

MARG Holdings and Financial Services Limited

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ANNUAL REPORT - 2006-2007

BOARD OF DIRECTORS

Mr. G Srinivasa Reddy
Mr. K Gowri Sankar Rao
Mr. G Ravi Sankar Reddy
Mr. M Abdul Hakeem

AUDITORS

M/s. K. Ramkumar & Co
Chartered Accountants
E-7, III Floor, Gemini Parsn Apartments
Cathedral Garden Road
Chennai - 600 006

BANKERS

Syndicate Bank

REGISTERED OFFICE

501, Apex Chambers, 5th Floor,
No. 20, Thayagaraya Road,
T. Nagar, Chennai - 600 017.

REGISTRAR AND SHARE TRANSFER AGENTS

M/s Knack Corporate Services Private Limited
New No. 97, Old No. 43
Veera Perumal Kovil Street
Mylapore, Chennai - 600 004
Phone : 044 - 65254632
E-Mail : corserinvst@yahoo.co.in

DIRECTORS' REPORT

To

The Shareholders.

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts of your Company for the year ending 31st March 2007.

Operations

The financial results of the Company for the period ended 31st March 2007 is summarized as below

	(Rs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Income from Operations	378,000	0.00
Non-operating Income	349,101	1,457,459
Total Expenditure	727,101	769,832
Gross Profit (Loss) (before depreciation, interest and tax)	500,956	687,627
Interest & Finance Charges	4,896	18,192
Depreciation	395,391	395,391
Profit (Loss) before Tax	100,669	274,044
Provision for Current Taxes	0.00	0.00
Provision for Deferred Taxes	0.00	0.00
Profit (Loss) after Tax	100,669	274,044
Brought Forward Loses	(18,539,400)	(18,813,444)
Loss Carried to balance Sheet	(18,438,731)	(18,539,400)

Owing to downward trend in the general business of Finance Companies, your Company's performance continued to get affected resulting to negligible operational income.

Projects

The Company has decided to venture into business of Infrastructure and Realty Solutions Provider thereby contributing towards the nation's progress. The Company has already stopped all the finance activity long back as per the direction of Reserve Bank of India. Presently there is no project started by Company. It is awaiting approval of members for change of objects.

Dividend

Your Directors do not recommend any dividend due to inadequacy of profit.

Future Prospects

The Company was incorporated with a view to take up business as investment and finance company, merchant banking, custodian and depository services, manage investment pools, issue of shares, stocks, securities, bonds and other negotiable instruments and obtain the membership interests and trading privileges in various stock exchanges. Your Company has applied to Reserve Bank of India (RBI) for certificate to carry on business of Non Banking Finance Company. The RBI refused to grant the certificate and asked the Company to close its finance and investment related activity and change the object suitably.

Your Company is in the process of changing its line of activities by changing the Object Clause of Memorandum of Association. Your Company has identified new arena of infrastructure development. The Company has proposed to abandon the objects relating to investment and finance including management of investment pools, issue of shares, stocks, securities, bonds and other negotiable instruments. The approval of shareholders is being obtained by Passing of Resolution through Postal Ballot.

Looking at the abundant opportunities in Infrastructure Segment, the Company has earlier made investment in this sector. With the hands on experience and exposure to the infrastructure development sector through the group company, the Company believes to come out of its dark phase and once again evolve as a growing Company with retuning the value to its share holders.

Challenges

The Company faces severe competition from market. However, looking at the opportunities outside, your directors have decided to venture into infrastructural activity subject to approval of shareholders.

Listing of Shares

Your Company's shares are listed in Bombay Stock Exchange Limited, Madras Stock Exchange Limited, Hyderabad Stock Exchange Limited, Bangalore Stock Exchange Limited, and Coimbatore Stock Exchange Limited. However there is no trading of shares at the Stock Exchanges during the period. The scrip of the Company is suspended from trading at Bombay Stock Exchange Limited and the Company is taking steps to revoke the suspension of trading.

Fixed Deposits

The Company has not accepted any Deposit from Public during the period.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. G Ravi Sankar Reddy, Director of the Company retire by rotation at the forth coming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. M Abdul Hakkeem, Additional Director ceases to be a director on commencement of the Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from a member along with requisite deposit, signifying his intention to propose the candidature of Mr. M Abdul Hakkeem as Director of the Company.

