



# MAFATLAL FINANCE

MAFATLAL FINANCE COMPANY LIMITED

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**MAFATLAL**  
**FINANCE**
**BOARD OF DIRECTORS**

SHRI. J. A. PATEL

SHRI. V. J. OJHA

SHRI. R. R. PATEL

SHRI. P. DEVANGA

*(Cease w.e.f. 30.06.2007 - Nominee of Debenture Trustee)*

SHRI. M. J. BHATIA

*(w.e.f. 01.07.2007 - Nominee of Debenture Trustee)***VICE PRESIDENT - RESOURCES AND  
COMPANY SECRETARY**

SHRI. K. CHANDRAMOULI

**BANKERS**

DENA BANK

BANK OF BARODA

CENTRAL BANK OF INDIA

ICICI BANK LIMITED

ORIENTAL BANK OF COMMERCE

THE DHANALAXMI BANK LIMITED

THE FEDERAL BANK LIMITED

**MANAGEMENT TEAM**

SHRI. J. A. PATEL Chairman

SHRI. N. R. DIVATE President &amp; CEO

SHRI. K. CHANDRAMOULI Vice President - Resources  
& Company Secretary**AUDITORS**C. C. CHOKSHI & CO.  
Chartered Accountants**REGISTERED OFFICE**Flat No. K-3/4, Second Floor,  
Shopping Centre, Sector - 15/16,  
Vashi, Navi Mumbai - 400 703.**REGISTRAR & SHARE TRANSFER AGENTS**BIG SHARE SERVICES PRIVATE LIMITED  
E-2, Ansa Industrial Estate,  
Saki Vihar Road, Sakinaka,  
Andheri (East),  
Mumbai - 400 072.
**MAFATLAL**  
**SECURITIES**
**BOARD OF DIRECTORS**

SHRI. H. A. MAFATLAL Chairman

SHRI. N. R. DIVATE Director

SHRI. B. K. GHIYA Director

SHRI. V. J. OJHA Director

*(w.e.f. 31.08.2007)*

SHRI. P. KARUNAKAR RAO Wholetime Director

SMT. MEGHA J. VAZKAR Wholetime Director

**AUDITORS**C. C. CHOKSHI & CO.  
Chartered Accountants**REGISTERED OFFICE**Rustom Building, 4th Floor,  
23, Veer Nariman Road,  
Fort, Mumbai - 400 001

## Annual Report 2006-2007

## NOTICE

Notice is hereby given that the ADJOURNED TWENTIETH ANNUAL GENERAL MEETING of the Members of MAFATLAL FINANCE COMPANY LIMITED will be held at Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai 400 703 on Thursday, 31st day of January, 2008 at 10.30 a.m. to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and Balance Sheet as that date and the Reports of Directors and the Auditors thereon.

2. **Special Notice:**

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

"RESOLVED THAT pursuant to Sections 224, 225 (1) and other applicable provisions if any of The Companies Act, 1956, M/s. R. Prabhu & Associates, Chartered Accountants, A-12, Gundecha Onclave, Kherani Road, Saki Naka, Andheri (E), Mumbai - 400 072 be and hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and are hereby authorised to fix their remuneration".

**Explanatory Statement****Item No. 2**

M/s. C.C. Chokshi & Co., the existing Statutory Auditors of the Company have indicated their unwillingness for reappointment as Statutory Auditors of the Company. The Company has received requisite notice from a shareholder for appointment of M/s. R. Prabhu & Associates, Chartered Accountants, A-12, Gundecha Onclave, Kherani Road, Saki Naka, Andheri (E), Mumbai - 400 072 for consideration of their appointment as Statutory Auditors of the Company. The Company accordingly is placing the same for the consideration of the members.

**Registered Office:**

Flat No. K - 3/4 Second Floor,  
Shopping Centre, Sector 15/16,  
Vashi, Navi Mumbai 400 703.

