



NALIN LEASE FINANCE LIMITED



NALIN LEASE FINANCE LIMITED

15th ANNUAL GENERAL MEETING

Day : Monday
 Date : 25th September, 2006
 Time : 4.00 P.M.
 Venue : Ground Floor,
 Gandhi Nursing Home Bldg.,
 Dr. Nalinkant Gandhi Road,
 Himatnagar-383 001.

BOARD OF DIRECTORS

| | |
|-----------------------------------|--------------------------|
| Mr. Mahendrakumar P. Shah | <i>Chairman</i> |
| Mr. Dilipkumar Nalinkant Gandhi | <i>Managing Director</i> |
| Mrs. Nipurnaben Nalinkant Gandhi | <i>Director</i> |
| Mrs. Pallaviben Dilipkumar Gandhi | <i>Director</i> |
| Mr. Narendrakumar Dalsukhdas Shah | <i>Director</i> |
| Mr. Indravadan Chhotalal Shah | <i>Director</i> |

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COMPANY SECRETARY

Mrs. Swatiben Parikh

Company Secretary

AUDITORS

M/s. Deepak R. Soni & Co.

Chartered Accountants

Himatnagar-383 001.

Ph : 242780

BANKERS

Bank Of India
 State Bank of India
 Union Bank of India
 Himatnagar Nagrik Sahakari Bank Ltd.
 Dena Bank
 H.D.F.C. Bank Ltd. Himatnagar.

REGISTERED OFFICE

Ground Floor,
 Gandhi Nursing Home Bldg.,
 Dr. Nalinkant Gandhi Road,
 Himatnagar-383 001.

Ph : 241264, 242264

Fax : 241264

NOTES :-

1. All Correspondence relating to Shares of the Company may please be addressed to the Company's Registered Office.
2. Members are requested to bring their copy of the Annual Report to the Meeting, as copies of the Report will not be distributed at the Meeting.
3. Members seeking further information about the Accounts and/or Operations of the Company, are requested to send their queries to the Company at its Registered Office atleast TEN days before the date of the Meeting.



15th ANNUAL REPORT 2005-2006

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Nalin Lease Finance Limited will be held on Monday the 25th September, 2006 at. 4.00 p.m. at Ground Floor, Gandhi Nursing Home Bldg; Dr. Nalinkant Gandhi Road, Himatnagar - 383 001 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March 2006, Profit & Loss Account for the year ended on that date together with the Reports of Board of Directors & Auditors thereon.
2. To appoint a Director in Place of Shri Mahendrakumar Prabhulal Shah who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To appoint Shri Indravadan C. Shah Who has appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 31.12.2005 to hold the office upto the date of this Meeting as a Director of the Company in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of Director and to move the following as an ordinary resolution.

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Shri Indravadan C. Shah be and is hereby reappointed as a Director of the company and shall be liable to retire by rotation."

By order of the Board of Directors

Registered Office :

Ground Floor,
Gandhi Nursing Home Bldg.,
Dr. Nalinkant Gandhi Road,
Himatnagar-383001.

Dated : July 18, 2006

M. P. Shah

Chairman

NALIN LEASE FINANCE LIMITED**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 the proxy need not be a member of the company, proxy in order to be effective must be received by the company not less than 48 hours before the meeting.
2. All documents referred to in the accompanying notice are open at the registered office of the company during the office hours on all working days between 11.00 am to 1.00 pm up to the date of Annual General Meeting.
3. Members are requested to send their queries, if any at least 10 days before the date of meeting so that the information can be made available at the meeting.
4. The Register of Members and the Share Transfer Books will remain closed from Friday 22nd September, 2006 to Monday 25th September, 2006 (Both days inclusive.)

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

Shri Indravadan C. Shah was appointed as an Additional Director of the company w.e.f. 31.12.2005 to hold the office up to the conclusion of this Annual general Meeting.

The company has received notice in writing from the shareholders proposing the above name for the directorship in Nalin Lease Finance Ltd. Considering vast knowledge, ability, background and experience of Shri Indravadan C. Shah it would be appropriate and in the best interest of the Company to appoint the above person as a Director of the Company.