Directors Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, the Directors hereby by confirm that:

- i. in the preparation of the annual accounts for the financial year ended 31st March, 2007 the applicable Accounting Standards have been followed and that there are no material departures;
- ii. they have 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 profit of the Company for that period.

- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of the 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. they prepared annual accounts on a going concern basis.

Auditors

M/s K Ramkumar & Co. Chartered Accountants the Auditors of the Company, retire at ensuing Annual General Meeting and have furnished a certificate regarding their eligibility for reappointment as the Company's Auditors for the year 2007-08.

Particulars of Employees

None of the employees of the Company was in receipt of remuneration, which in aggregate exceeded the limits fixed under sub-section (2A) of Section 217 of the Companies Act, 1956 and Rules made thereon under Companies (Particulars of Employees) Rules 1975.

Industrial Relations

The Company enjoyed cordial relations with the employees. Management appreciates the employees for their dedicated services to the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

As the company is not an industrial undertaking, particulars with regard to conservation of energy and technology absorption and adaptation required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

There is no Foreign Exchange earning or outgo for the period under consideration.

The Management Discussion & Analysis Report

The Management Discussion & Analysis Report for the year ended under review, as stipulated under Clause 49 of the Listing Agreements is presented in a separate section forming part of the Directors Report.

Corporate Governance

Your Directors adhere to the requirements set out by the Securities Exchange Board of India's Corporate Governance practices and have implemented all the stipulations prescribed. Report on Corporate Governance as stipulate in Clause 49 of the Listing Agreements with Stock Exchanges in India forms part of the Directors Report.

Acknowledgement

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Banks, Government Authorities, Customers and Members during the year under review.

For and on behalf of the Board of Directors

G S Reddy
Director

Place : Chennai
Date : 31.07.2007



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Marg Holding and Financial Services Limited is a Finance and Investment Company during the period of consideration. The Company has the knowledge and resources to meet the needs of current market situation. However, being restricted by RBI, the Company has not carried up any business related to NBFC activity.

Looking at the abundant opportunities available in infrastructure and related activities, your directors have decided to venture into that business subject to approval of members. The Company has identified potential business verticals in infrastructure and related activities.

The Company is changing its Object Clause of Memorandum of Association in order to bring in the line of activities in infrastructure and real estate sector. The same has been proposed by way of postal ballot.

Opportunities, Threats, Risks and Concerns

Present financial market does not favor finance companies. The increased cost of fund and high interest rate as compared to banks makes difficult for finance company. However, owing to the restrictions imposed by RBI, the Company has not carried on any such business. Even otherwise the risk of carrying the business of investment and finance is very high.

Based on the restriction placed upon the Company, it decided to change the line of business and contemplating to take up infrastructural activity and has approached to members for its approval for change of the object.

The infrastructural resources of Country as a whole has to grow to support envisaged growth of the Indian economy. There is enormous scope in the sector since the infrastructure is the barometer of the economy.

The significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting the demand, supply and pricing conditions in the constructions and infrastructural sector and changes in government regulations, tax regimes and other statutes.

Further increase in the competition, increase in the property prices, labour costs and raw materials, increases in insurance premium are major concern for the proposed activity.

Segmentwise / Productwise Performance

Your Company was operating only in one segment both in terms of business and geographical operations. Accordingly, segmental reporting in terms of Accounting Standard 17 is not applicable to the Company.

Outlook

Your directors expect the new venture as turnaround for the Company. The group companies being engaged in similar business, the venture would have internal strength and

expertise which would also work as risk mitigation. Your Company is committed to enhance shareholders wealth over the years.

Internal Control System and Adequacy

The Company has adequate system of internal control in place. This is to ensure that assets are safeguarded and all transactions are authorized, recorded and correctly reported. The internal audit function is empowered to examine the adequacy, relevance and effective control system, compliance with policies, plans and statutory requirements.

Financial Performance

The Financial performance of the Company continued to be affected pursuant to RBI restriction and owing to general market conditions during the year.

