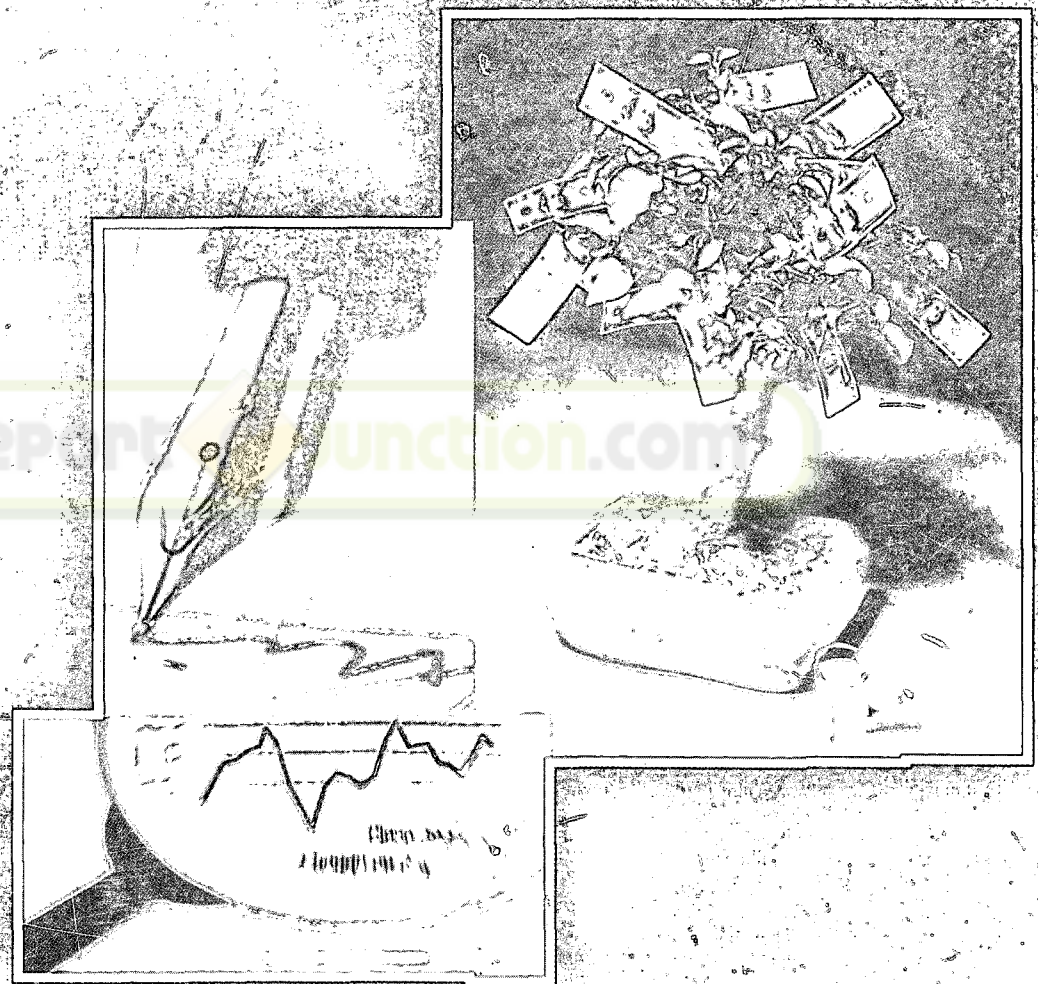




Annual Report 2007

The Nahar Group



Nahar Capital and Financial Services Ltd.

BOARD OF DIRECTORS

Sh.Jawahar Lal Oswal

Sh.Dinesh Oswal

Sh.Kamal Oswal

Sh.Dinesh Gogna

Dr.(Mrs.) H.K. Bal

Dr.Om Parkash Sahni

Sh.Amarjeet Singh

Prof. Kanwar Sain Maini

Sh.Satish Kumar Sharma

Chairman

Managing Director

Director

Director

Director

Director

Director

Director

Director

FINANCE CONTROLLER -CUM- COMPANY SECRETARY

Sh. Rajesh Kumar

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REGISTERED OFFICE

375, Industrial Area-A,
Ludiana-141 003, Punjab.