Each of the Director whose appointment is proposed is concerned or interested only in his own appointment. No other Director is interested in the proposed resolution.

The Directors recommend the resolutions for the approval of shareholders.

By order of the Board of Directors

Registered Office :

Ground Floor,
Gandhi Nursing Home Bldg.,
Dr. Nalinkant Gandhi Road,
Himatnagar-383001.
Dated : July 18, 2006

M. P. Shah

Chairman



15th ANNUAL REPORT 2005-2006

DIRECTORS' REPORT

To,
The Members,
Nalin Lease Finance Ltd.

Your Directors have pleasure in presenting to you the 15th Annual Report together with the audited statement of the Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS :

(Rs. in Lacs)

| | <u>2005-2006</u> | <u>2004-2005</u> |
|--------------------------------------|------------------|------------------|
| Gross Profit (PBDT) | 24.34 | 18.58 |
| Less:- Depreciation | 2.99 | 2.90 |
| Profit Before Tax (PBT) | 21.35 | 15.68 |
| Less :- Provision for Taxation | 11.00 | 7.32 |
| Net Profit (PAT) | 10.35 | 8.36 |
| Add :- Balance in Profit & Loss A/C. | 3.18 | 2.52 |
| Balance Available for Appropriation | 13.53 | 10.88 |
| Appropriations : | | |
| Reserves | 10.07 | 7.67 |
| Balance carried to Balance Sheet | 3.46 | 3.21 |

Your Directors have successfully captured and maintained its advances portfolio in auto two wheelers in the area of its operation. Company is also making survey of new areas in which company may enter in near future.

DIVIDEND :

The Director's regret their inability to recommend dividend for the year 2005-2006 in view to accumulate funds for future requirement and also to strengthen the financial position of the company.

DIRECTORS :

Shri Mahendrakumar Prabhulal Shah-Director of the Company, retires by rotation pursuant to Article No. 125 of the Companies Act, 1956, at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

FIXED DEPOSITS :

Our Company is registered as N. B. F. C. with R. B. I. the company has Complied with various Guidelines issued by Reserve Bank of India for accepting Public Deposits and the Deposits accepted are within the permissible limits.

- Public Deposits held by the Company as on 31-03-2006 Rs. 355.72 Lacs.
- Matured but not Claimed/Unpaid Public deposits as on 31-03-2006 :- NIL



NALIN LEASE FINANCE LIMITED

AUDITORS AND AUDITORS REPORT :

M/s. Deepak R. Soni & Co., Auditors of the Company, retire and hold Office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

PERSONNEL :

During the year under review, there was no employee in receipt of any remuneration in excess of the limits prescribed in Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 As amended.

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

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption and foreign exchange earning and outgo are not applicable to your Company.

REGULATORY GUIDELINES :

There being no non-performing assets, no provision is made for the year. Company has fully complied with prudential norms prescribed by Reserve Bank of India. The Company has also complied with the Directions issued by Reserve Bank of India regarding Capital Adequacy, Assets classification etc.

DIRECTORS RESPONSIBILITY STATEMENT :

in accordance with the provisions of section 217 (2AA) of the companies act, 1956, your directors state :

1. That in the preparation of the annual accounts, the applicable accounting standard have been followed and no material departures have been made form the same.
2. That your Directors have selected such accounting policies and applied them consistently and made judgment 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.
3. That your directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
4. That your directors have prepared the annual accounts on a going concern basis.

5. CORPORATE GOVERNANCE :

Pursuant to clause 49 of the listing agreement with stock exchanges, a separate section titled "Corporate Governance" is attached to his annual report.



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ACKNOWLEDGEMENT :

Your Directors would like to put on record their grateful appreciation for the assistance and co-operation received from the Bankers of the Company, valued Customers of the Company, the Ahmedabad Stock Exchange, Vadodara Stock Exchange and the Bombay Stock Exchange and various other Government and Semi Government Authorities, Agencies and Offices.

