

**AMG**  
ARVIND MAFATLAL GROUP

**M**AFATLAL  
**F**INANCE

**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 M. J. BHATIA  
*(Ceased w.e.f. 31.01.2008 - Nominee of Debenture Trustee)*  
 SHRI A. P. MOHANTY  
*(w.e.f. 31.01.2008 - Nominee of Debenture Trustee)*

**SR. VICE PRESIDENT - RESOURCES  
 AND COMPANY SECRETARY**

SHRI K. CHANDRAMOULI

**BANKERS**

DENA BANK  
 BANK OF BARODA  
 CENTRAL BANK OF INDIA  
 ORIENTAL BANK OF COMMERCE  
 THE DHANALAXMI BANK LTD.  
 THE FEDERAL BANK LTD.

**MANAGEMENT TEAM**

SHRI J. A. PATEL	Chairman
SHRI N. R. DIVATE	President & CEO
SHRI K. CHANDRAMOULI	Sr. Vice President - Resources & Company Secretary

**AUDITORS**

R. PRABHU & ASSOCIATES  
 Chartered Accountants  
 Mumbai

**REGISTERED OFFICE**

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

**REGISTRARS & SHARE TRANSFER  
 AGENTS**

BIG SHARE SERVICES PRIVATE LTD.  
 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
SHRI P. KARUNAKAR RAO	Wholetime Director
SMT. MEGHA J. VAZKAR	Wholetime Director

**AUDITORS**

R. PRABHU & ASSOCIATES  
 Chartered Accountants  
 Mumbai.

**REGISTERED OFFICE**

Rustom Building, 4<sup>th</sup> Floor,  
 29, Veer Nariman Road,  
 Fort, Mumbai - 400 001.

*Annual Report 2007-2008***NOTICE**

Notice is hereby given that the TWENTY FIRST 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 Friday, 26<sup>th</sup> day of September, 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 March 31, 2008 and the Balance Sheet as at that date and the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R. R. Patel who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the Board  
For MAFATLAL FINANCE COMPANY LTD.

**K.CHANDRAMOULI**  
Company Secretary

**Registered Office:**

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

Date: 18<sup>th</sup> June, 2008

**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) The Register of Members and the Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> September, 2008 to 26<sup>th</sup> September, 2008.
- d) 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.
- e) 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.

**ANNEXURE TO THE NOTICE**

Notes on directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

**PROFILE OF DIRECTORS BEING APPOINTED/RE-APPOINTED**

**Name** : Ramakant R. Patel  
**Age** : 72 years  
**Qualifications** : B.Sc.(Honours), LLB, FCS  
**Experience** : 47 years experience in Company Law Matters

His Directorships and Committee Memberships of other Companies are as follows:

Company	Position	Committee Membership
Sunanda Industries Limited	Director	—

Mr. Ramakant R. Patel holds 200 Equity Shares in Mafatlal Finance Company Limited.

## DIRECTORS' REPORT

To,  
The Members  
Mafatlal Finance Company Limited

Your Directors present the Twenty First Annual Report with the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March, 2008.

### 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 31.03.2008 (Rs. in lacs)	Year ended 31.03.2007 (Rs. in lacs)
Gross Income	1077.63	749.42
Gross (Loss)/Profit before depreciation and Income tax	(624.51)	69.89
Depreciation	1.84	1.98
Provision for Tax	1.97	1.03
Net Profit/(Loss) After Tax	(628.32)	66.88
Transferred from Investment Allowance Reserve	-	-
<b>Add:</b> Amount brought forward from previous year	(24242.20)	(24309.08)
Amount available for appropriation	-	-
Transferred to Debenture Redemption Reserve	-	-
Transferred to Statutory Reserve under RBI Act	-	-
Adjustment made as per Scheme of Compromise	13564.03	-
<b>Balance carried forward</b>	<b>(11306.49)</b>	<b>(24242.20)</b>

### 2. OPERATIONS

The financial year 2007-2008 has ended with the company making a loss of Rs. 628.32 lacs. The company has given the effect of scheme of compromise sanctioned in the accounts in the last quarter of the current year and the company's accumulated loss has been brought down substantially.

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 networth 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. PROPOSED CHANGE IN CONTROL

Pursuant to the Share Purchase agreement the Promoters and some Share Holders of the Company have agreed to collectively sell 42.02% of the Equity Share Capital of the Company to Mr. N. R. Divate, the

President & CEO and Mr. K. Chandramouli, the Vice President - Resources & Company Secretary of the Company. The Share Purchase agreement provide for the resignation of the Promoter Nominated Directors namely Mr. J. A. Patel, Mr. R. R. Patel and Mr. V. J. Ojha and the appointment of New Directors representing Mr. N. R. Divate and Mr. K. Chandramouli upon completion of the take over under SEBI Substantial Acquisition of Shares and Take Over (SAST) Regulations, 1997.