AUDITORS

M/s Gupta Vigg & Co.
Chartered Accountants,
101, Kismat Complex,
G.T. Road, Miller Ganj,
Ludhiana - 141 003

ANNUAL GENERAL MEETING

Day : Saturday

Date : 29th December, 2007

Time : 10.00 A.M.

Place : At the Premises of
Nahar Industrial Enterprises Limited
Focal Point, Ludhiana

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NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

NOTICE

Notice is hereby given that the Second Annual General Meeting of the members of NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED will be held on **Saturday the 29th day of December 2007 at 10.00 A.M.** at the premises of M/s Nahar Industrial Enterprises Limited, Focal Point, Ludhiana to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sh. Jawahar Lal Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Dinesh Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Sh. Kamal Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors who shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Gupta Vigg & Co., Chartered Accountants, the retiring Auditors of the company being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Sh. Dinesh Gogna, as Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Dr. O.P Sahn, as Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Sh. S K Sharma, as

Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Dr. (Mrs.) H K Bal, as Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Sh. Amarjeet Singh, as Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."

12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of all applicable provisions, if any, of the Companies Act, 1956, consent and approval of the members is hereby accorded to the appointment of Prof. K S Maini, as Director, who was appointed as such pursuant to the Scheme of Demerger and Arrangement duly approved by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 21st December, 2006."

13. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT the consent and approval of the members is hereby accorded to the appointment of Sh. Dinesh Oswal, as Managing Director, pursuant to provisions of Section 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956, read with and in accordance with the conditions specified in Schedule XIII (including any statutory modification or re-enactment thereof, for the time being in force), upto 31st December 2011 on the remuneration and perquisites set out below:

A. Salary : Rs.10,00,000/- per month, w.e.f 1st December, 2007.

B. Perquisites: Following perquisites shall be allowed in addition to salary.

i **Medical Reimbursement:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year.

ii **Leave travel concession:** Leave travel concession for self and family once in a year incurred by him.



NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

- iii **Club Fees:** Fees of clubs subject to a maximum of four clubs. No admission and life membership fees will be paid.
- iv **Personal Accident Insurance:** Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.4000/-.
- v **Provident Fund and Super-annuation fund :** Contribution to Provident fund, Super-annuation fund or Annuity fund in accordance with the rules specified by the company.
- vi **Gratuity :** Gratuity payable shall not exceed half month's salary for each completed year of service.
- vii **Leave Encashment:** Encashment of leave at the end of the tenure, as per rules of the company.
- viii **Car and Telephone:** Free use of company's car for official work and telephone at residence."

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and dependent parents of the appointee.

"Resolved further that the Board of Directors be and are hereby authorised to alter and vary the terms and conditions of the said appointment so as not to exceed the limits specified in schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment, thereof, for the time being in force or any amendments or modifications that may hereafter be made thereto by the Central Government), as may be agreed to between the Board of Directors and Sh. Diensh Oswal."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to take all such steps as may be necessary to give effect to above resolution."

By Order of the Board

Place : Ludhiana

Rajesh Kumar

Dated : 29th November, 2007

(Company Secretary)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business under item no. 7 to 13 are annexed hereto and form part of the notice.
3. The Register of Members and Share Transfer Register of the Company shall remain closed from 21st December, 2007 to 29th December, 2007 (both days inclusive).
4. The dividend on equity shares as recommended by the Board of Directors, if approved at the Annual General Meeting will be paid to the members, whose names appear in the Register of members on 29th December, 2007 or Register of beneficial owners, maintained by the

Depositories at the close of 20th December, 2007.