Your Directors would also like to put on record with thanks their deep sense of appreciation for the assistance, diligence and co-operation of the executives and staff of the Company.

For and on behalf of the Board of Directors

Place : **HIMATNAGAR**

Date : 18th July, 2006.

M. P. Shah

Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

NATURE OF BUSINESS & DEVELOPMENT :

Finance is one of the important tools for the development in bullish market or bearish market. It is must for economic growth. The Company is engaged in providing finance for vehicles mainly two wheelers in rural part of interior villages of Sabarkantha district.

DISCUSSION : FINANCIAL / OPERATIONAL PERFORMANCE :

For the year under report, your Company has made a net profit of Rs. 10.35 Lacs after providing for depreciation of Rs. 2.99 Lacs inspite of full proof competition in the market particularly from Private Bank and Nationalized Bank and Special Trust given on the retail banking, due to efficient services and timely and speedy disbursement of vehicle finance and relations of the Company from generation to generation in the whole of Sabarkantha district, the Company had sustain and increased its Income by 6.11 %.

Your Company is scaling up to procure the market in the whole segment and on sold to the interior villages of Banaskantha, Mehasana, Kheda district and nearby Ahmedabad district. With the speedy and timely disbursement of loan and after financial services, the company is expected to achieve a sizeable leap in working of the Company in the coming years.



NALIN LEASE FINANCE LIMITED

INTERNAL CONTROL SYSTEMS AND ADEQUACY :

The day to day operations of the Company are being looked after by the Managing Director, The Company has the following committees to over view the operations :

1. Audit Committee of Board of Director
2. Management Committee
3. Executive Committee

The Company has adequate internal control systems, procedures, checks designed to provide reasonable assurance on achievement of the objectives relating to efficiency and effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations. The management committees and the executive committee monitor the operations and the progress of the project on a continuous basis and suggest the ways and means for strengthening the operations of the Company. The internal auditors have expressed their satisfaction on the overall internal control systems in force.

THREATS :

The Company is having constant threats from Private Banks, Multination Banks and National Banks. Due to this to stand in competition, the Company has to reduce their rate of finance. Due to this, the operating profit may go down,

RISKS AND CONCERNS :

The Company is mainly dealing with two wheeler finance. In certain cases, the recovery is having problems but this is depending upon the economy of the Sabarkantha district. The Company is trying their best to recover its dues by mutual dialogs and in last resort by fast and full recovery including seizures of vehicles.

HUMAN RESOURCES AND INDUSTRIAL RELATION :

The Company has its own system to control all divisions to ensure proper and adequate control, facility, transparency and accuracy. The employer employee relationship has been cordial. The Company considers the quality of its human resources as its important asset and it endeavors to attract and recruit best possible talent and to retain and groom it to meet its needs.



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ANNEXURE TO DIRECTORS' REPORT

Report on Corporate Governance

A. MANDATORY REQUIREMENTS :**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

The Company has always been committed to the principles of good corporate governance which inter alia includes protection of shareholders rights, enhancement of shareholder value, equitable treatment of all shareholders, stakeholders such as suppliers, customers and employees and to report financial information adequately and transparently. A continuous process of delegation of powers commensurate to accountability, coupled with trust, faith and transparency has been embedded in the day to day functioning. A system to effectively manage risks has been implemented. The Company has been disclosing detailed information on different issues concerned the Company's performance from time to time.

2. BOARD OF DIRECTORS :**(I) Composition :**

The Board of Directors comprises of a combination of Executive and Non-Executives who are professionals in their respective fields and bring in a wide range of skills and experience. Out of six Directors Three Directors are executive Directors and Three Directors are non-executive Directors. There is no nominee Directors on the Board. The names & composition of Directors are as under :-

| Sr. No. | Name of the Director | Executive/Non-Executive |
|---------|-------------------------------|--------------------------------------|
| 1 | Mahendrakumar Prabhulal Shah | Non-Executive (Chairman) |
| 2 | Dilipkumar Nalinkant Gandhi | Executive (Managing Director) |
| 3 | Nipurnaben Nalinkant Gandhi | Executive (Whole time Director) |
| 4 | Pallaviben Dilipkumar Gandhi | Executive (Executive Director) |
| 5 | Narendrakumar Dalsukhdas Shah | Non-Executive (Independent Director) |
| 6 | Indravadan Chhotalal Shah | Non-Executive (Independent Director) |