Mr. N. R. Divate and Mr. K. Chandramouli have made an open offer in terms of SEBI SAST Regulations 1997 and upon Completion of the same and approval by BIFR in case of Mafatlal Industries Limited (one of the promoters), the shares of the sellers would be acquired by Mr. N. R. Divate and Mr. K. Chandramouli.

The Company's name also shall be changed in tune with the change in control.

### 4. 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.

### 5. 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 networth 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.

### 6. 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. Reappointment of Directors [relates to Item No. 4(e)]

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 Company. In any case the period of 5 years after the default has already elapsed.

#### II. 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 there from 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.

#### III. Fixed Deposits and Debentures [relates to Item No. 4f(ii) to (v)]

Reconciliation of Fixed Deposits Liability is constrained by lack available data. Reconciliation differences if any with Garron Trading Company Private Limited are unlikely to have any significant impact.

#### IV. Written Consent not obtained from Secured and Unsecured Creditors [relates to Item No. 4f(vi)]

The Secured Creditors have at the time of meeting itself preferred Option 'B' and the Unsecured Creditors Option 'A'. The Company

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feels that no separate consent is necessary. The Secured and Unsecured Creditors have already accepted the payments made by the Company as per relevant options.

### V. Confirmations from Banks [relates to Item No. 4f(vii)]

Most of the current accounts with banks are inoperative for a long time and the company is taking measures to close these current accounts. The statements are regularly received for the operative accounts and they are reconciled accordingly.

### VI. Borrowings from ICICI Bank Ltd. and non provision of Interest and penal Interest. [relates to Item No. 4f (viii) to (x)]

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 Bank Ltd. is pending and the company is in dialogue for the same. The Company does not anticipate any interest and penal interest liabilities on this borrowing after the takeover of the property by ICICI Bank Ltd.

### VII. Capital Adequacy Ratio [relates to Item No 4f (xi)]

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.

### VIII. Going Concern [relates to item No. 4f (xii)]

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. The company has given the effect of scheme of compromise in the accounts in the last quarter of the current year. The company's accumulated loss has been brought down substantially.

The enhanced recovery of receivables are also likely to improve the Net-Worth of the Company.

### 7. PUBLIC FIXED DEPOSITS

The company currently has 115 unclaimed depositors for a value of Rs. 10,23,000/- against which the company has escrowed a fixed deposit for a value of Rs. 18,63,968/- 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, is showing a substantially high balances although as per the bank, the account has already been closed and therefore Nil balances. The company had created the contingency provision for the said loss as the figure of book balances of banks is higher by the outstanding fixed deposit by Rs. 2.29 crores. As the efforts to reconcile and identify the difference is constrained and affected by non-availability of records the Company has adjusted this difference of Rs. 2.29 crores as prior period item and the same is adjusted against contingency provisions.

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.

### 8. 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 as already approved by members in the year 2004.

### 9. MAFATLAL SECURITIES LIMITED (MSL) - SUBSIDIARY COMPANY

The Company has posted a net profit of Rs. 341.17 lacs for the financial year ended 31<sup>st</sup> March, 2008, after writing off Rs. 0.11 lacs towards bad 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.

### 10. OUTLOOK

Having regard to the fact that the Scheme of compromise and arrangement formulated by the company has since been sanctioned, and accordingly the necessary accounting effects have been given in last quarter of the current year the company's accumulated loss has been brought down substantially. The company would examine the possibility of undertaking non-NBFC activities.

### 11. 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

### 12. DIRECTORATE

In accordance with the provision of the Articles of Association of your company, Mr. Ramakant R. Patel is retiring by rotation and being eligible, has offered himself for reappointment. The Board of Directors recommends his reappointment. He holds 200 Shares in the Company.

### 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

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 form part of this report. However as per the provisions of Section 219 (1) (a) (iv) of the Companies Act, 1956 the Reports and Accounts are being sent to Share Holders excluding the statement of particulars of employees under Section 217 (2A) of the Companies Act, 1956. Any Share Holder interested in obtaining the statement may write to the Company at the Registered Office address for obtaining the same.

### 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;

- iv. 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

The Company's Auditors M/s. R.Prabhu & Associates, Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible having given their consent to act as Auditors of the Company if

reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

#### 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 : 18<sup>th</sup> June, 2008

R. R. PATEL  
Director

## MANAGEMENT DISCUSSION AND ANALYSIS

The Scheme of Arrangement and Compromise with the residual creditors and debenture holders has been sanctioned by the Honourable Bombay High Court. The Company has given the necessary accounting effects in the last quarter of the current year which has brought down the accumulated loss substantially. 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. Consequent upon the judgement delivered by the Hon'ble Supreme Court the company was successful in finalising its pending sales tax assessments in Karnataka as well as in Maharashtra State in respect of Lease Tax. The company's income was Rs. 1077.63 Lacs which included Rs. 330.16 Lacs towards operational income and Rs. 747.47 Lacs as other income (which includes write-backs) and the company incurred a loss of Rs. 628.32 Lacs. During the year the company has provided Rs. 22.18 Lacs (net) towards bad and doubtful debts.