5. The bank account particulars of the members will be printed on the dividend warrants. Members holding shares in physical form are requested to immediately notify change in their address/Bank details to the Company's Share Transfer Agent M/s Alankit Assignments Limited or to the Company's Registered Office at 375, Industrial Area-A, Ludhiana - 141 003.
- Members holding shares in electronic form are requested to notify change in their address/Bank details to their Depository Participants before 20th December, 2007.
6. To ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
7. To avail the facility of nomination, Members are requested to send us duly filled and signed Nomination Form (Form 2B).
8. The documents referred to in the accompanying Explanatory Statement are open for inspection at the Registered Office of the company on any working day between 10.00 A.M. to 12.00 Noon up to the date of Annual General Meeting.
9. Members seeking any information with regard to Annual Accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of meeting so as to enable the management to keep the relevant information ready.
10. Members are requested to bring the copy of Annual Report along with them, at the meeting.
11. The information required to be provided under clause 49 of the Listing Agreement entered into with the Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is given hereunder and form part of the notice.

Information pursuant to Corporate Governance Clause of the Listing Agreement regarding Directors seeking appointment/re-appointment.

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

I. Name	: Jawahar Lal Oswal
Age	: 64 years
Qualification	: Graduate
Expertise	: Having more than 43 years experience in Textile, Woollen Industry and Investment Activities.

Directorship/Membership in the Committees of the Board in other companies :

Name of the Company	Committee	Status
1. Oswal Woollen Mills Ltd.	---	---
2. Nahar Industrial Enterprises Ltd.	---	---
3. Nahar Spinning Mills Ltd.	---	---
4. Sankheshwar Holding Co. Ltd.	---	---



NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

5. Vardhman Investments Ltd.	---	---
6. Girnar Investment Ltd.	---	---
7. Palam Motels Ltd.	---	---
8. Nagdevi Trading & Investment Co. Ltd.	---	---
9. Atam Vallabh Financiers Ltd.	---	---
10. Vanaik Investors Ltd.	---	---
11. Ludhiana Holdings Ltd.	---	---
12. Monica Growth Fund (P) Ltd.	---	---
13. Ruchika Growth Fund (P) Ltd.	---	---
14. J L Growth Fund Ltd.	---	---
15. Abhilash Growth Fund Pvt. Ltd.	---	---
16. Neha Credit and Investment (P) Ltd.	---	---
17. Ogden Trading and Investment Co. (P) Ltd.	---	---
18. Nahar Growth Fund (P) Ltd.	---	---
19. Nahar Investments & Holding Ltd.	---	---

II. Name : Dinesh Oswal

Age : 42 years
 Qualification : B.Com.
 Expertise : Having business experience of more than 22 years in the Textile Industry and Financial Activities.

Directorship/Membership in the Committees of the Board in other companies :

Name of the Company	Committee	Status
1. Oswal Woollen Mills Ltd.	---	---
2. Nahar Investments and Holding Ltd.	---	---
3. Nahar Industrial Enterprises Ltd.	---	---
4. Sankheshwar Holding Co. Ltd.	---	---
5. Vardhman Investments Ltd.	---	---
6. Palam Motels Ltd.	---	---
7. Atam Vallabh Financiers Ltd.	---	---
8. Ludhiana Holdings Ltd.	---	---
9. Vanaik Investors Ltd.	---	---
10. J L Growth Fund Ltd.	---	---
11. Abhilash Growth Fund Pvt. Ltd.	---	---
12. Nahar Spinning Mills Ltd.	---	---
13. Nahar Industrial infrastructure Corp. Ltd.	---	---
14. Ogden Trading and Investment Co. (P) Ltd.	---	---
15. Kulu Investment & Trading (P) Ltd.	---	---

III. Name : Sh. Kamal Oswal

Age : 45 years
 Qualification : B.Com
 Expertise : Having business experience of more than 25 years in the Textile, Sugar, Steel Industry and Financial Activities.

