

**21st
ANNUAL REPORT
2011 - 2012**



MARGO FINANCE LIMITED



MARGO FINANCE LIMITED

| | | |
|---------------------------|---|--|
| Board of Directors | Shri Anil Kumar Jain Shri Govind Prasad Agrawal Shri Sushil Kumar Agrawal Shri Pradeep Kantilal Shah | Chairman Director Director Director |
|---------------------------|---|--|

| | |
|-----------------|--|
| Auditors | M/s. AVK & Associates, Chartered Accountants |
|-----------------|--|

| | |
|----------------|------------------------|
| Bankers | Karnataka Bank Limited |
|----------------|------------------------|

| | |
|--------------------------|--|
| Registered Office | Village Alte, Taluka : Hatkanangale, Dist. Kolhapur - 416 109 Maharashtra |
|--------------------------|--|

| | |
|--------------------|--|
| Head Office | 301 "ARCADIA" Nariman Point, Mumbai - 400 021 Maharashtra |
|--------------------|--|

| | |
|-------------------------|---|
| Corporate Office | 506, Pragati Tower, 26, Rajendra Place, New Delhi - 110 008 |
|-------------------------|---|

| CONTENTS | Page No. |
|---|----------|
| Notice | 2 |
| Directors' Report | 4 |
| Management Discussion & Analysis Report | 6 |
| Corporate Governance Report | 7 |
| Compliance Certificate | 13 |
| Auditors' Report | 14 |
| Balance Sheet | 17 |
| Statement of Profit & Loss | 18 |
| Cash Flow Statement | 19 |
| Significant Accounting Policies | 20 |
| Notes to the Financial Statements | 24 |



NOTICE

NOTICE is hereby given that 21st Annual General Meeting of the shareholders of MARGO FINANCE LIMITED will be held on Saturday, the 25th August, 2012 at 11.00 A.M. at the Registered Office of the Company i.e. at Village Alte, Taluka : Hatkanangale, Dist. Kolhapur – 416 109, Maharashtra to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Pradeep Kantilal Shah, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint auditors and fix their remuneration.

By Order of the Board
For **MARGO FINANCE LIMITED**

Place : Mumbai
Date : 25th May, 2012

ANIL KUMAR JAIN
CHAIRMAN

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 / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Register of members and the share transfer books of the company will remain closed from 17.08.2012 to 25.08.2012 (both days inclusive)
3. Members are requested to :
 - i) Intimate immediately, changes, if any, in their registered addresses.
 - ii) Quote ledger folio No./DP ID/Client ID No. in all their correspondence to the Company's Registrar & Share Transfer Agent.
 - iii) Intimate about consolidation of folios, if shareholdings are under multiple folios.
 - iv) Members/proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
 - v) Members are requested to send their queries, if any, at least 14 days in advance of the meeting addressed to Margo Finance Limited at 506, Pragati Tower, 26, Rajendra Place, New Delhi-110 008 so that information can be made available at the meeting.
 - vi) Trading in Equity Shares of the Company are compulsorily in de-mat w.e.f. 26.03.2001.
 - vii) This is with reference to the compliance of Ministry of Corporate Affairs with regard to "green initiative" in the corporate governance, we hereby request you to update your E-mail ID with your Depository Participant so that the Company may be able to post the Annual Reports etc. on your E-mail Address.

By Order of the Board
For **MARGO FINANCE LIMITED**

Place : Mumbai
Date : 25th May, 2012

ANIL KUMAR JAIN
CHAIRMAN



MARGO FINANCE LIMITED

ADDITIONAL INFORMATION

Brief Profile of Shri Pradeep Kantilal Shah, who retires by rotation, and is eligible for re-appointment :

Shri Pradeep Kantilal Shah is B.Com., PGDMB and has a rich experience of over 42 years in the area of General Insurance.

Outside Directorship :

No directorship in any other Company.

