

Annual Report 2005-06

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LEAD FINANCIAL SERVICES LIMITED

LEAD FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS

P.C. BINDAL

Chairman

PUNEET KAUSHIK

Director

K. C. GUPTA

Director

SANJAY KUMAR AGARWAL

Director

VIJAY KUMAR

Director

AUDITORS

G.C. SHARDA & CO.

New Delhi

COMPANY SECRETARY

RIKKI ANAND

REGISTERED OFFICE

101, Sita Ram Mansion

718/21, Joshi Road,

Karol Bagh,

New Delhi

MAIN BANKERS

THE BANK OF RAJASTHAN LTD.

REGISTRAR & SHARE TRANSFER AGENT

Beetal Financial & Computer Services (P) Ltd.

Beetal House, 3rd Floor,

99, Madangir, Behind Local Shopping Centre,

Near Dada Harsukh Dass Mandi, New Delhi - 110 062

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13th Annual Report 2005 - 2006

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the members of Lead Financial Services Limited, will be held on Wednesday, the 27th day of September, 2006 at 3.30 p.m. at 101, Sita Ram Mansion, 718/21, Joshi Road, Karol Bagh, New Delhi-110005, to transact the following business :-

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended on that date together with Reports of the Directors and the Auditors thereon.
2. To appoint director in place of Sh. P.C. Bindal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. G.C. Sharda & Co., Chartered Accountants, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next annual general meeting and to fix their remuneration.

Special Business

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Shri Vijay Kumar, who was appointed as an Additional Director of the Company, under section 260 of the Companies Act, 1956, by the Board of Directors in its meeting held on 31st March, 2006 and whose office expires on the date of Annual General Meeting and in respect of whom the Company has received a notice from a member under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Company do hereby accord its consent under section 293(1)(a) of the Companies Act, 1956, to sell/ mortgage or otherwise dispose off, by the Board of Directors of the company of all or any of the immovable and movable properties of the company, wherever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the company in such form and in such manner as the Board of Directors may think fit and in the interest of the Company.
RESOLVED FURTHER THAT Sh. P. C. Bindal, Director of the Company be and is hereby authorised to do all acts and things as may be necessary to give effect to this resolution."

By Order of the Board of Directors

(RIKKI ANAND)

Company Secretary

Place : New Delhi

Dated : 31st July 2006

NOTE:

1. A MEMBER ENTITLED TO ATTEND & VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form duly executed and properly stamped, in order to be effective, should reach the company at its Registered Office at least 48 hours before the scheduled time of the meeting.
3. The Register of Members and the Share Transfer books of the Company will remain closed from 22nd September, 2006 to 27th September, 2006 (both days inclusive).
4. Only Registered Members carrying attendance slips and holders of valid proxies registered with the Company will be permitted to attend the meeting.
5. The Members are requested to :
 - (a) Intimate to the Company changes, if any in their registered address at an early date.
 - (b) Quote ledger folio no. or DP ID & Client ID in all their correspondence.
 - (c) Bring their copy of the Annual Report and the attendance slips with them at the Annual General Meeting.

LEAD FINANCIAL SERVICES LIMITED

6. Details of Directors pursuant to clause 49 of the Listing Agreement:

| Particulars | Name of Directors | |
|---|--|---|
| | Sh. P C Bindal | Sh. Vijay Kumar |
| Date of Birth | 05.06.1960 | 19.05.1955 |
| Date of appointment | 28.11.1994 | 31.03.2006 |
| Expertise in specific areas | Rich experience in handling, administrative, financial and other related matters of corporate bodies . | experience in the field of Corporate Finance and administration |
| Qualifications | M.Com., F.C.A. | B.A. |
| Directorship in other Company | <ul style="list-style-type: none"> ▪ LFS Services Pvt. Ltd. ▪ Indraprastha Commodity Trading Pvt. Ltd. ▪ LFS Securities Ltd. ▪ Privy Consulting Pvt Ltd ▪ Glaze Packagers Pvt. Ltd ▪ Massive Apparel Pvt Ltd | NIL |
| Shareholdings in the company as on 31.03.2006 | 195200 Shares | NIL |

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956

Regarding Item no.4

Shri Vijay Kumar was appointment as director of the company by the Board of Directors at its meeting held on 31st March 2006. According to the provisions of section 260 of the Companies Act, 1956 and Articles of Association of the company he holds the office up to the date of next Annual General Meeting. Under the provisions of section 257 of the Companies Act, 1956, the company has received a notice from a member proposing his candidature for appointment as Director, liable to retire by rotation. Shri Vijay Kumar is a Arts Graduate and has expertise in matters relating to financial strategies. He has over 20 years of experience in the field of Corporate Finance and administration.