Directorships/membership in the committees of the Board in other Companies:

Name of the company	Committee	Status
1. Oswal Woollen Mills Limited	---	---
2. Nahar Industrial Enterprises Ltd.	---	---
3. Sankheshwar Holding Co. Ltd.	---	---
4. Vardhman Investments Ltd.	---	---

5. Girnar Investments Ltd.	---	---
6. Palam Motels Ltd.	---	---
7. Nagdevi Trdg. & Inv. Co. Ltd.	Audit	Chairman
8. J.L. Growth Fund (P) Ltd.	---	---
9. Abhilash Growth Fund Pvt Ltd.	---	---
10. Neha Credit & Investment (P) Ltd.	---	---
11. Ogden Trading & Inv. Co. (P) Ltd.	---	---
12. Nahar Growth Fund (P) Ltd.	---	---
13. Nahar Spinning Mills Ltd.	---	---
14. Nahar Industrial Infrastructure Corpn. Ltd.	---	---
15. Kulu Investment & Trading Pvt. Ltd.	---	---
16. Oswal Leasing Ltd.	---	---
17. Nahar Retail Ltd.	---	---
18. Nahar Investments & Holding Ltd.	---	---

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

ITEM NO. 7

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Sh. Dinesh Gogna, Director of Nahar Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though he has become Director as per scheme but as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of his appointment as Director of the company. Sh. Dinesh Gogna is 54 years of age. He is B.A, LL.B and having more than 30 years experience in Corporate Finance & Taxation. He is already on the board of several companies.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Oswal Woollen Mills Limited	Audit	Member
2. Nahar Investments & Holding Ltd.	Audit	Member
3. Nahar Industrial Enterprises Ltd.	Audit	Member
	Shareholders Grievance	Chairman
4. Girnar Investment Ltd.	---	---
5. Oswal Leasing Ltd.	---	---
6. Nahar Retail Limited	---	---
7. Nahar Spinning Mills Ltd.	Audit	Member

The Board consider that having regard to his knowledge and experience it will be in the interest of the company to appoint him as director. Accordingly the board recommend the resolution for your approval.

None of the Director except Sh. Dinesh Gogna may be deemed to be concerned or interested in the resolution.

ITEM NO. 8

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Dr. O P Sahni, Director of Nahar



NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though he has become Director as per scheme but as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of his appointment as Director of the company.

Dr. O P Sahni is 66 years of age. He is M.Sc, Ph.D and is having more than 30 years experience in teaching Management and Administration.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Midland International Limited	—	—
2. Nahar Investments & Holding Ltd.	—	—
3. Nahar Spinning Mills Ltd.	Audit	Member
4. Oswal Woollen Mills Limited	Shareholders Grievance	Member
	Remuneration	Member
	Audit	Member
5. Nahar Indl. Enterprises Ltd.	Audit	Chairman
	Shareholders	Member
	Grievance	
	Remuneration	Member

The Board consider that having regard to his knowledge and experience it will be in the interest of the company to appoint him as director. Accordingly the board recommend the resolution for your approval.

None of the Director except Dr. O P Sahni may be deemed to be concerned or interested in the resolution.

ITEM NO. 9

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Sh. S K Sharma, Director of Nahar Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though he has become Director as per scheme but as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of his appointment as Director of the company.

Sh. Satish Kumar Sharma is 54 years of age. He is MBA and is having more than 25 years experience as Corporate Executive.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Nahar Spinning Mills Ltd.	Shareholders Grievances	Member
	Remuneration	Member
2. Nahar Investments & Holding Ltd.	—	—

The Board consider that having regard to his knowledge and experience it will be in the interest of the company to appoint him as director. Accordingly the board recommend the resolution

for your approval.

None of the Director except Sh. S.K. Sharma may be deemed to be concerned or interested in the resolution.

ITEM NO. 10

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Dr.(Mrs.) H K Bal, Director of Nahar Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though she has become Director as per scheme but as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of her appointment as Director of the company.

