of activity in the United States and Japan, world trade has slowed down. Under this scenario the forecast for global economic growth has been revised downward to about 2.5% in 2012. Indian economy also slowed down in 2011-12 mainly due to weak industrial growth. Inflation remained a major concern constraining RBI to pursue tight monetary policy. These recessionary conditions resulted negative profitability of the company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. INDUSTRY STRUCTURE & DEVELOPMENT

The business of the Company is that of a Non Banking Finance Company (NBFC). Non Banking Financial Companies (NBFCs) play a crucial role in broadening access to financial services, enhancing competition and diversification of the financial sector.

Banks and NBFCs compete for similar kinds of business. In spite of strong competition, the inner strength of NBFCs viz local knowledge, credit appraisal skill, well trained collection machinery, close monitoring of borrowers and personalized attention to each client, are catering to the needs of small and medium enterprises in the rural and semi urban area.

Non Banking Financial Companies (NBFCs) have become an integral part of India's financial system. In recent times, NBFCs have emerged as lenders to both companies and individuals. When it comes to lending, NBFCs are generally regarded to be complementary to banks and are often able to offer better services and products to their customers.

B. OPPORTUNITIES & THREATS

Your Company is mainly engaged in the business of Finance and Investment in Capital Market. Business opportunities for Finance Companies are enormous as the new areas and segments are

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being explored. There is a large scope of small size Finance & Investment Companies like ours, for certain segment of customers, which remain unserved by Banks and large size Investment & Finance Companies.

The major threat being faced by Investment & Finance Companies are regulatory changes in NBFCs, Interest Rate hikes by RBI, high Inflation, aggressive marketing of banks and volatility in global equity and commodity market.

C. RISKS AND CONCERNS

Your company's performance to a large extent depends upon scenario of the capital markets, finance scenario, RBI policies, industry performance and the general economic outlook of the country. The volatility in the stock Market, rate of interest and GDP would affect the profitability of the company.

D. OUTLOOK

As there was slowdown in the global economy, NBFCs had encountered structural challenges such as increased refinancing risk, short-term asset liability mismatch leading to decelerating growth and declining margins. This had a bearing on the profitability of NBFCs in the medium term. But it has been estimated, that in the long run there are vast opportunities for all NBFC's. Hence, the company is expecting to improve its performance and profitability in years to come and maintain its previous position.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Control measures and systems are established to ensure the correctness of the transactions and safe guarding of the assets. The control systems set on place are checked and further supplemented by MIS which provided for planned expenditure and information on disposal and acquisition of assets.

F. HUMAN RESOURCES

The company always regards human resources as its most valuable asset and continuously evolves policies and process to attract and retain its substantial pool-of managerial resources through friendly work environment that encourages initiatives by individuals and recognizes their performance.

G. CAUTIONARY NOTE

Certain Statements in the Management Discussion and Analysis describing the company's views about the industry, expectations, objectives, etc may be understood 'forward looking statement' within the meaning of applicable laws and regulations. Factors like changes in Government regulations, tax laws and other factors such as industrial relations and economic developments etc. may further influence the company's operations or performance. Actual results may differ substantially or materially from those expressed or implied.

CORPORATE GOVERNANCE

As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on the Corporate Governance together with a certificate of compliance from the Auditors, forms part of this report.

PUBLIC DEPOSITS

The company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and/or rules framed there under.

SHARE CAPITAL

Your company has issued 60,00,000 convertible warrants of Rs.10/- each during the current year out of which 25,00,000 warrants have been converted into shares during the year.

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DIRECTORS

Mr. Deepak Oza and Mr. Avinash Mainkar retire by rotation in accordance with the provision of the Companies Act, 1956 and the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of annual accounts for the financial year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss of the company for the year under review;
- That the directors 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;
- That the directors have prepared the accounts for the financial year, ended 31st March, 2012, on a 'going concern' basis.

STATUTORY AUDITORS

M/s MVK Associates, Chartered Accountants (Registration No. 120222W) Statutory Auditors of the company, retire from the office of the Auditors at the ensuing Annual General Meeting and being eligible have given a certificate in accordance with the provisions of section 224 (1-B) of the Companies Act, 1956. The Board recommends the re-appointment of M/s. MVK Associates, Chartered Accountants as the Statutory Auditors.

RBI GUIDELINES

The company continues to comply with all the requirements prescribed by the Reserve Bank of India from time to time as applicable to it.

PARTICULARS OF EMPLOYEES

There is no employee covered pursuant to Section 217(2A) of the companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Pursuant to the requirement under section 217(1)(e) of the Companies Act-1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988,

- a) The Company has no activity involving conservation of energy or technology absorption.

- b) Foreign exchange earnings and outgo

Earnings: Nil Outgo: Nil

ACKNOWLEDGEMENT

The Directors take the opportunity to thank all its colleagues at Explicit Finance Ltd. for their professionalism and dedication. The Board also wishes to place on record its appreciation for valuable support given by the Bankers, Clients and Shareholders.