By Order of the Board  
For **MAFATLAL FINANCE COMPANY LIMITED**

**K.CHANDRAMOULI**  
COMPANY SECRETARY

Date : December 31, 2007

**NOTES:**

- a). A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER.
- b). The proxy form duly completed and signed by the shareholder should be deposited at the registered office of the company atleast 48 hours before the commencement of the meeting.
- c). Members are requested to notify any change in their address to the Company's Registrars & Share Transfer Agents, M/s. Big Share Services Pvt. Ltd., E-2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072, quoting their folio nos. immediately, so as to ensure that all communications / reports reach the Members promptly.
- d). Shareholders seeking any information with regard to the Accounts of the Company are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

## DIRECTORS' REPORT

To,  
The Members

### Mafatlal Finance Company Limited

Your Directors present the Twentieth Annual Report with the Audited Statement of Accounts of the Company for the year ended 31st March 2007.

#### 1. FINANCIAL RESULTS

The Financial results of the company for the year under review as compared to the previous year are summarized below for your consideration:

	Year ended 31.03.2007 (Rs. in lacs)	Year ended 31.03.2006 (Rs. in lacs)
Gross Income	749.42	1660.06
Gross Profit/(Loss) before depreciation and Income tax	69.89	(30.41)
Depreciation	1.98	2.97
Provision for Tax	1.03	1.38
Net Profit / (Loss) After Tax	66.88	(34.76)
Transferred from Investment Allowance Reserve	—	0.71
Add: Amount brought forward from previous year	(24309.08)	(24275.03)
Amount available for appropriation	—	—
Transferred to Debenture Redemption Reserve	—	—
Transferred to Statutory Reserve under RBI Act	—	—
Balance carried forward	(24242.20)	(24309.08)

#### 2. OPERATIONS

The financial year 2006-2007 has ended with the company making a profit of Rs. 66.88 lacs. The company had filed a Scheme of Arrangement under the provisions of section 391 and 394 of the Companies Act, 1956 for a compromise with the residual creditors and debenture holders (both secured and unsecured) incorporating several reliefs and concessions including but not limited to waiver / remission of interest and principal with reference to the cut off date 31.03.1999. The said scheme has since been sanctioned by the Honourable Bombay High Court. The company is continuing its further action consequent upon the sanction. The accounts for the current year however does not reflect the effects of the said compromise relating to the prior periods except the non-provisioning of interest for the current year. The company would be giving effects to the accounting treatment as envisaged in the scheme during the current financial year.

Your company is confident of meeting the obligations to the creditors as per the scheme of compromise sanctioned by the Honourable Bombay High Court and pursuant to the same and various other factors the company is hopeful of turning its network positive.

The company is continuing its efforts and discussions with the BSE for lifting the suspension in trading of the company's

shares. The company continues to pursue aggressively the recoveries from its irregular and bad accounts.

The company does not anticipate any claims on the fixed deposits which are outstanding as per the books of accounts other than the deposits which are escrowed against the fixed deposits placed with the bank. The company has not reversed the liability and the same would be undertaken in the current year alongwith the effects that are being given to the accounts pursuant to the 'Scheme of Compromise.'

#### 3. LITIGATIONS AGAINST THE COMPANY

With the sanction of the Scheme of Compromise by the Honourable Bombay High Court, the litigations filed against the company by the secured creditors are expected to cease. The company however would be continuing its appeals against the various penalties etc. levied by the Enforcement Directorate and the disputed income tax claims besides cases that have been filed in Consumer Forums or any other Courts.

#### 4. REJECTION OF COMPANY'S APPLICATION AS AN NBFC

The Company expects that once the proposed restructuring of creditors and the capital is carried through, the company's network should become positive thereby giving an opportunity to the company to revive itself. The course of action to be proposed shall be decided later and the company shall in the interim pursuing activity of broking through its subsidiary.