Dr. (Mrs) H K Bal is 68 years of age. She is M.Stat, Ph.D and is having more than 30 years of experience in teaching Management and Administration.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Nahar Spinning Mills Ltd.	Shareholders Grievances	Chairperson
	Remuneration	Member
2. Nahar Investments & Holding Ltd	Remuneration	Member
	Shareholders	Chairperson
	Grievances	
3. Oswal Woollen Mills Ltd	---	---
4. Nahar Indl. Enterprises Ltd.	Audit	Member
	Remuneration	Member
5. IOL Chemicals and Pharmaceuticals Ltd.	Audit	Member
	Remuneration	Member
	Shareholders	Chairperson
	Grievances	
6. Shreyans Industries Ltd.	Audit	Member
	Remuneration	Member
7. Sportking India Ltd.	Audit	Member

The Board consider that having regard to her knowledge and experience it will be in the interest of the company to appoint her as director. Accordingly the board recommend the resolution for your approval.

None of the Director except Dr. (Mrs.) H K Bal may be deemed to be concerned or interested in the resolution.

ITEM NO. 11

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Sh. Amarjeet Singh, Director of Nahar Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though he has become Director as per scheme but as a matter of abundant precaution it has been



NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

thought proper and expedient to seek shareholders approval/ratification of his appointment as Director of the company.

Sh. Amarjeet Singh is 80 years of age. He is B.A, LL.B and is having more than 53 years experience in Corporate Taxation and legal matters.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Oswal Woollen Mills Limited	Shareholders Grievance Remuneration	Chairman Member
2. Palam Motels Ltd.	—	—
3. Nagdevi Trdg. & Inv. Co. Ltd.	—	—
4. J.L. Growth Fund Ltd.	—	—
5. Abhilash Growth Fund (P) Ltd.	—	—
6. Neha Credit & Investment (P) Ltd.	—	—
7. Nahar Growth Fund (P) Ltd.	—	—
8. Nahar Spinning Mills Ltd.	Shareholders Grievance Audit Remuneration	Member Chairman Chairman
9. Kulu Investment & Trading Pvt. Ltd.	—	—
10. Oswal Leasing Ltd.	—	—
11. Nahar Investments & Holding Ltd.	Shareholders Grievance Audit Remuneration	Member Chairman Member
12. Vanaik Investors Ltd.	—	—
13. Monica Growth Fund Pvt. Ltd.	—	—
14. Ruchika Growth Fund Pvt. Ltd.	—	—

The Board consider that having regard to his knowledge and experience it will be in the interest of the company to appoint him as director. Accordingly the board recommend the resolution for your approval.

None of the Director except Sh. Amarjeet Singh may be deemed to be concerned or interested in the resolution.

ITEM NO. 12

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Prof. K S Maini, Director of Nahar Spinning Mills Limited became the director of the company. The Scheme was approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. Though he has become Director as per scheme but as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of his appointment as Director of the company.

Prof. K S Maini is 68 years of age. He is M.Com and is having more than 31 years teaching experience in commerce, Management and Administration.

Directorships/membership in the committees of the Board in other Companies :

Name of the company	Committee	Status
1. Nahar Spinning Mills Ltd.	—	—

2. Nahar Investments & Holding Ltd.	Audit	Member
3. Oswal Woollen Mills Ltd.	Audit	Member
4. Nahar Indl. Enterprises Ltd.	Shareholders Grievances Remuneration	Member Chairman

The Board consider that having regard to his knowledge and experience it will be in the interest of the company to appoint him as director. Accordingly the board recommend the resolution for your approval.

None of the Director except Prof. K S Maini may be deemed to be concerned or interested in the resolution.

ITEM NO. 13

Pursuant to the scheme of demerger and arrangement between the Company and Nahar Spinning Mills Limited duly approved by the Hon'ble Punjab & Haryana High Court at Chandigarh vide its Order dated 21st Dec., 2006, Sh. Dinesh Oswal, being Managing Director of Nahar Spinning Mills Limited became Director as well as Managing Director of the company. The Scheme was duly approved by the shareholders of Nahar Spinning Mills Limited, who also became the members of the company as per scheme. His period of appointment would continue up to 31st December 2011 as per Scheme. However as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval/ratification of his appointment as Managing Director of the company.

