

MADHUSUDAN SECURITIES LIMITED

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ANNUAL ACCOUNTS

2005 - 2006

23rd ANNUAL REPORT AND ACCOUNTS 2005 - 2006

BOARD OF DIRECTORS

Smt. K. Sujatha Reddy
Shri. K. Madhusudan Reddy
Smt. Piya Reddy

Director - Chairperson
Director
Director

AUDITORS

M/s. Vora & Associates,
Chartered Accountants
Mumbai.

ADVOCATE & SOLICITORS

M/s. Kanga & Co.,
Advocates & Solicitors
Mumbai.

BANKERS

UTI Bank
Canara Bank

REGISTERED OFFICE

6/A-2, Court Chambers,
35, New Marine Lines,
Mumbai: 400 020.
Email: mslsecurities@yahoo.com

SHARE TRANSFER DEPARTMENT

Intime Spectrum Registry Limited.
C – 13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (West),
Mumbai – 400 078
Email: isrl@intimespectrum.com
Telephone: (022) 5555 5454
Fax No.: (022) 5555 5353

TWENTY THIRD
ANNUAL GENERAL MEETING

Date: July 31, 2006

Day: Monday

Time: 10.00 A.M.

Venue: Regd. Office:

6/A-2, Court Chambers,
35, New Marine Lines,
Mumbai: 400 049.

Shareholders are requested to bring their
copies of Annual Report along with them at
the Annual General Meeting.

BSE Code No. 511000
(BSE Code No. 11000)

ISIN No. INE856D01011 (NSDL)

NOTICE TO MEMBERS

NOTICE is hereby given that the *Twenty Third Annual General Meeting* of the Members of **MADHUSUDAN SECURITIES LIMITED** will be held on Monday, July 31, 2006 at Registered Office: 6/A-2, Court Chambers, 6th Floor, 35, New Marine Lines, Mumbai – 400 020 at. To transact the following business.

ORDINARY BUSINESS

Adoption of Directors' Report and Annual Accounts:

1. To receive, consider and adopt the statement of Balance Sheet as at 31st March 2006 and Profit and Loss Account for the year ended 31st March 2006 of the Company and the Reports of the Directors and Auditors thereon.

Adoption of Directors' retiring by Rotation:

2. To appoint a Director in place of Smt. Piya Reddy, who retires by rotation and, being eligible, offers herself for reappointment.

Appointment of Auditors:

3. To appoint Auditors of the Company and to fix their remuneration.

Special Business:

ISSUE OF SHARES AT PREMIUM / RIGHT ISSUE / AND OTHER:

4. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the Securities and Exchange Board of India Guidelines, 1999 or any statutory modifications or re-enactments of the Act or the Guidelines, the provisions of any other applicable laws and regulations, the Memorandum of Association and Articles of Association of the Company and subject to such consents and such other approvals as may be necessary and subject to such conditions and/or modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board") which terms shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board in supersession of the Special Resolution passed by the members in the Annual General Meeting of the Company held on 31st July 2006, the consent of the Company be and is hereby accorded to the Board to grant, offer and issue, in one or more tranches, to the existing share holders, to promoters and / or on a private placement basis, Equity Shares through prospectus and /or offer letter and / or circular basis so, however, the total amount raised through the aforesaid Securities should not exceed Rs. 14 Crores or any part thereof and in this regard on behalf of the Company to do and / or ratify all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without Limitation the Appointment of Registrar, Lead – Managers, Trustees / Agents, Bankers, Global Co-ordinators, Custodians / Depositories, Consultants, Solicitors, Accountants entering into arrangements for underwriting, marketing, listing, trading depository and such other arrangements and agreements, as may be necessary and to issue any offer document(s) and sign all deeds, documents and to pay and remunerate all agencies / intermediaries by way of commission, brokerage, fees, charges, out of pocket expenses and the like as may be involved or connected in such offerings of securities or securities representing the same in any one or more Indian stock exchanges.

By order of the Board
MADHUSUDAN SECURITIES LIMITED

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the ensuing Annual General Meeting is annexed hereto and forms part of the Notice.
3. Proxies, in order to be effective, must be lodged at the Registered office of the Company not less than 48 hours before the Annual General Meeting.
4. Members desiring any information about accounts at the meeting are requested to write to the Company at an early date so as to enable the management to keep the information ready.
5. Members are requested to:
 - a. Immediately intimate change of address, if any, to the Company.
 - b. Produce the Attendance Slip, duly filled, at the entrance of the Meeting Venue.
 - c. Bring their copies of the Annual Report to the venue of the *Twenty Third Annual General Meeting*.
 - d. Convert their shares in Demat form for easy liquidity or transfer on stock exchange and safety.
 - e. Members holding shares in physical form can avail of the nomination facility by filing Form 2B with the Company at its Registered Office, which will made available on request and in the case of shares held in demat form the nomination has to be lodged with their respective Depository Participants (DP).
6. Members register shall remain close for transfer of shares on 13th July 2006 to 16th July 2006 (Both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 4**

The Company, in order to meet its future expansion plans and working capital requirement is planning to raise upto Rs.14 crores or part thereof through issue of Equity shares in one or more tranches, on such terms, in such manner and at such time as may be considered appropriate by the Board to the existing shareholders and / or to promoters and / or on a private placement basis as set out in Special Resolution.