#### 5. COMMENTS ON AUDITOR'S QUALIFICATIONS AND MANAGEMENT'S RESPONSES

The qualifications of the auditor's have been segmented and responded so as to facilitate a precise understanding on the subject:

I Interest, Penal Interest and Confirmation [relates to item No.2, 4b, 4f (xi), (xiii), (xv), (xvi), (xvii) and (xix)]

These are repetitive qualifications which relate to the above subject and does not confirm to the realities of the situation. The companies views are consistent with settlements which the company has arrived at in the past as well as the 'Scheme of Compromise' sanctioned by the Honourable Bombay High Court. Confirmations have been sent wherever the matter is not under litigation. Admissibility of penal interest is debatable in view of the various judicial pronouncements and are imaginary perceptions.

II Fixed Deposits and Debentures [relates to item No. 4f (iv) to (x)]

Based on the statements and supportings received from The Federal Bank Ltd., Chennai, it is observed that the interest on fixed deposit has not been correctly booked between the year 1997 and 2001 together with interest on concealed overdraft due to inadequate funding and to the said extent, Rs. 9,30,78,412/- represents prior period item and should have been accordingly charged to Profit & Loss Account. The aforesaid is also borne out by reflective calculations of fixed deposit interest during the period 1996-1997 to 2000-2001. The company is of the view that the fixed deposits liability is also overstated but pending for reconciliation which is constrained by lack of available data. Dividends are under the present depository system earmarked to the designated bank accounts and the company is of the

## Annual Report 2006-2007

view that the same is just and sufficient compliance. Reconciliation differences if any with Garron Trading Company Private Limited are unlikely to have any significant impact. Similarly having obtained no dues from the respective banks, the company does not anticipate any further fall out from non filing of satisfaction of charge.

## III Statutory matters

## (A) Capital Adequacy Ratio [relates to item No 4f (xxi)]

As the company is currently under the directions of Reserve Bank of India to sell the assets and repay the fixed deposits, the applicability of capital adequacy is not presently enjoined on the company as per the views of the management. This shall be applicable only when the company proposes to reregister itself.

## (B) Going Concern [relates to item No. 4f (xxiii)]

The accounts have been prepared on a going concern basis as the company has filed a 'Scheme of Arrangement and Compromise' under Section 391/394 of the Companies Act, 1956 in the Honourable Bombay High Court and the same has been sanctioned by the Honourable Bombay High Court. Giving effect to the Scheme regarding Relief & Concessions and enhanced recovery of receivables are likely to improve Net Worth significantly by bringing down accumulated losses.

## (C) True and fair view of the accounts [relates to item No. 5]

The company is of the view that mere non-provision of interest on certain borrowings which too the company does not anticipate any liability, does not negate the true and fair view of the accounts as has been qualified by the auditors. This is further reinforced with reference to the 'Scheme of Arrangement' proposed which provides substantial relief on the subject matter of interest on borrowings.

## IV Others

## (A) ICICI Ltd. (presently ICICI Bank Ltd.) -[relates to item No. 4f (xiv), (xv), (xvi) and (xvii)]

The company had in the year 1999 made a settlement with ICICI Ltd. consisting of issue and allotment of equity and preference shares, securitization of certain receivables and transfer of property which the company was to receive in settlement with a debtor. The transfer of the property to ICICI Ltd. is pending and the company is in dialogue for the same. On the residual sum represented by the pending transfer, the company has provided interest as advised by the auditors as a measure of abundant caution although the company does not perceive the same as liability.

## (B) Investment in partnership firm [relates to item No. 4f (xviii)]

The constitution of the firm has undergone a change into a Private Limited Company and conversion of the capital into equity and preference shares/loans. Consequential restructuring of the capital by the

company will be done in the current year. Any loss in the investment would be accounted as and when the same happens.

## (C) Reappointment of Directors and Managerial Remuneration [relates to item No 4e &amp; 4f (ii) &amp; (iii)]

The company is of the view that the disqualifications envisaged in clause-g (sub-section 1) of Section 274 of Companies Act, 1956 relates only to fresh appointments and not reappointment of the Directors in the same.

The company is of the view that the revised guidelines introduced in respect of appointment of managerial personnel relate only to prospective and not retrospective appointment.

The company however has since obtained the approval for waiver of excess remuneration.