For and on behalf of the Board of Directors

Gopal Dave
Managing Director

Thane: 28th August, 2012

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REPORT ON CORPORATE GOVERNANCE

PHILOSOPHY ON CORPORATE GOVERNANCE CODE

Your Company is committed to the principles of good business practices, transparency in its dealing, compliance of law, adherence to ethical standards and to have a better rapport with the client and shareholders. Above all your company has always endeavored to maximize the shareholders value and to protect the interest of stakeholders.

BOARD OF DIRECTORS

Composition:-

As on 31st March 2012 the Board of Directors comprised of Five (5) directors. The number of Independent Non-Executive Directors (NED's) is 2/3 of the total number of Directors. The composition of the Board is in conformity with the requirement of Clause 49 of the Listing Agreement with Stock Exchanges.

Number of Board Meeting:-

The Board met 6 (Six) times during the year 2011 - 2012, on 2nd May, 2011, 1st August, 2011, 3rd September, 2011, 28th October, 2011, 29th December, 2011 and 7th February, 2012

All the directors have informed the company periodically about their Directorship and Membership on the Board Committees of other Companies. As per disclosure received from Director(s), none of the Directors hold membership in more than ten (10) Committees and Chairmanship in more than five (5) Committees.

The details of the composition, nature of Directorship, the number of meetings attended and the directorship in other companies of the directors of the company are as follows. This table also signifies the relationship of the Directors with each other as required to be disclosed in terms of Clause 49 of the Listing agreement.

Name of Directors	Nature of Directorship	Relationship with each other	Attendance particulars		No. of Directorship and Committee Membership/ Chairmanship in other Public Companies*		
			Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Gopal Dave	Managing Director, Executive	None	6	Yes	Trunadhanya Tarding P Ltd. And Kalada	Nil	Nil

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					rshan Inv P Ltd.		
Avinash Mainkar	Non Executive, Non Independent	None	6	Yes	Trunad hanya Tardin g P Ltd.	Nil	Nil
Satish Pai	Non Executive, Non Independent	None	0	Yes	Nil	Nil	Nil
Deepak Oza	Non Executive, Independent	None	6	Yes	Merlin Pharm a (I) Ltd.	Nil	Nil
Jayesh Jain	Chairman, Non Executive, Independent	None	6	Yes	Nil	Nil	Nil

*** There is no relationship between any of the Independent Directors.

Notes: Private limited Companies, foreign companies and companies under section 25 of the Companies Act 1956 are excluded above purposes. Only Audit committee and shareholders grievances committee are considered for the purpose of committee positions as per Listing Agreement.

Board Procedure:-

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the company to discharge its responsibility effectively and take informed decision. Where it is not practicable to attach or send the relevant information, the same are tabled at the meeting or / and the presentations are made by the concerned manager to the Board.

The information as specified in Annexure 1A to Clause 49 of the Listing Agreement is regularly made available to the Board, whenever applicable, for discussion and consideration.

COMMITTEES OF THE BOARD

Audit Committee

Composition

The Audit committee is constituted in accordance with various requirements under the Companies Act, 1956 and Clause 49 of the Listing Agreement. The present Audit Committee consists of the following Directors,

- | | |
|-----------------|--|
| Mr. Gopal Dave | - Chairman, Non Independent, Executive |
| Mr. Deepak Oza | - Member, Independent, Non Executive |
| Mr. Jayesh Jain | - Member, Independent, Non Executive |

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Two members of the Audit Committee are Independent- Non Executive Directors and all directors are financially literate.

During the financial year 2011-12, five (6) Audit Committee meetings were held as under- 2nd May, 2011, 1st August, 2011, 3rd September, 2011, 28th October, 2011, 29th December, 2011 and 7th February, 2012

All the Committee members were present at all the meetings.

Power & Terms of Reference:-

The Power and Terms of Reference of the Audit Committee are mentioned in Clause 49II(C), (D) & (E) of the Listing Agreement entered into with Stock Exchanges and includes overseeing the Company's financial reporting process, reviewing with the management the financial statements and the adequacy of the internal audit function and to discuss significant internal audit findings, statutory compliance issue and issues related to risk management and compliances. The Director Finance and the Statutory Auditors are invited to the meeting.

Remuneration Committee

Brief description of terms of reference

- 1) To recommend to the Board salary, perquisites and commission to be paid to the Company's Managing/Whole-time directors,
- 2) To finalise the perquisites package within the overall ceiling fixed by the Board.

Constitution and Composition

The constitution of the Remuneration Committee is as follows:

Mr. Deepak Oza	- Chairman, Independent, Non-Executive
Mr. Jayesh Jain	- Member, Independent, Non Executive
Mr. Avinash Mainkar	- Member, Non Independent, Non Executive

All the three Members of the Remuneration Committee are Non Executive Directors and the Chairman of the Committee is an Independent Director.

Meetings and attendance

During the financial year ended 31st March, 2012, no Remuneration Committee Meeting was held since the need for any reference to such committee did not arise during the said financial year.

Remuneration policy

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing /Whole time directors.

No Remuneration is paid to Directors of the Company.

Non Executive Directors

The Non Executive Directors add substantial value to the Board and provide strategic insight from time to time. They play a vital role in safeguarding the interest of the investors and other stakeholders of the Company. Their active involvement and engagement with the Company's business as well as independent views ensure the highest level of governance. However the Company currently does not pay any compensation and sitting fees to Non Executive Directors