(II) MEETINGS OF BOARD :

Six Board Meeting were held during the year ended 31.03.2006. These were held on : 28.04.2005, 27.07.2005, 24.09.2005, 25.10.2005, 27.01.2006 & 24.02.2006. The details of attendance of each Directors at the Board, last Annual General Meeting & various Committees of the Board, during the financial year ended on 31st March 2006, are given below :

| Directors | Board Meeting | Audit Committee | Shareholders/ Investors Grievance Committee | Share transfer Committee | Last Annual General Meeting attended (Yes/No) |
|------------------------------|---------------|-----------------|---|--------------------------|---|
| | ()* | ()* | ()* | ()* | ()* |
| Mahendrakumar Prabhulal Shah | 6 | 2 | - | - | Yes |
| Dilipkumar Nalinkant Gandhi | 6 | 3 | 2 | 12 | Yes |
| Nipurnaben Nalinkant Gandhi | 6 | - | - | - | Yes |
| Pallaviben Dilipkumar Gandhi | 6 | - | - | - | Yes |
| Narendrakumar D. Shah | 6 | 3 | 2 | 12 | Yes |
| Indravadan C. Shah | 2 | 1 | - | - | No |

* The figures within brackets denote the number of meetings held during the period from 1st April, 2005 to 31st March, 2006.



NALIN LEASE FINANCE LIMITED

(iii) OTHER DIRECTORSHIPS :

The details of other directorships and chairmanships held by the Directors of the company are given below :-

| Sr. No. | Name(s) of Directors | No. of Directorship, excluding directorship in Pvt. companies/ firms & cos. Incorporated u/s. 25 of the Companies Act. | Chairman of the Board | No. of other Board Committees in which he/she is a member or chairperson. |
|---------|-------------------------------|--|-----------------------|---|
| 1 | Mahendrakumar Prabhulal Shah | Nil | Nil | One |
| 2 | Dilipkumar Nalinknant Gandhi | Four | Nil | Three |
| 3 | Nipurnaben Nalinkant Gandhi | Three | Nil | Nil |
| 4 | Pallaviben Dilipkumar Gandhi | Three | Nil | Nil |
| 5 | Narendrakumar Dalsukhdas Shah | Nil | Nil | Three |
| 6 | Indravadan Chhotlal Shah | Nil | Nil | One |

(iv) Reappointment of Directors (as required under Listing Agreement)

The brief particulars of the Directors of the Company, retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under :-

Shri Mahendrakumar P. Shah aged 73 years joined the Board of the Company since December 1994. He looks after overall management of the company. he normally sits at the registered office of the company.

3. AUDIT COMMITTEE :

The Audit Committee of the Board was formed on 25.10.2002 and it comprises of 2 (Two) non-executive Directors & 1 (One) executive Director. However to comply the requirement of revised clause 49 of the listing agreement, the audit committee was reconstituted having 2 independent director out of 3 members in the audit committee. w.e.f. 1.1.2006 the present audit committee is comprising of the following 3 directors :

- (1) Dilipkumar Nalinknant Gandhi
- (2) Mahendrakumar Prabhulal Shah
- (3) Narendrakumar Dalsukhdas Shah
- (4) Indravadan Chhotlal Shah

The Audit committees functions include reviewing the Company's internal control system, audit procedures, compliance with statutory and regulatory requirements, financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and correct. it also reviews the half yearly results and the annual financial statements before submission to the Board. The Audit Committee effectively acts as a link among the Board of Directors, Statutory auditor and internal audit functions. During the financial year ended 2006, the audit committee meetings were held on 14.06.2005, 1.10.2005 & 14.02.2006.