By Order of the Board
For **MARGO FINANCE LIMITED**

ANIL KUMAR JAIN
CHAIRMAN

Place : Mumbai
Date : 25th May, 2012



DIRECTORS' REPORT

Your Directors present their 21st ANNUAL REPORT along with the Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS :

The Financial Results for the year ended on 31st March, 2012 are as under :

| Particulars | 2011-12 (Rs. in lacs) | 2010-11 (Rs. in lacs) |
|--|--------------------------|--------------------------|
| Total Income | 32.00 | 28.80 |
| Gross Profit Before Depreciation | 13.54 | 9.76 |
| Less : Depreciation | 1.39 | 0.93 |
| Profit Before Tax, Exceptional & Extraordinary Items | 12.15 | 8.83 |
| Add : Exceptional Items | 1.50 | 1.50 |
| Less : Extraordinary Items | — | — |
| Less : Provision for Taxation | 2.70 | 1.82 |
| Net Profit After Tax | 10.95 | 8.51 |
| Add : Profit brought forward from Previous year | 75.79 | 68.98 |
| Less : Appropriations | — | — |
| Less : Amount Transferred to Special Reserve | 2.19 | 1.70 |
| Balance carried to Balance Sheet | 84.55 | 75.79 |

OPERATIONS :

The Company has earned a Net Profit of Rs. 10.95 lacs during the year under review against the Net Profit of Rs. 8.51 lacs in the Previous Year. Company is looking for an opportunity to make a suitable expansion / diversification.

DIVIDEND :

Due to inadequate profits the Board of Directors do not recommend any dividend for the year.

DEPOSITS :

The Company has not accepted any fixed deposits from the Public.

DIRECTORS :

In accordance with the provisions of Companies Act, 1956, Shri Pradeep Kantilal Shah, Director of the Company, retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

AUDITORS :

The Auditors, M/s AVK & Associates, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect under Section 224 (1-B) of the Companies Act, 1956.

The Observations of the Auditors as referred in their report are suitably explained in the Notes to Accounts and therefore do not call for any further comments.



MARGO FINANCE LIMITED

PERSONNEL :

Particulars of employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, are not given, as none of the employees qualify for such disclosure.

DISCLOSURE :

Being a Non-Banking Financial Company, inclusion of particulars with respect to conservation of energy and technology absorption as required under Companies (Disclosure of Particulars in the Report of Directors) Rules, 1998 is not required.

CORPORATE GOVERNANCE :

The Corporate Governance Report together with a Certificate from a Practicing Company Secretary confirming compliance of guidelines is made part of this Report as per Clause 49 of the Listing Agreement entered into with the Stock Exchange(s).

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors confirm :

- a) that in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on 31st March, 2012 and of the Profit of the Company for that year.
- c) that the Directors had taken proper and sufficient care for maintenance of adequate accounting records for the year ended 31st March, 2012 in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities.
- d) that the Directors had prepared the Annual Accounts ended 31st March, 2012 on a "going concern" basis.

ACKNOWLEDGEMENTS :

Your Directors place on record their appreciation of the support made by the employees at all levels, Bankers, Shareholders and Customers of the Company.

On behalf of Board of Directors
For **MARGO FINANCE LIMITED**

Place : Mumbai
Date : 25th May, 2012

ANIL KUMAR JAIN
CHAIRMAN



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY AND BUSINESS OUTLOOK

The growth in the Indian economy together with the growth in the Capital markets will have better future for your Company. Non Banking Finance Companies play major role in financing, inspite of presence of large number of Foreign as well as Nationalised Banks in this field, the role of NBFCs is established.

Due to growing economy of the country there is a scope of NBFCs. The economic indicators for the future are also strong. Your Company hope to explore the opportunities thrown up by the economy.

RISKS & CONCERNS

Risk is synonym with NBFCs which is inherent part of their business. Your Company is also subjected to various types of such risks. Your Company has identified these risks and guarded itself by adopting a range of strategies and measures to reduce the impact of such risks.

Credit risk is considered to be major risk, being faced by NBFCs. Your Company has evolved various policies and systems for credit risk to closely monitor the same. Your Company is having appropriate pre disbursal and post disbursement monitoring and regular follow up of the collection process. A low level of NPA proportion in the assets of your Company reflects its sound risk management policies. Your Company also follows provisioning norms of RBI.