## (D) Income tax demand of Rs. 8,14,51,111/- [relates to item No. 4 (f) (i)]

This is an exparte order and the consequential demand arising therefrom without any credence to the intent of the order passed by the Income Tax Appellate Tribunal. The company has gone in appeal before the Commissioner of Income Tax Appeals and is hopeful the demand being set aside.

## (E) Non accounting of scheme of compromise [relates to item No.4(f) (xi) &amp; (xii)]

The company has not carried out the accounting entries arising out of the scheme of compromise and its consequent sanction by the court on account of the following :

- a) Sanction of the Scheme was received only during the current financial year.
- b) The company had already published the unaudited financial results for the year ended 31.03.2007 as per listing requirement without giving effect of the scheme of compromise.
- c) Notation to the above was also mentioned in the half yearly results of 30.09.2007 while publishing the company's unaudited results.
- d) The secured creditors have at the time of meeting itself preferred Option "B" and the unsecured creditors Option "A". The company feels no separate consent is necessary.

## (F) Residual values [relates to item No.4(f)(xx)]

The company disposes off the assets based on various factors and such sale is reflected on receipt basis.

## 6. PUBLIC FIXED DEPOSITS

The company currently has 116 unclaimed depositors for a value of Rs. 10,38,000/- against which the company has escrowed a fixed deposit for a value of Rs. 17,62,672/- The outstanding liability of fixed depositors however as per books of accounts does not reflect the true position as some of the accounting entries of previous years have remained to be carried out and consequently higher book balances. It is also required to be noted that the company's outstanding book balances of banks specifically created for payment of fixed deposits and interest are showing a substantially high balances

although as per the bank, the account has already been closed and therefore Nil balances. The company has created the contingency provision for the said loss as the figure of book balances of banks is higher by the outstanding fixed deposit by over Rs. 2 crores. The efforts to reconcile and identify the difference is constrained and affected by non-availability of records.

In view of the fact that the outstanding fixed deposits as per the books do not reflect correctly the liability and the company shall reverse the said deceptive liability not supported by adequate data in the form of individual balances in the current financial year. The company would however continue its effort to obtain the records from the bank and reconcile the differences.

#### 7. LISTING OF SHARES

The company is making efforts to get the suspension removed so as to enable the shares to be traded in BSE and pursue the voluntary delisting in other stock exchanges.

#### 8. MAFATLAL SECURITIES LIMITED (MSL) – SUBSIDIARY COMPANY

The Company has posted a net profit of Rs. 49.83 lacs for the financial year ended 31st March, 2007, after writing off Rs.0.06 lacs towards bad debts and providing for Rs. 0.14 lacs towards doubtful debts. The Subsidiary Company is exploring various options to fare better in the current financial year. Statement pursuant to Section 212 of the Companies Act, 1956 in respect of Mafatlal Securities Limited are separately given in this Report. The financial statements and the audited accounts of the subsidiary are annexed to this report.

#### 9. OUTLOOK

Having regard to the fact that the Scheme of compromise and arrangement formulated by the company has since been sanctioned, the company would examine the possibility of undertaking non-NBFC activities.

#### 10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign exchange earnings : Nil  
Foreign exchange outgoings : Nil

#### 11. DIRECTORATE

In accordance with the provision of the Articles of Association of your company, Mr. Vinod Ojha is retiring by rotation and being eligible, has offered himself for reappointment. The Board of Directors recommends his reappointment.

#### 13. DEPOSITORIES

Effective October 30, 2000, the equity shares of your Company have been mandated by Securities and Exchange Board of India for delivery only in dematerialized form for all investors.

Your Company has already entered into arrangements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for custody and dematerialization of shares in accordance with the Depositories Act, 1996.

#### 14. PARTICULARS OF EMPLOYEES

There are no employees in the company attracting the requirements of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

#### 15. DIRECTOR'S RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had 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 loss of the Company for the period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis notwithstanding the rejection of the company's application for registration by RBI and complete erosion of networth on account of the anticipated restructuring process.