Sh. Dinesh Oswal is 42 years of age. He is a Commerce graduate and is having more than 22 years business experience in Textile & Investment Activities. The Board, keeping in view his knowledge, experience and dynamic leadership qualities, has decided (subject to the approval of the shareholders), to appoint him as Managing Director up to 31st December 2011. Sh. Dinesh Oswal, is eligible for re-appointment as Managing Director and his remuneration and perquisites as set out in the resolution are in accordance with the Provisions of schedule XIII of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

Sh. Dinesh Oswal is deemed to be concerned or interested in the resolution. Further Sh. Jawahar Lal Oswal and Sh. Kamal Oswal being relatives of Sh. Dinesh Oswal may also be deemed to be concerned or interested in the said resolution.

The resolution as given in the notice may also be treated as an abstract of the terms of contract of appointment under the provision of Section 302 of the Companies Act, 1956.

The terms and conditions of appointment as set out in the draft agreement to be entered into between the company and Sh. Dinesh Oswal, is available for inspection at the Registered Office of the company.

By Order of the Board

Place : Ludhiana
Dated : 29th November, 2007

Rajesh Kumar
(Company Secretary)



NAHAR CAPITAL AND FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the SECOND ANNUAL REPORT on the affairs of the company for the year ended 30th June, 2007.

FINANCIAL PERFORMANCE

The company's financial performance during the year is summarised below:

	(Rs. In lacs)
PARTICULARS	Current Year
Profit before Tax	2783.02
Less : Provision for Taxation (including FBT)	272.00
Profit after tax	2511.02
Amount available for appropriation	2511.02
APPROPRIATION	
Proposed Dividend	418.65
Tax on Distributed profits	71.15
Special Statutory Reserve Fund	503.00
Transfer to General Reserve	1518.22
	2511.02

SANCTION OF COMPOSITE SCHEME OF DEMERGER AND ARRANGEMENT

We are pleased to inform you that the Hon'ble Punjab & Haryana High Court sanctioned the Composite scheme of Demerger and Arrangement (hereinafter referred to as 'Scheme') between the Company, Nahar Spinning Mills Limited and Nahar Exports Limited, vide its Order dated 21st December, 2006, which was filed and Registered by the Ministry of Company Affairs through the Office of Registrar of Companies, Punjab, H.P. & Chandigarh at Jalandhar on 12th January, 2007. Thus pursuant to the scheme, 'Investment Activities' of Nahar Spinning Mills Limited stand demerged and transferred to the company w.e.f. the appointed date i.e. 1st April, 2006.

While passing the Order Hon'ble High Court, because of Regulatory Regulations, has also directed the company to get registration from the Reserve Bank of India as Non Banking Finance Company (hereinafter referred to as NBFC) and thereafter certificate of commencement of business within 6 months. The said period has been extended up to 15th January 2008 vide High Court Order dated 23rd August, 2007.

The company made an application to Reserve Bank of India for registration as NBFC in March 2007 and its approval is awaited as on date. Pending RBI registration and certificate of commencement of business, the board in the interest of the

shareholders as well as company, authorised Nahar Spinning Mills Limited (hereinafter referred to as 'NSML') to continue carry on investment activities even after the effective date, for and on behalf of and for the benefit of the company till the company get the registration certificate.

We are pleased to inform that NSML agreed to the said proposal and accordingly as per Scheme investment aggregating to Rs.34576.54 lakhs, earmarked to company in compliance of the direction of the Hon'ble Court, (in the books of NSML) and NSML shall continue to carry on the investment activities for and on behalf of and for the benefit of the company and its shareholders. It would transfer back the above said investments alongwith any accretion or decrction in respect of said investment activities, in the account of the company. The NSML shall keep a separate detailed account for this purpose and the statement shall be provided to the company at the time of the transfer of the investment.