The Board is one of the opinion that his knowledge and experience would be of immense help for the overall progress of the company and recommends the resolution for his appointment as Director for approval of the shareholders.

Except Shri Vijay Kumar, no other director of the company is concerned or interested in proposed resolution.

Regarding Item No. 5

The company proposes a resolution authorizing Board to sell/ mortgage/dispose off the movable or immovable property, for and on behalf of the Company. The Board needs authorization to sell the assets of the company as may be in the interest of the Company. In order to sell, mortgage or otherwise dispose off the assets of the Company , the consent of the shareholders in the General Body Meeting is required under section 293(1) (a) of the companies Act, 1956 authorising the Board of directors with necessary powers.

The Board of Directors recommends the resolution set out at Item No. 5 of the accompanying Notice for the approval of the Members.

None of the Director is in any way concerned or interested either directly or indirectly in the aforesaid resolution.

By Order of the Board of Directors

(RIKKI ANAND)
Company Secretary

Place : New Delhi

Dated : 31st July 2006

13th Annual Report 2005 - 2006

DIRECTORS' REPORT

To,

The Members

Lead Financial Services Limited

Your Directors have pleasure in presenting the 13th Annual Report with Audited Statement of Accounts of the company for the year ended 31st March, 2006.

FINANCIAL RESULTS:

Financial results of the company for the year under review are summarized as below :

| Particulars | (Rs. in Lacs) | |
|----------------------------------|-------------------------|-------------------------|
| | Year Ended 31.3.2006 | Year Ended 31.3.2005 |
| Total Income | 16.75 | 33.20 |
| Profit Before Depreciation & Tax | 3.52 | 5.99 |
| Depreciation | 1.30 | 1.69 |
| Profit/ (Loss) Before Tax | 2.22 | 4.26 |
| Provision for Tax - Current | 0.78 | 0.97 |
| - Deferred | (0.41) | 1.39 |
| - Fringe Benefit | 0.14 | — |
| Profit/(Loss) after Tax | 1.71 | 1.90 |
| Transfer to Statutory Reserve | 0.72 | — |
| Surplus Carried to Balance Sheet | 23.03 | 22.04 |

PERFORMANCE REVIEW :

During the year under review, your company achieved total income of Rs.16.75 Lacs as compared to Rs.33.20 Lacs in the previous year. Net profit for the year was Rs.1.71 Lacs as compared to net profit of Rs.1.90 Lacs in the previous year. Your directors expect that the initiatives undertaken will result in improvement of financial results in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS :

Industry Structure and Development

Non – Banking Finance Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering a large market of customers. However, at present competition in the sector has become intense as the Indian and foreign banks have entered the retail lending business in a big way thereby exerting pressure on margins. As a result of tough competition in the market, only those NBFCs which have large resources at their disposal coupled with professional expertise will survive in future. On the regulatory front, NBFCs are regulated by the Reserve Bank of India (RBI) almost at par with banks.

Outlook, Risk and Concern

NBFCs can sustain in this competitive environment only through identification of potential business areas, widening geographical reach, cost efficiencies, strict credit monitoring and raising the level of customer service. In addition to that rigorous credit evaluation and efficient collection and recovery system are also the major areas of concern.

The Company is exposed to normal industry risk factors, economic, political and social risk. The Company shall however meet these challenges and concerns by adopting more prudent and comprehensive business policies.

Opportunities and Threats

As observed during last few years, the traditionally debt-averse Indian consumer has been gradually becoming more and more credit happy and has aspirations to enhance the quality of his life. Considering this, there are tremendous potential in retail financing in the years to come. Positive attitude of the Indian consumers will result in the growth of the business of the Company in future.

However, tough competition, strict regulations by regulatory authorities, non recovery of dues due to lack of favourable recovery mechanism and uncertain market conditions continues to be threats for the business of the Company.