OPPORTUNITIES AND THREATS

Business Opportunities for NBFCs are enormous. As the new areas and segments are being explored, there is a large scope of small size NBFCs like ours, for certain segment of customers, which remain unserved by Banks and large size NBFCs.

The major threat being faced by NBFCs are from aggressive marketing of Banks and low rates of financing offered by them.

INTERNAL CONTROL AND THEIR ADEQUACY

Foundation of your Company's control mechanism vests in Management Information Systems (MIS). Your Company has devised effective systems so that assets and business of the company are safeguarded. The internal control is regularly reviewed and augmented by the Audit Committee. The management feels that the system of internal controls are adequate considering the size of operations of the Company.

HUMAN RESOURCES

Operating in the service industry, your Company's performance is heavily dependent on the knowledge and expertise of its personnel. The Company is having dedicated team of persons.

CAUTIONERY STATEMENT

Statement in this Management Discussion describing the Company's objectives, estimates, expectations may constitute "Forward Looking Statement" within the meaning of applicable laws. Actual results might differ materially from those either expressed or implied. Important factors that could make a difference to the Company's operations include demand and supply conditions, cyclical demand, changes in Government regulations, tax regimes, economic development within India.



CORPORATE GOVERNANCE REPORT

1. Company's Philosophy

The Management of the Company recognizes the importance of Corporate Governance for better transparency as well protection of Shareholder's interest.

2. Board of Directors

The Board of Directors of the Company comprises of all Non-Executive Directors headed by Non-Executive Chairman. The present strength of the board is 4 (Four) and out of which 3 (Three) are independent Directors. The Independent Directors do not have any material pecuniary relationship or transactions with the company, promoters, management which may affect their judgements in any manner. The Board meets at least once in a quarter to consider amongst other matters, the quarterly audited / unaudited financial results of the Company.

| Sr. No. | Name | Category | No. of Directorship in other Public Ltd. Companies | No. of Membership in other Board Committees |
|---------|----------------------------|-------------------------------------|--|---|
| 1. | Shri Anil Kumar Jain | Non-Executive Chairman | 4 | 4 Chairmanship 2 Membership |
| 2. | Shri Govind Prasad Agrawal | Non-Executive Director, Independent | 4 | 1 Chairmanship 3 Membership |
| 3. | Shri Sushil Kumar Agrawal | Non-Executive Director, Independent | 1 | 1 Chairmanship 3 Membership |
| 4. | Shri Pradeep Kantilal Shah | Non-Executive Director, Independent | NIL | NIL |

During the year under review, 4 Board Meetings were held on 17th May, 2011, 12th August, 2011, 9th November, 2011 and 10th February, 2012. The gap between the two meetings was not more than 4 months. The last Annual General Meeting was held on 2nd August, 2011.

The attendance of the individual directors in the aforesaid meetings was as follows :

| Name of Director | Category | Meeting Date & Attendance | | | |
|----------------------------|----------|---------------------------|------------|------------|------------|
| | | 17.05.2011 | 12.08.2011 | 09.11.2011 | 10.02.2012 |
| Shri Anil Kumar Jain | Chairman | ✓ | ✓ | ✓ | X |
| Shri Govind Prasad Agrawal | Director | X | X | X | X |
| Shri Sushil Kumar Agrawal | Director | ✓ | ✓ | ✓ | ✓ |
| Shri Pradeep Kantilal Shah | Director | ✓ | ✓ | ✓ | ✓ |

3. Re-appointment of Directors

Shri Pradeep Kantilal Shah is B. Com., PGDMB and has a rich experience of over 42 years in the area of General Insurance.

Shri Pradeep Kantilal Shah will hold office until conclusion of the ensuing annual general meeting, subject to however, being eligible for re-appointment.