#### 16. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, management discussion analysis, and corporate governance report are made a part of the annual report.

#### 17. AUDITORS

M/s. C.C.Chokshi & Co., Chartered Accountants, the retiring auditors have informed the Company that they would not like to offer themselves for reappointment and accordingly M/s. R.Prabhu & Associates, Chartered Accountants, A-12, Gundecha Onclave, Kherani Road, Saki Naka, Andheri (E), Mumbai - 400 072, who have given their consent for appointment are being proposed as the Statutory Auditors of the Company. The members are requested to consider the same.

The company has given in item 5 of this report hereinabove, the observations of the outgoing auditors M/s. C.C.Chokshi & Co., Chartered Accountants on the accounts of the company for the year ended 31st March 2007 and also the response of the Management for the same.

#### 18. ACKNOWLEDGEMENTS

Your Directors wish to thank and place on record their appreciation of the valuable support given by Company's Customers, Shareholders, Bankers, Deposit Holders, Financial Institutions, Mutual Funds and Debenture Holders.

The Directors would also like to thank the employees for their contribution to the Company.

FOR AND ON BEHALF OF THE BOARD

Place: Navi Mumbai  
Date: 31<sup>st</sup> December 2007

J.A. PATEL  
CHAIRMAN



## Annual Report 2006-2007

### MANAGEMENT DISCUSSION AND ANALYSIS

Your company has proposed the Scheme of Arrangement and Compromise with the residual creditors and debenture holders and the same has been sanctioned by the Honourable Bombay High Court. The same is expected to provide the company to plan the future course of action which was hitherto plagued by the uncertainties. The company would be drawing up the resource plans to carry out future operations in fee based areas.

#### FINANCIAL REVIEW

As the company discontinued its lending operations, most of the revenues arose from past lending and disbursements. The company was successful in finalising its pending sales tax assessment in Karnataka consequent upon the judgement delivered by the Hon'ble Supreme Court. The company's income was Rs. 749.42 Lacs which included Rs.313.56 Lacs towards operational income and Rs.435.86 Lacs as other income which includes write-backs and the company made a profit of Rs. 66.88 Lacs. During the year the company has provided Rs. 249.03 Lacs (net) towards bad and doubtful debts and diminution in the value of investments.

#### BUSINESS ANALYSIS OUTLOOK

The company has been exploring the possibility of alternate activities in the fee based segment. In addition, the company would also further activate its stock broking subsidiary as there has been significant improvement in the capital market. The company is confident of improving its revenues from the new activities.

#### RISK AND CONCERNS

The company faces the following challenges and risks:

- a) Risk associated with rejection by RBI, its application for registration as NBFC and thereby impinging on the company's core area of operations.
- b) Results of the litigations filed against the company.

- c) Contingent risks which the company is not currently facing but may be exposed too.

Your company's management has been continuously evaluating the risk and concerns and have been taking proactive action in its mitigation. Given the fact that there are substantial numbers of risks, which are cumulatively impinging the company's operations, any road to future development would be fraught with a fair degree of uncertainty.

#### INTERNAL CONTROL AND THEIR ADEQUACY

The company has appropriate and adequate internal control system, which are sufficient for the level of activities carried by it. The internal audit is being carried out by an external firm of Chartered Accountant and their findings are reviewed at reasonable intervals. The Board is of the opinion that the internal control system is adequate to size of the Company's business.

The company has fully computerised and integrated financial and accounting function.

#### INDUSTRIAL RELATIONS

The Company as on 31.03.2007 has 18 employees on its payroll. The relationship were cordial and the Company had performance based incentive scheme for all its officer cadres.

#### CAUTIONARY STATEMENTS

Statement in the Management Discussion and Analysis describing the Company's position and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulation. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the market in which the Company operates, changes in the Government Regulations, tax laws and other statutes and incidental factors.