SEGMENT REPORTING

The disclosure requirements of Accounting Standard AS-17, issued by the Institute of Chartered Accountants of India are not applicable as the main business activities of the company falls under single segment namely 'Investment Activities'.

FINANCIAL REVIEW

After the approval of the Scheme by Hon'ble High Court, company has received an income of Rs. 2883.50 lacs on its allocated investment through NSML and accordingly Profit & Loss Account was drawn on the basis of income received/accrued.

During the year under review, company earned a pre-tax profit of Rs.2783.02 lacs. After providing Rs. 272.00 lacs towards income tax including fringe benefit tax, net profit comes to Rs.2511.02 lacs. After transfer of 503.00 lacs to special statutory reserve funds and appropriation of profits as per detail herein above, an amount of Rs. 1518.22 lacs has been transferred to general reserve.

ALLOTMENT OF SHARES AS PER SCHEME OF DEMERGER AND ARRANGEMENT

The company made allotment of equity shares on 2nd February, 2007 to all the members of Nahar Spinning Mills Limited who were holding equity shares on the record date i.e. 2nd February, 2007 fixed for the purpose. Both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) have credited the demat account of the members holding equity shares in electronic mode on 3rd March & 24th March, 2007 respectively. The physical share certificates were also despatched to the members by company's Registrar M/s. Alankit Assignments Ltd, New Delhi on 12th February 2007. In case, any member



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who has not got the equity shares till date, should contact company's Registrar or Compliance Officer at the Registered Office of the company.

DIVIDEND

Your Directors are pleased to recommend a dividend @50% on paid up equity share capital for the year ended 30th June, 2007.

The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the company for the year under reference to all those shareholders whose names shall appear in the Register of Members on 29th December, 2007 or Register of beneficial owners, maintained by the Depositories as at the close of 20th December, 2007.

DIRECTORS

Pursuant to the scheme duly approved by the Hon'ble Punjab & Haryana High Court Sh. Dinesh Gogna, Sh. Amarjeet Singh, Dr. (Mrs.) H K Bal, Prof. K S Maini, Dr. O P Sahni and Sh. S K Sharma Directors of Nahar Spinning Mills Limited became the directors of the company. Like wise Sh. Dinesh Oswal also become the Managing Director of the company pursuant to the Scheme.

Pursuant to article 112 of the Articles of Association of the company Sh. Jawahar Lal Oswal, Sh. Dinesh Oswal & Sh. Kamal Oswal will be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Further, as a matter of abundant precaution it has been thought proper and expedient to seek shareholders approval for the appointment of Sh. Dinesh Oswal as Managing Director, Sh. Dinesh Gogna, Sh. Amarjeet Singh, Sh. S K Sharma, Dr. O. P Sahni, Prof. K S Maini and Dr. (Mrs) H K Bal as Directors of the company. The necessary resolutions have already been incorporated in the notice of the forthcoming Annual General Meeting, for your approval.

In terms of clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors to be appointed/re-appointed are contained in the accompanying Notice of the forthcoming Annual General Meeting.

LISTING OF SECURITIES

Pursuant to the Scheme of demerger and arrangement duly approved by the Hon'ble Punjab and Haryana High Court, company has already made an application for the enlistment of the equity shares allotted on 2nd February, 2007 to following Stock Exchanges:

- i. The Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.
- ii. The National Stock Exchange of India Ltd., Exchange

Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai

The Securities and Exchange Board of India has already given its approval on April 18, 2007 under rule 19 (2) (b) of the Securities Contracts (Regulation) Rules 1957, and the same has already been submitted to both the exchanges for their record. Now company is awaiting RBI registration certificate as NBFC to enable the company to obtain certificate of commencement of business from Registrar of Companies, so that the same could be filed with the Exchanges as required by them.