Adequacy of Internal Control System

Company has adequate internal control systems to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of laws and regulations. The company regularly monitors that all regulatory guidelines are complied with at all levels. The Audit Committee constituted by the Board reviews the adequacy of Internal Control System.

Financial Performance

Operational Results, 2005-06 Versus 2004-05 :

| Particulars | (Rs. in Lacs) 2005-06 | (Rs. in Lacs) 2004-05 |
|------------------------------|--------------------------|--------------------------|
| | | |
| Total Income | 16.75 | 33.20 |
| Interest & Financial Charges | 2.79 | 0.04 |
| Expenses | 9.56 | 27.21 |
| Depreciation | 1.30 | 1.69 |
| Total Expenditure | 13.65 | 28.94 |
| Provision for NPA | 0.88 | — |
| Profit before Tax(PBT) | 2.22 | 4.26 |
| Provision for Tax | 0.51 | 2.36 |
| Profit after tax (PAT) | 1.71 | 1.90 |
| Equity Capital | 330.00 | 330.00 |
| Reserves & Surplus | 24.38 | 22.67 |
| Earning per Share | 0.05 | 0.06 |

LEAD FINANCIAL SERVICES LIMITED

Segment wise Performance

Company operates only in one segment.

DIVIDEND :

Your Directors regret their inability to recommend any dividend in view of low profits during the year under review.

FIXED DEPOSITS :

Your Company has not accepted any deposits from public. There are no unclaimed or unpaid deposits as on 31st March, 2006.

DIRECTORS :

Sh. P.C.Bindal, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. During Financial the year, Sh. Shyam Mohan Gupta resigned from the Board on 31st March, 2006. The Board while accepting his resignation recorded its appreciation for the contributions made by him during his tenure as director of the Company.

Sh. Vijay Kumar was appointed as an Additional Director of the Company w.e.f. 31st March, 2006 The Board recommends his appointment as a Director in ensuing Annual General Meeting.

MATERIAL CHANGES :

There are no material changes and commitments, affecting the financial position of the company between the end of financial year of your company and the date of Director's Report.

AUDITORS :

M/s. G.C. Sharda & Co., Chartered Accountants, the Auditors of the company retires at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee and your Board recommend their reappointment as Auditors of the Company. The company has received letter from them to the effect that their appointment, if made would be within prescribed limit under Section 224(1B) of the Companies Act, 1956.

AUDITOR'S REPORT :

The observations in the Auditor's Report are dealt in the notes forming part of accounts at appropriate places and the same being self explanatory, no further comment is considered necessary.

DEMATERIALIZATION OF SHARES :

As the members are aware, your company's shares are tradeable compulsory in electronic form. Accordingly, your company has established connectivity with both the depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Members may avail the facility of dematerialisation of company's shares on either of the Depositories as aforesaid.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- i) That in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements 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 profit of the Company for the year under review.
- iii) 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.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on 'going concern' basis.

PARTICULARS OF EMPLOYEES:

There is no employee whose particulars are required to be furnished in terms of Sec. 217(2A) of the Companies Act, 1956 and rules made thereunder.

PERSONNEL:

The Board wishes to place on record their deep appreciation of all employees of the company for their endeavor and co-operation. The relations with employees continued to be cordial throughout the year.

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

Your company has no activity relating to conservation of energy and technology absorption. The Company did not have any foreign exchange income/outflow.

CORPORATE GOVERNANCE:

A report on Corporate Governance appears in this Annual Report and the certificate from M/s. G.C. Sharda & Co., Chartered Accountants, Statutory Auditors with regard to Compliance of the Corporate Governance code by your company is annexed hereto as Annexure and forms part of this report.

ACKNOWLEDGEMENT :

Your Directors express hearty gratitude to all valued customers, bankers, business associates, shareholders and employees for their continued support.

For and On Behalf of the Board

Place : New Delhi
Dated : 31st July, 2006

(P.C. BINDAL)
Chairman

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are:-

- Commitment to excellence.
- Maximizing long term shareholders value
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders value and remaining committed to high standards of business ethics.