#### 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:

- Risk associated with rejection by RBI, its application for registration as NBFC and thereby impinging on the company's core area of operations.
- Results of the litigations filed against by the company.
- 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 31.03.2008 has 16 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.

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### 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 except Mr. M. J. Bhatia, a Nominee Director appointed by Bank of India representing the interest of the debenture holders has since resigned from the Board of Directors on his transfer within the bank. In his place Mr. A. P. Mohanty has been nominated by Bank of India, the Debenture Trustee as their new Nominee Director with effect from 31.01.2008. 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 2007-2008 and the last Annual General Meeting is as follows:

Director	Attended	Last Annual General Meeting Attended (Held on 31.12.2007)
Mr. J. A. Patel	6	Yes
Mr. R. R. Patel	2	No
Mr. Vinod Ojha	6	Yes
Mr. M. J. Bhatia *	4	Yes
Mr. A. P. Mohanty **	Nil	No

\* Appointed with effect from 30.08.2007. Ceased to be a Director with effect from 31.01.2008.

\*\* Appointed with effect from 31.01.2008.

##### (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	1	Nil	Nil	Nil
Mr. Vinod Ojha	Independent, Non-Executive	1	Nil	Nil	Nil
Mr. M. J. Bhatia *	Independent, Nominee Director	Nil	Nil	Nil	Nil
Mr. A. P. Mohanty*	Independent, Nominee Director	Nil	Nil	Nil	Nil

\* Mr. M. J. Bhatia was appointed as a Nominee Director representing debenture trustees ceased to be a Director with effect from 31.01.2008 and in substitution whereof, Mr. A. P. Mohanty 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.

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

Six Board Meetings were held during the year 2007-2008. The dates on which meetings were held were as follows:  
27<sup>th</sup> April, 2007, 25<sup>th</sup> July, 2007, 30<sup>th</sup> October, 2007, 5<sup>th</sup> December, 2007, 31<sup>st</sup> December, 2007 and 31<sup>st</sup> January, 2008

##### (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 is holding 200 shares in the company.

#### 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. A. P. Mohanty ... Nominee Director (with effect from 31.01.2008)

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

Five meetings were held during the year 2007-2008. (27<sup>th</sup> April, 2007, 25<sup>th</sup> July, 2007, 30<sup>th</sup> October, 2007, 5<sup>th</sup> December, 2007 and 31<sup>st</sup> January, 2008). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. Vinod Ojha	Chairman	5
Mr. J. A. Patel	Director	5
Mr. R. R. Patel	Director	2
Mr. A. P. Mohanty	Nominee Director	Nil

#### 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

No Remuneration Committee Meeting was held during the Financial Year 2007-2008

#### 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. P. V. Thombre, Assistant General Manager as the Compliance Officer with effect from 31<sup>st</sup> January, 2008 in place of K. Chandramouli, Vice President & Company Secretary of the company who was Compliance Officer earlier. All valid shares transfers received during the year have been acted upon.

Complaint Status: 01.04.2007 to 31.03.2008

Number of Equity Shareholders/Debtenture holders/  
 Preference Shareholders complaints pending as on 01.04.2007 : 22  
 Number of complaints received during the year : 78  
 Number of complaints solved during the year : 77  
 Number of pending complaints pending as on 31.03.2008 : 23

Five meetings were held during the year 2007-2008 (27<sup>th</sup> April, 2007, 25<sup>th</sup> July, 2007, 30<sup>th</sup> October, 2007, 5<sup>th</sup> December, 2007 and 31<sup>st</sup> January, 2008). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. J. A. Patel	Chairman	5
Mr. Vinod Ojha	Director	5
Mr. R. R. Patel	Director	2
Mr. N. R. Divate	President & Chief Executive Officer (Co-opted)	5

#### 6. DIRECTORS

Mr. Ramakant R. Patel, 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. Ramakant R. Patel
Date of Birth/Age	17 <sup>th</sup> October, 1936 / 72
Date of Original Appointment	8 <sup>th</sup> June, 2001
Expertise in specific functional areas	Company Law Matters and Company Secretary
List of Companies in which the person holds the directorship	Sunanda Industries Limited

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Mr. M. J. Bhatia appointed as a Nominee Director representing the Debenture Trustee ceased to be a Director with effect from 31<sup>st</sup> January, 2008 and in substitution whereof, Mr. A. P. Mohanty has been appointed as a nominee director for the debenture holders with effect from 31<sup>st</sup> January, 2008

**7. GENERAL BODY MEETINGS**

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

Date	Venue	Time
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.
31 <sup>st</sup> December, 2007	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.
31 <sup>st</sup> January, 2008	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	10.30 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> July, 2011. The 20<sup>th</sup> Annual General Meeting held on 31<sup>st</sup> December, 2007 was adjourned as the Audited Accounts for the Financial Year Ended 31<sup>st</sup> March, 2007 was not ready to adopt hence the same was adopted in the Adjourned Annual General Meeting held on 31<sup>st</sup> January, 2008.