The proposal outline above is in the interest of the Company and the Board recommends the resolution for the acceptance by the Members.

The Directors of the Company may be deemed to be concerned or interested in the Resolution at Item No. 4 to the extent of the equity shares that may be subscribed by them by the Companies / institutions of which they are Directors or Members.

By order of the Board of Directors
For MADHUSUDAN SECURITIES LIMITED

Chairman / Directors

Mumbai, Dated: June 30, 2006

To the members,

We are delighted to present our 23rd Annual Report on the business and operations of the company with the Audited Statements of the Accounts for the year ended March 31, 2006.

FINANCIAL RESULTS:

The financial results for the year under review are as follows:

<u>Particulars</u>	<u>Current Year</u> <u>2005 – 2006</u> <u>(in Rs.)</u>	<u>Previous Year</u> <u>2004 – 2005</u> <u>(in Rs.)</u>
Business Income	55,89,342	16,34,566
Profit before Interest, Depreciation & Tax	46,81,261	5,98,843
Less:		
a. Interest	1,11,362	-
b. Depreciation	-	76
Profit before tax	45,69,899	5,98,767
Provision for Tax	6,22,000	2,05,000
Provision for Deferred Taxation	-	(8,543)
Profit after tax but before Extraordinary items	39,47,899	4,02,309
<u>Add/(Less): Extraordinary items</u>		
Excess/(Short) provision for tax of prior years: Current	(55,259)	(57,071)
Prior Period Incomes	(3,325)	NIL
Profit available for appropriation	38,89,315	3,45,238
Transfer to Special Reserve u/s. 45IC as per The Reserve Bank of India (Amendment) Act, 1997	7,80,000	70,000
	31,09,315	2,75,238
Balance brought forward from Previous Year	43,47,280	40,72,042
Balance carried to Balance Sheet	74,56,595	43,47,280

DIVIDEND:

Your Company has continued to make profits. For facilitating the working capital and strengthening the financial resources, the board regrets its inability to recommend any dividend for the year.

CURRENT YEAR'S OPERATIONS:

During the year under review the stock market has accelerated the growth and company has made good profit on investments due to the sentiment on the stock market has been favourable. The impact of change in financial policy is evident from the positive overall market movement of the economy. Your Company has managed to clock good profits. Barring unforeseen circumstances your Directors are hopeful to have better performance in the year to follow.

OUTLOOK AND FUTURE PROSPECTS:

Your Company shall look into the possibility of exploring new avenue of business including participation by others having similar object and the efforts are on to redesign the working in these present circumstances.

To augment resources to meet the funding requirements of venturing into new business activities, your Company may issue further share capital to promoters and / or others by way of private placement of shares or borrowings as the case may be viable for the new business activities. Otherwise the Company may wait and watch for opportunities in the due course.

CLAUSE 32:

Cash flow statement pursuant to clause 32 of the listing agreement is provided along with Notes to Accounts here in after.

REGISTRARS AND TRANSFER AGENTS:

In compliance with directives of SEBI, requiring companies to provide single point service to shareholders of all work relating to share registry, in terms of both physical and electronics, your Company has appointed IN-TIME SPECTRUM REGISTRY LIMITED, C – 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (w), Mumbai 400 078, as the Registrars and Transfer Agents. All your requests for dematerialisation, transfer of physical shares, etc., (and grievances related thereto) may be sent to the above address of the Registrars and Transfer agents.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposits from public.

PRUDENTIAL NORMS:

Your Company has, during the year under review, have complied with guidelines of RBI / GOI, as may be applicable. Reviews on the level of compliance have been made and reports were submitted to the Board.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Smt. Piya Reddy, Director, retire by rotation in the forthcoming Annual General Meeting and is eligible for reappointment. Smt. Piya Reddy offers herself for reappointment.

COMPOSITION OF THE BOARD OF DIRECTORS:

The present board comprises of three (3) Directors. The Board has offered and requested other independent persons to join the Board and share their knowledge for better of company. However, the acceptance of our offer is under their consideration, Board shall be expanded in due course.

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:

1. that in the preparation of the annual accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed,
2. 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 as on 31st March 2006 and of the profit of the Company for that period,
3. 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,
4. that the annual accounts for the financial year ended 31st March 2006 are prepared on a 'going concern' basis.

MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET

Pursuant to provisions of section 217 (1) (d) of the Companies Act, 1956, there has been no material change and commitment affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of the Report.