2. BOARD OF DIRECTORS

During the year, the Board consisted of five directors, all non executive director out of whom three are independent. Shri P.C.Bindal, Chairman of the Company is a Non Executive Director

| Sl. No. | Name of the Director | Status | Date of appointment | Date of Cessation | No. of Board Meetings held | No. of Board Meetings attended | Last AGM attended | No. of other directorship and committee membership and chairmanship. | | |
|---------|----------------------|---------------|---------------------|-------------------|----------------------------|--------------------------------|-------------------|--|----------------------|------------------------|
| | | | | | | | | Other Directorship | Committee Membership | Committee Chairmanship |
| 1. | P.C. Bindal | Non Executive | 28.11.94 | N.A. | 11 | 11 | Yes | 6 | - | - |
| 2. | K.C. Gupta | Non Executive | 11.05.93 | N.A. | 11 | 11 | Yes | 1 | 2 | 1 |
| 3. | Puneet Kaushik | Independent | 23.02.98 | N.A. | 11 | 11 | Yes | 3 | 2 | 1 |
| 4. | Sanjay Kumar Agarwal | Non Executive | 25.03.03 | N.A. | 11 | 11 | Yes | 2 | 2 | - |
| 5. | Shyam Mohan Gupta | Independent | 31.12.05 | 31.03.06 | 2 | 2 | No | - | - | - |
| 6. | Vijay Kumar | Non Executive | 31.03.06 | N.A. | - | - | No | - | - | - |

Mr Shyam Mohan Gupta has resigned from the Directorship of the Company w.e.f. 31st March 2006.

Mr Vijay Kumar was appointed as an Additional Director of the Company w.e.f. 31st March 2006

DATE & NUMBER OF BOARD MEETINGS HELD

Eleven Board meetings were held during the year on 15th April 2005, 20th May 2005, 30th June, 2005, 4th July 2005, 30th July 2005, 31st August 2005, 31st October 2005, 5th December 2005, 31st December 2005, 30th January 2006 and 31st March 2006 Complying with clause 49 of the listing agreement, the Board has adhered to the time gap between two meetings.

RETIREMENT OF DIRECTOR BY ROTATION, RE-APPOINTMENT AND NEW APPOINTMENT OF DIRECTOR

Mr.P C Bindal retires by rotation at the 13th Annual General Meeting of the Company and being eligible offers himself for reappointment.

Mr Vijay Kumar was appointed as an Additional Director w.e.f. 31st March 2006 and the Board recommends his appointment as a Director.

As required under Clause 49 of the Listing Agreement, brief resume of directors being new appointment and reappointment, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership of the committees of the board are furnished hereunder:

⇒ Mr. P. C. Bindal is a Post Graduate in Commerce and Fellow member of the Institute of Chartered Accountants of India. He has 20 years experience in corporate finance and administration. Mr. Bindal is a man widely connected as socially as well as professionally. He has served as a member of Professional Development Committee of the Institute of Chartered Accountants of India (ICAI). He also has been a member of Study group on Investors' Protection of ICAI. He is Sr. Vice President of U.P. Mitra Mandal.

Mr P C Bindal is also Director in LFS Services Pvt. Ltd., Indraprastha Commodity Trading Pvt. Ltd., LFS Securities Ltd., Privy Consulting Pvt Ltd, Glaze Packagers Pvt. Ltd, and Massive Apparel Pvt Ltd

⇒ Mr Vijay Kumar is Arts Graduate. He has expertise in matters relating to financial strategies. He has over 20 years of experience in the field of Corporate Finance and administration.

3. AUDIT COMMITTEE

The Company has an Audit Committee of Directors since 25th March 2003. The Committee has the powers similar to those stated in the listing Agreement and exercises most of the functions as per terms of reference of the Audit Committee.

COMPOSITION

The Audit Committee of the Board of your company comprises of three members all non executive directors and out of whom two are independent directors. The committee functions under the chairmanship of Mr. Puneet Kaushik who is an independent director. Mr. Pradeep Shivastava and after his resignation Miss Sweety Goel, Company Secretary act as secretary of the committee. After the resignation of Miss Sweety Goel, Mr Rikki Anand, Company Secretary of the Company act as the secretary of the committee. The composition of committee is as follows:

| Name of Members | Designation | Status/ Position |
|-------------------------|-------------------|------------------------|
| 1. Puneet Kaushik | Chairman | Independent director |
| 2. Sanjay Kumar Agarwal | Member | Independent director |
| 3. K.C. Gupta | Member | Non Executive Director |
| 4. Rikki Anand | Company Secretary | |

*Statutory Auditors and Company Secretary are special invitees to the Audit Committee Meetings.