### CORPORATE GOVERNANCE REPORT

The detailed report on corporate governance as required in terms of Clause 49 of the Listing Agreement is given below:

#### 1. CORPORATE GOVERNANCE PHILOSOPHY

The company's philosophy is aimed at being transparent by discharge of all functions in a professionally sound and competent manner. The company's operations in the past have been hampered due to operative difficulties but nevertheless the company has been continuously striving to meet its responsibilities and obligations towards shareholders and others.

#### 2. BOARD OF DIRECTORS

##### (a) Composition and Category of Directors

The company's Board of Directors from the commencement and completion of the year under review have been unchanged with Mr. Purushottam Devanga, being a Nominee Director appointed by Bank of India representing the interest of the debenture holders. Mr. Devanga however has since resigned from the Board of Directors on his superannuation from the services of the bank. There has been no change in the composition of the Board of Directors. More than 50% of the Directors are non executive. However, Mr. J A Patel, Chairman of the company and a non-executive director has been classified as an independent director as he does not hold any material pecuniary relationship with the company. He is a professional chartered accountant performing the role of an internal auditor in one of the promoter companies. The company accordingly has three independent directors based on the revised classifications. As the Chairman is a non executive Director, more than 1/3<sup>rd</sup> of the Directors are independent.

The company follows the prescribed board procedures by circulating various items of agenda in advance which are to be dealt at the Board meetings.

The company has formulated a code of conduct for the Board members and senior management. The code provides for fair degree of transparency of operations with necessary guidelines for ethics, appropriate safety and healthy working environment.

##### (b) Attendance of each Director at the Board of Director's Meetings held during 2006-2007 and the last Annual General Meeting is as follows:

Director	Attended	Last Annual General Meeting Attended (Held on 29.12.2006)
Mr. J.A. Patel	5	Yes
Mr. R.R. Patel	5	No
Mr. Vinod Ojha	3	Yes
Mr. Purushottam Devanga *	4	No
Mr. M.J. Bhatia **	-	-

\* Appointed with effect from 21.11.2005. Ceased to be a Director with effect from 30.06.2007.

\*\* Appointed with effect from 01.07.2007.

##### (c) Details of Directorships/Committee Memberships held by the existing Directors in other companies are given hereunder:

Name of the Director	Category	Directorships held in other Companies		Committee Memberships held in other Companies	
		As Director	As Chairman	As Member	As Chairman
Mr. J.A. Patel	Independent, Non-Executive	4	Nil	Nil	Nil
Mr. R.R. Patel*	Not Independent, Non-Executive	Nil	Nil	Nil	Nil
Mr. Vinod Ojha @	Independent, Non-Executive	1	Nil	Nil	Nil
Mr. Purushottam Devanga**	Independent, Nominee Director	Nil	Nil	Nil	Nil
Mr. M.J. Bhatia **	Independent, Nominee Director	Nil	Nil	Nil	Nil

\* Mr. R.R.Patel is the Company Secretary of Mafatlal Industries Limited which is an associate of the company and hence is considered to have a material pecuniary relationship.

\*\* Mr. P Devanga was appointed as a Nominee Director representing debenture trustees ceased to be a Director with effect from 30/06/2007 and in substitution whereof, Mr. M.J. Bhatia has been appointed as a nominee director for the debenture holders as per Section 15(M) of SEBI (Debenture Trustees) regulations 1993 in conjunction with the provisions of the Trust Deed.

@ Mr. Vinod Ojha holds 1600 shares in the company which is less than 2% of the total share capital of the company hence he is to be considered as an Independent director.

##### (d) Number of Board Meetings held and the dates on which held:

Five Board Meetings were held during the year 2006-2007. The dates on which meetings were held were as follows: 26<sup>th</sup> April 2006, 31<sup>st</sup> July 2006, 27<sup>th</sup> October 2006, 25<sup>th</sup> November 2006 and 31<sup>st</sup> January 2007.

##### (e) Remuneration of Directors:

The company does not pay any remuneration other than payment of Travelling and Conveyance expenses to the directors.

##### (f) Directors Share Holding:

Mr.Vinod Ojha is holding 1600 shares in the company. Mr.R.R.Patel and his relatives are holding 300 shares of the company.