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 Ojha 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 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**

a) The details of related party transactions are given in Point No. 17 of the notes to the account.

During the year, the company paid a sum of Rs. 33,66,255/- to Mr. N. R. Divate, Manager of the company including Rs. 3,93,717/- paid during the year against recovery made in the earlier years based on the approval received from the Central Government u/s. 309(5B) of the Companies Act, 1956 permitting the waiver of the recovery of excess remuneration paid.

b) 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 has not paid the listing fees to National Stock Exchange of India Limited (NSE), from the financial years 2002-03 to 2007-08, Ahmedabad Stock Exchange Limited (ASE) from the financial years 2000-01 to 2007-08 and Delhi Stock Exchange Association Limited (DSE) from the financial years 2001-02 to 2007-08 after the members' approval to delist the company's shares from these exchanges. The company's shares are currently suspended for trading in BSE.

c) 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.

d) 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.

**e) 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.

**10. CEO/CFO CERTIFICATION:**

The President & Chief Executive Officer of the company and the Senior Vice President & Company Secretary heading the finance function have certified to the Board that:

a) They have reviewed the Financial Statements as on 31<sup>st</sup> March, 2008 and the Cash Flow Statement for the year ended 31<sup>st</sup> March, 2008 and that to the best of their knowledge and belief:

- These statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.
  - These statements in their opinion present true and fair view of the company's affairs and are in compliance with the existing accounting standards applicable laws and regulations except the fact that certain interest non-provisions and treatment of remission of liabilities, difference in books of accounts and third party transactions have been dealt differently than as they need to be considered based on the actual unfolding of events.
- b) There are to the best of their knowledge and belief, no transactions that have been entered into by the company during the year which are fraudulent or illegal or violative of the Company's code of conduct
- c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the company, pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which they are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) i) There has not been any significant change in Internal control over financial reporting during the year under reference;
- ii) There has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
- iii) They are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

#### 11. MEANS OF COMMUNICATION

a) Half-yearly Report sent to each household of shareholders	:	No
b) Quarterly Results	:	Quarterly results are taken on record by the Board of Directors and submitted to the Stock Exchanges as per the requirements of the Listing Agreement, which enables the Exchanges to put the same in their websites.
<ul style="list-style-type: none"> <li>● In which newspapers normally published in</li> <li>● Websites where displayed</li> <li>● Whether it also displays official news releases and presentations made to institutional investors/analysis.</li> </ul>	:	Navshakti and Free Press Journal
	:	Yes
	:	No
c) Whether Management Discussions and Analysis is a part of the Annual Report	:	Yes

#### 12. GENERAL SHAREHOLDER INFORMATION

##### 12.1 Annual General Meeting

Date, Time & Venue : Friday, 26<sup>th</sup> September, 2008 at 10.30 A.M. at Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.

##### 12.2 Financial Calendar (2008-2009) (tentative)

###### Quarterly Results:

Quarter ending June 30, 2008 : Last week of July 2008  
 Quarter ending September 30, 2008 : Last week of October 2008  
 Quarter ending December 31, 2008 : Last week of January 2009  
 Quarter ending March 31, 2009 : Last week of June 2009

##### 12.3 Book Closure date(s)

: Monday 22<sup>nd</sup> September, 2008 to Friday 26<sup>th</sup> September, 2008.

##### 12.4 Dividend payment date(s)

: Not applicable

##### 12.5 Listing of Equity shares/debentures on Stock Exchanges

: Bombay Stock Exchange Ltd. (BSE)  
 Phiroze Jeejeebhoy Towers,  
 Dalal Street, Mumbai - 400 001.  
 National Stock Exchange of India Ltd. (NSE)  
 Exchange Plaza C-1 Block G  
 Bandra Kurla Complex  
 Bandra (E), Mumbai - 400 051  
 The company's shares were also listed in the Ahmedabad Stock Exchange and Delhi Stock Exchange.  
 The company has paid the listing fees to Bombay Stock Exchange Limited (BSE) under protest for the financial years from 2004-05 to 2007-08 on 17<sup>th</sup> May, 2007.

##### 12.6 Stock Code

Physical Segment - BSE : 500262  
 Demat Segment - BSE : INE965B01014