REPORT ON CORPORATE GOVERNANCE:

An analysis of the strategic situation facing the organization and a rational assessment of future options makes it necessary to pursue a well-defined "Corporate Governance Mechanism", which considers the interests of all stakeholders. With all participative and empowered system in the functioning of the Board, Executives and other functionaries with adequate professionalism built into the distinctly defined roles, your Company's corporate governance philosophy is based on pursuit of sound business ethics and strong professional acumen that aligns the interests of all segments of the stakeholders as also the

society at large. Your company has been practicing the principles of good corporate governance over the years.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This has been dealt with in a separate section in the Annual Report.

RESPONSIBILITIES:

The Board has formal schedule of matters reserved for its consideration and decision, which includes reviewing corporate performance & ensuring adequate availability of financial resources. During the year under review the Board met six (6) times. The Board members ensure that their responsibilities do not materially impact on their responsibilities as a director of the Company and they are regularly discharging their duties for the Company.

NUMBER OF BOARD MEETINGS:

Madhusudan Securities Ltd. held 6 Board Meetings during the year ended 31st March 2006. They were on 1) 30th April 2005, 2) 1st June 2005, 3) 29th June 2005, 4) 30th July 2005, 5) 24th October 2005, and 6) 30th January 2006.

BOARD COMMITTEES:

To enable better and more focused attention on the affairs of the Company, the board delegate's particular matters to committees of the board set up for the purpose. The three core committees, which have been constituted by the Company, are:

- (i) Audit Committee,
- (ii) Remuneration Committee and
- (iii) Shareholders / Investors' Grievance Committee.

PARTICULARS OF EMPLOYEES:

The Company has not paid any remuneration attracting the Provisions of Sec. 217(2A) of the Companies Act, 1956.

PARTICULARS UNDER SECTION 217(1)(e) OF THE COMPANIES ACT 1956:

Additional information required under the provisions of the above section read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of Energy, Technology Absorption are not applicable as the company is not carrying out any manufacturing operation.

FOREIGN EXCHANGE EARNINGS AND GO OUT:

During the year under review the Company has not earned or incurred any amount of foreign exchange.

AUDITORS' REPORT:

The observation of the Auditors in the Report have been dealt with in the Notes forming part of the Accounts which are self explanatory in nature and requires no further explanation.

AUDITORS:

M/s. Vora & Associates, Chartered Accountants, Mumbai retires at the ensuing Annual General Meeting, being eligible offers themselves for reappointment as Auditors of the Company. Members are requested to appoint the auditors and fix their remuneration.

ACKNOWLEDGMENTS:

Your Directors wishes to place on record their appreciation to the Employees, Bankers, Brokers and Business Associates for their co-operation and contribution to the company.

For AND ON BEHALF OF THE BOARD OF DIRECTORS

DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS**BUSINESS SENARIO**

Indian economy is booming in many sectors and has attracted the attention of the world at large. The Indian Stock markets have reached new heights & are likely to continue the same in the years to follow. With up surge in the Stock Markets and some continued favorable monetary and fiscal policies, investment and securities companies are likely to continue making good profits in year to follow compared to earlier years.

SEGMENT WISE PERFORMANCE

The Company has mainly one reportable business segment; hence no further disclosure is required under Accounting Standard (AS) 17 on segment reporting.

OUTLOOK

The outlook of the Company remains positive, with improvement in managerial competency and operation in scientific method for investment strategy and decision. Company has made good profit due to favorable market sentiments and timely decisions.

The Company is planning to take further advantage of the prospective markets to deploy fund to achieve good profitability in years to follow. Company will strengthen its portfolio by investing in diversified securities identified by think tank financial experts. Company will try to earn good profits by making systematic investment plan.

Your Company shall also look into the possibility of exploring new profitable avenues of business. To meet the financial requirements your Company may issue further share capital to promoters and / or others by way of private placement of shares or borrowings as the case may be viable for the new business activities.

Barring unforeseen circumstances, management is confident that performance of the Company would improve substantially in the current year.

INTERNAL CONTOL SYSTEM AND THEIR ADEQUACY

The Company has an adequate internal control system commensurate with the size and nature of the Company to ensure adequate protection of the Company's resources and compliance with the Company's policies and procedures and legal obligations.

FINANCIAL PERFORMANCE

The Financial statements have been prepared in accordance with the requirement of the Companies Act, 1956.

Financial Highlights:

Sr. No.	Particulars	Year ended 31.3.2006	Year ended 31.3.2005	Increase / (Decrease) %
1	Business Income	5,589,342	1,634,566	241.95
2	Earning before int / dep / tax and extra ordinary item	4,681,261	5,98,843	681.17
3	Interest	111,362	-	100.00
4	Depreciation	-	76	(100.00)
5	Profit Before Tax	4,569,899	5,98,767	663.22
	Tax			
6	Provision for Tax (Including Deferred Tax)	6,22,000	1,96,457	216.61
7	Profit After Tax	3,889,315	3,45,238	1026.56
8	EPS	2.59	0.23	1026.09