## Annual Report 2006-2007

### 3. AUDIT COMMITTEE

The company has constituted an Audit Committee in accordance with the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchanges. The terms of reference of the Audit Committee, are in conformity with those mentioned in Clause 49 of the Listing Agreement. The Committee reviews various reports placed before it by the Internal Auditors of the Company. The members of the Audit Committee are as under:

Mr. Vinod Ojha	Chairman
Mr. R.R. Patel	Director
Mr. J.A. Patel	Director
Mr. N.R. Divate	President & Chief Executive Officer (Co-opted)

The details of the Audit Committee Meetings and attendance of its members are given below:

Five meetings were held during the year 2006-2007. (26<sup>th</sup> April 2006, 31<sup>st</sup> July 2006, 27<sup>th</sup> October 2006, 25<sup>th</sup> November 2006 and 31<sup>st</sup> January 2007). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. Vinod Ojha	Chairman	3
Mr. J.A. Patel	Director	5
Mr. R.R. Patel	Director	5

### 4. REMUNERATION COMMITTEE

The company has constituted a remuneration committee on 27<sup>th</sup> April 2005 and following are the members:

Mr. J.A. Patel	Chairman
Mr. Vinod Ojha	Director
Mr. R.R. Patel	Director
Mr. N.R. Divate	President & Chief Executive Officer (Co-opted)

The details of the Remuneration Committee Meetings and attendance of its members are given below:

Two meetings were held during the year 2006-2007. (31<sup>st</sup> July 2006 and 27<sup>th</sup> October 2006). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. J.A. Patel	Chairman	2
Mr. Vinod Ojha	Director	1
Mr. R.R. Patel	Director	2

### 5. SHARE/DEBENTURE TRANSFER-CUM-INVESTOR'S GRIEVANCE COMMITTEE

The company has a Share/Debtenture Transfer-cum-Investor's Grievance Committee, constituting the following members:

Mr. J.A. Patel	Chairman
Mr. Vinod Ojha	Director
Mr. R.R. Patel	Director
Mr. N.R. Divate	President & Chief Executive Officer (Co-opted)

The Committee oversees and approves transfer/transmission of equity shares and debentures. The Committee also oversees complaints received from investors for appropriate redressal. The minutes of the Committee meetings are placed at the Board Meetings from time to time. The Board has designated Mr. K. Chandramouli, Vice President & Secretary of the company as the Compliance Officer. All valid shares transfers received during the year have been acted upon.

Complaint Status: 01.04.2006 to 31.03.2007

Number of Equity Shareholders / Debenture holders /	
Preference Shareholders complaints pending as on 01.04.2006	24
Number of complaints received during the year	143
Number of complaints solved during the year	145
Number of pending complaints pending as on 31.03.2007	22

Four meetings were held during the year 2006-2007 (26<sup>th</sup> April 2006, 31<sup>st</sup> July 2006, 27<sup>th</sup> October 2006, 31<sup>st</sup> January 2007). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. J.A. Patel	Chairman	4
Mr. Vinod Ojha	Director	3
Mr. R.R. Patel	Director	4

### 6. DIRECTORS

Mr. Vinod Ojha, Director of the company is retiring by rotation at the ensuing Annual General Meeting. Brief particulars of the retired director is as under:

Name of Director	Mr. Vinod Ohja
Date of Birth/Age	01/01/1938
Date of Original Appointment	8 <sup>th</sup> June 2001
Expertise in specific functional areas	Corporate Finance, Accounts and Internal Audit
List of Companies in which the person holds the directorship	Mafatlal Securities Ltd.

Mr. P. Devanga appointed as a Nominee Director representing the Debenture Trustee ceased to be a Director with effect from 30-6-2007 and in substitution whereof, Mr. M.J. Bhatia has been appointed as a nominee director for the debenture holders with effect from 1<sup>st</sup> July 2007.