DEMATERIALISATION OF SECURITIES

Our Company has already established connectivity with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the holding and trading of securities in electronic form. As on date 95.48% of the share capital have been dematerialised by the members of the company.

Further, company has appointed M/s. Alankit Assignments Ltd. as Registrar for Share Transfer and Electronic connectivity. Accordingly all the shareholders, Investors, Members of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communication in respect of share transfer, demat/remat, change of address etc. to our Registrar at below mentioned address:

M/s. Alankit Assignments Limited
(Unit : Nahar Capital & Financial Services Limited)
Alankit House
2E/21, Jhandewalan Extension
New Delhi - 110 055
Telephone No. : (011) 23541234
Fax No. : (011) 41540064
E-mail address : rta@alankit.com

In case any query/complaint remains unresolved with our Registrar please write to Compliance Officer at the Registered Office of the Company.

The shareholders who have not gone in for dematerialisation of shares till date, are requested to opt for dematerialisation of the shares at the earliest.

AUDIT COMMITTEE

Pursuant to Section 292 A(1) of the Companies Act, 1956, Company has already constituted Audit Committee consisting of Prof. K.S. Maini as Chairman, Sh. S K Sharma and Sh. Amarjeet Singh as members. The committee held one meeting on 04th June 2007 during the year under review.

REPORT ON THE CORPORATE GOVERNANCE

Your Company continues to follow the principles of good Corporate Governance. The company has already constituted



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several committees of directors to assist the Board in good Corporate Governance. The Corporate Governance Report alongwith the Auditors Certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached herewith as per Annexure-I.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors would like to assure the Members that the financial statements for the year under review, confirm in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm :

- i) that in preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanations relating to material departures;
- ii) that they 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 profit or loss of the company for that period;
- iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that they had prepared the Annual Accounts on a going concern basis.

AUDITORS

M/s Gupta Vigg & Co., the Auditors of your Company shall be retiring at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The company has obtained from auditors, a certificate as required under Section 224(1-B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be within the limits specified in the said section.

AUDIT OBSERVATION

As regard point no. xiv of annexure to the Auditors report, we would like to state that after approval of Scheme by Hon'ble High Court, company allotted equity shares on 2nd February 2007 which enabled the company to meet the financial norms fixed by the RBI Act for registration as NBFC. Pending RBI registration and certificate of Commencement of business, company authorised NSML to continue carry on the investment activities even after the effective date for and on behalf of the company . Thus all the company's investments except the

shares of NSML and Nahar Exports Limited which have been allotted in company's name as per the Scheme, are held in the name of NSML. The said decision of the management was taken in the overall interest of the equity shareholders as well as the interest of the company because otherwise company's funds would have remained idle without earning any return on it. The said investments shall be transferred immediately along with accretion and decretion, in company's name on getting RBI registration certificate and certificate of commencement of business from Registrar of Companies.

PUBLIC DEPOSITS

During the year, company has neither accepted nor intend to accept any Public deposit within the meaning of Section 58-A of the Companies Act, 1956 and the rules made there under. There are no outstanding/unclaimed deposit from the public.

PARTICULARS OF EMPLOYEES

None of the employee is covered under the statement of particular of the employees to be given under Section 217(2A) of the Companies Act, 1956 read with the rules framed there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Particulars with respect to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the companies Act, 1956 read with Companies (Disclosure of Particulars in Report of the Board of Directors) Rules 1988, are not applicable.

INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year and the excellent results were achieved with the whole hearted co-operation of employees at all levels.

ACKNOWLEDGEMENT

The Board of Directors of the company wish to place on record their thanks and appreciation to all staff members and executives for their contribution to the operations of the company. The Directors also place on record their sincere thanks to the shareholders for their continued support, co-operation and confidence in the Management of the Company.

For and on behalf of the Board

Place : Ludhiana

Dated : 29th November, 2007

JAWAHAR LAL OSWAL
(CHAIRMAN)