The financial performance of the Company has been given separately in the Directors Report.

Material Developments in Human Resources

Due to very less operation or virtually no operations, there was not much activity in the Company. Accordingly, it had only limited operational staff. However, looking at the future prospects, the Company has firmed up plan for recruitment of specialized staff for the departments. Your company attaches significant importance to continuous upgradation of human resources for achieving higher levels of efficiency, customer satisfaction and growth.

Cautionary Statement

Statements of Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements". As forward looking statements are based on certain assumptions and expectations of future events over which the Company exercises no control the Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any statements, development, information or events.

REPORT ON CORPORATE GOVERNANCE

1. Philosophy on Code of Governance

The Company believes in transparency, empowerment, accountability, motivation and fair business and corporate practices with all its stakeholders.

2. Board of Directors

Board is consisting of four directors out of which one director is Whole Time Director and three are Non-Executive and Independent Directors. The Directors on the Board are senior, competent and experienced people from different fields.

The compositions and Category of Board of Directors during the year ended 31st March 2007 are given below:

Sl. No	Name(s) of Director (s)	Executive/ Non-executive/ Independent	Number of Directorships held in other Indian Companies (Excluding Private Limited Company)	Number of other Committees held in other Companies
1	Mr. G Srinivasa Reddy	WTD	Nil	Nil
2	Mr. G Ravi Sankar Reddy	NED/ID	1	Nil
3	Mr. K Gowri Sankar Rao	NED/ID	Nil	Nil
4	Mr. M Abdul Hakkeem*	NED/ID	Nil	Nil

WTD - Whole Time Director; NED - Non Executive Director; ID - Independent Director

*Joined the Board on 9th April 2007

Directors Profile:

Brief Resume of all Directors given below

Mr. G S Reddy, Whole Time Director, is a B. Tech, civil engineer by Qualification. He has over 23 years experience in the areas of project execution. He has executed grass-root level projects of Nagarjuna Fertilisers & chemicals Limited Ph-I & II, Oswal Chemicals & Fertilisers, Shahjahanpur unit. He has also worked in oil and gas exploration units of ONGC, BPCL and IOCL.

Mr. K Gowri Sankar Rao, Director, a university rank holder and a MBA (finance) from Madras University is having 20 years of experience in the field of finance, accounting and internal audit. He has held several senior position as Manager - Accounts, Controller - Accounts & finance, Senior - GM (finance)

Mr. G Ravi Sankar Reddy, Director, a graduate with rich experience in general administration and public elation. A experienced person in the field of liaisoning and land acquisition.

Mr. M Abdul Hakkeem, Director, is a Challenger Award Winner banker with having more than 28 years of Experience. He is also a CAIIB. He has served in various capacities

including management of Portfolio. He was working with ING Vysya Bank Limited as Assistant Vice President.

Attendance of Directors at Board Meetings and at Annual General Meeting

The attendance record of the Directors at the Board Meetings during the year ended on 31st March 2007 and at the last Annual General Meeting (AGM) is as under:

Name of the Directors	No of Board Meetings held	Attendance at Meetings	Attendance at last AGM
Mr. G Srinivasa Reddy	7	7	Present
Mr. G Ravi Sankar Reddy	7	7	Present
Mr. K Gowri Sankar Rao	7	5	Present
Mr. M Abdul Hakkeem*	7	NA	NA

During the year six Board meetings were held on 29th April 2006, 4th July 2006, 12th July 2006, 31st July 2006, 01st September 2006, 04th October 2006 and 31st January 2007.

*Joined the Board on 9th April 2007

3. Committee of Directors

The Board has constituted three Committees of Directors as per the requirement of the Companies Act, 1956 and Listing Agreement entered into with the Stock Exchanges. During the year 2006-07 there were three directors in the Board and hence all the directors are member of all the Committees. Following are the committees of the Board

1. Audit Committee
2. Shareholders' Grievance Committee
3. Remuneration Committee

I. Audit Committee

Pursuant to provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreements, the Board has constituted an Audit Committee comprising of three Directors out of which one director is whole time director and other two are Non-executive and Independent Directors. All the members of the Committee are financially literate and Mr. K Gowri Sankar Rao has accounting expertise.