## 7. GENERAL BODY MEETINGS

Venue and time where the last three Annual General Meetings were held are given below:

Date	Venue	Time
30 <sup>th</sup> September, 2004	A-52 All India Plastic Manufacturers Association, MIDC, Andheri (East) Mumbai 400 093	10.00 A.M.
31 <sup>st</sup> December, 2005	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	10.00 A.M.
29 <sup>th</sup> December, 2006	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	11.00 A.M.

There were no special resolutions passed by the company through postal ballots in any of the above meetings. However in the last Annual General Meeting held on 29<sup>th</sup> December, 2006 a special resolution was passed for the reappointment of Mr. N.R. Divate as a Manager of the Company for a period of five years commencing from 1<sup>st</sup> August, 2006 to 31<sup>st</sup> August, 2011. In the ensuing Annual General Meeting, there is no special resolution required to be passed through postal ballot.

## 8. SUBSIDIARY COMPANY:

Subsequent to the year end, the company has appointed Mr. Vinod Ohja in compliance with Clause 49 (III) (Subsidiary Company) of the Listing Agreement as a director of the holding company in the board of the subsidiary company with effect from 31<sup>st</sup> August 2007. The audit committee of the listed holding company also reviews the financial statement of the unlisted subsidiary company and also other matters connected thereto.

During the Previous Year ended 31.03.2006, the company had entered into contract for rendering services to the subsidiary for Rs. 60 lacs per annum plus taxes as per the terms mutually agreed and codified through an agreement entered in this respect. These services consist of seconding the parent company employees to the subsidiary and attending to the taxation, treasury, accounting and other operations of the subsidiary. These services are provided at a fair and market related price.

## 9. DISCLOSURES

- The details of related party transactions are given in Point No. 23 of the notes to the account.  
During the year, the company paid a sum of Rs. 11,29,015/- to Mr. N.R. Divate, Manager of the company.
- The company's shares were suspended from trading by National Stock Exchange of India Limited (NSE) since September 2001 and Bombay Stock Exchange Limited (BSE) since December 2002 on account of failure of the company to redress the complaints of investors relating to redemption of public issue of non-convertible debentures.
- The company had received show cause notices from Registrar of Companies for the alleged violation of Section 209 (3)(b) & 211(7) of the Companies Act 1956. The company's response has been accepted by ROC and it has been advised to be careful in future. The aforesaid notices were sequel to the inspection of the company's books and records under Section 209(a) of the Companies Act, 1956 conducted during January 2005 – March 2005.

- There are no other penalties or strictures by any other authority during last three years on any matter relating to capital market except the following:

During the year 2004-05 SEBI had issued a notice of adjudication to the Company for its failure to redress the investor grievances and non-compliance of the provisions of corporate governance under Clause 49 of the Listing Agreement, which have been responded. The company has since accepted the same and forwarded a reply accordingly. Penalty of Rs.15,000/- was imposed which has since been paid in that year.

During the year 2003-04 SEBI has issued a notice to the company for violation of takeover regulations and issued a settlement by consent order on a payment of penalty of Rs. 1,25,000/-. The Company has accepted the same and forwarded a reply accordingly.

- Differential Accounting Treatment:**

- The auditors have qualified the non-provisioning of interest on term loan taken from ICICI Bank Limited who is not a party to the scheme of Compromise and penal interest accordingly. The Company had in the year 1999 made a settlement with erstwhile ICICI Limited consisting of issue and allotment of Equity and Preference Shares, securitization of certain receivables and transfer of property which the company was to receive in settlement with Debtor.

The transfer of property to ICICI Bank Limited is pending and the Company is in dialogue for the same on the residual sum represented by pending transfer, the Company has provided interest till 30<sup>th</sup> June, 2006 as a measure of abundant precaution although the Company does not perceive the same as liability.

- The Auditors have also qualified the non-accounting of Scheme of Compromise approved by the Honorable Bombay High Court. The Company is of the view that, sanction to the Scheme was received only during the current financial year. The Company had already published the unaudited financial results for the year ended 31<sup>st</sup> March, 2007 as per the listing