4. Remuneration of Directors

| Name | Category | Sitting Fees (Rs.) |
|----------------------------|----------|--------------------|
| Shri Anil Kumar Jain | Chairman | 3000 |
| Shri Govind Prasad Agrawal | Director | — |
| Shri Sushil Kumar Agrawal | Director | 4000 |
| Shri Pradeep Kantilal Shah | Director | 4000 |

5. Audit Committee

The Audit Committee was formed in accordance with the requirements of Clause 49 of the Listing Agreement. The broad terms of reference of the Audit Committee are :

- To review the overall financial reporting process and disclosure of financial information.
- To review the annual accounting / financial statements, policies and practice.
- To appraise the adequacy of proper internal control and internal audit systems.
- To review the Company's financials and risk management policies.
- To recommend the appointment and removal of external Auditors and fixation of audit fees.
- To approve payment to Statutory Auditor for any other services rendered by them.
- To review with the management, the quarterly financial statements before submission to the Board of Directors.

The Audit Committee comprises of three Non Executive Independent Directors. Shri Sushil Kumar Agrawal, Shri Pradeep Kantilal Shah and Shri Govind Prasad Agrawal.

The quorum for the Audit Committee meeting is 1/3 of the total strength or 2 whichever is higher. The terms of reference of the Audit Committee are in line with Stock Exchange Listing Agreement and provisions of Section 292 A of the Companies Act, 1956.

During the Financial year 2011-2012, the Audit Committee meetings were held 4 times i.e. on 17th May, 2011, 12th August, 2011, 9th November, 2011 and 10th February, 2012. The gap between the two meetings was not more than 4 months.

All the Audit Committee meetings were attended by Shri Sushil Kumar Agrawal and Shri Pradeep Kantilal Shah. Shri Sushil Kumar Agrawal, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company to answer the shareholders queries.

6. Share Transfer and Share Holders' Grievance Committee

At present the Share Transfer and Share Holders' / Investor grievances committee comprises of Shri Anil Kumar Jain, Shri Govind Prasad Agrawal, Shri Sushil Kumar Agrawal and Shri Pradeep Kantilal Shah. The Chairman is elected amongst members of the Committee. Quorum of the Committee Meeting is two Directors.

During the year under review 8 Share transfer and share holders / Investor grievance committee meetings were held. Gap between two meetings was more than statutory period of 14 days in the absence of transactions and the same was being conducted on as and when required basis.

The various issues addressed in connection with Shareholders and Investor services & grievance are :

a) Share transfer :

- Approve and effect transfer and transmission of shares.
- Issue of new Share Certificates in lieu of lost / mutilated share certificates.



MARGO FINANCE LIMITED

iii) Consolidation of folios / transposition of names.

b) **Shareholders / Investors complaints :**

- i) Non receipt of shares after transfer / transmission.
- ii) Non receipt of Annual Report.
- iii) Other matters including change of address etc.

The minutes of the committee are placed in the subsequent board meeting held after the committee meeting. The Compliance Officer of the Company attends every meeting and closely supervises the shareholders grievances and coordinates with the regulatory Authorities and other agencies.

7. Disclosure

Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.

There is no material transaction with any related party which may have potential conflict with the interests of the Company at large. However, the Company has annexed to the accounts, a list of related parties as per Accounting Standard 18 and the transactions entered into with them.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange(s) or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

Neither any non-compliance with any of the legal provisions of law has been made by the Company nor has any penalty, stricture been imposed by the Stock Exchange(s) or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

8. Remuneration Committee

The Board has not constituted any remuneration Committee.

9. Compliance

The Company has complied with the requirement of Stock Exchanges, SEBI and other Statutory authorities during the preceding financial year on all matters related to Capital Market and no penalty / strictures, have been imposed on the Company.

10. Means of Communication

Quarterly Results are faxed / couriered to the Stock Exchanges immediately after the Board Meeting as required under the listing agreement. Quarterly Results are also published in English / Marathi Newspapers.

The Annual Report is posted to every shareholder of the Company.

Management Discussion & Analysis Report forms part of this Annual Report.

GENERAL SHAREHOLDER'S INFORMATION

| | Day | Date | Time | Venue |
|---------------------------------|-----------|--|-----------------------|--|
| Annual General Meeting : | Saturday, | the 25th August, 2012 | 11.00 A.M. | Village Alte, Taluka : Hatkanangale, Dist. Kolhapur - 416 109 (Maharashtra) |
| Financial Year | : | 31st March, 2012 | | |
| Book Closure Dates | : | 17th August, 2012 to 25th August, 2012 | (Both days inclusive) | |