

STARCHIK SPECIALITIES LIMITED

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FOURTEENTH ANNUAL REPORT
2005-2006

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STARCHIK SPECIALITIES LIMITED

BOARD OF DIRECTORS

DIRECTORS

Shri Sanjay Sanghi
Shri Ritesh Sanghi
Shri V. k Agarwal
Shri K. Sunder

AUDITORS

M/s. Venugopal & Chenoy
Chartered Accountants
Tilak Road, Hyderabad

BANKERS

Bank of India
Bashir Bagh, Branch
Hyderabad

REGISTERED OFFICE

"Sadana Building, 1st Floor,,
3-6-290/18, Hyderguda,
Hyderabad - 500 029
Phone: 66628211

DEPOSITORY REGISTRAR & SHARE TRANSFER AGENTS

M/s. CIL SECURITIES LIMITED.
214, RAGHAV RATNA TOWERS
CHIRAG ALI LANE, ABIDS
Hyderabad - 500 001.
Phone: 23202465 Fax : 040- 2320315
Email : cilsec@rediffmail.com

Notice is hereby given that the Fourteenth Annual General Meeting of Starchik Specialities Limited will be held on Wednesday the 27th December, 2006 at 10:30 A.M. at "Surana Udyog Auditorium". The Federation of Andhra Pradesh Chambers of Commerce & Industry(FAPCCI), Federation House, 11-6-841, Red Hills, P.B.no.14, Hyderabad – 500 004.Ph.23393658 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss account for the financial year ended 31st March, 2006 and the Balance Sheet as at that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint the auditors and to fix their remuneration.

SPECIAL BUSINESS :

3. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Ritesh Sanghi, who was appointed as Additional Director of the Company by the board of Directors and who holds office as per Section 260 of the Companies Act, 1956, up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Sanjay Sanghi, who was appointed as Additional Director of the Company by the board of Directors and who holds office as per Section 260 of the Companies Act, 1956, up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. V.K. Agarwal, who was appointed as Additional Director of the Company by the board of Directors and who holds office as per Section 260 of the Companies Act, 1956, up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Mr. K. Sunder, who was appointed as Additional Director of the Company by the board of Directors and who holds office as per Section 260 of the Companies Act, 1956, up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of section 17 of the Companies Act, 1956, and other applicable provisions, if any, and subject to the approval of the Registrar of Companies and such other authorities, as may be required, Part (A) of Clause III of the Memorandum of Association of the Company containing the “Main Objects Clause” be and is hereby altered by inserting the following new sub-clause number 1 by replacing all the existing sub-clauses:

1. To carry on the business of dealers, traders, manufacturers, refiners, processors, assayers and investors in metals, bullion, gold, silver, diamonds, precious stones, ornaments and jewellery, coins and to carry on the work of manufacturing of jewellery items made of any metals, to carry on the trading in bullion, silver and jewellery items whether as wholesalers or retailers, exporters, importers, job workers, consignors, contractors, vendors, stockiest, distributors of semi precious, decorative stones, imitation, synthetic, natural and other varieties of stones and materials whatsoever such items and promote brands in the line of business.

“**RESOLVED FURTHER** that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution.”

Place: Hyderabad
Date: 14-10-2006

By order of the Board

Sd/-
SANJAY SANGHI
Director

NOTES

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE 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. The instrument appointing a proxy, to be effective, should be deposited at the Registered office of the Company not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 20th December, 2006 to 27th December, 2006 (both days inclusive)
3. All Correspondence and share transfer documents must be addressed to the Share Transfer Agents.
4. Members are requested to notify changes, if any, in their addresses to the Share Transfer Agents.
5. The Explanatory Statement U/s 173(2) and Sec 192A of the Companies Act, 1956 in respect of Item Nos. 3,4,5,6 and 7 respectively, are attached hereto.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of their attendance at the meeting.
7. Members holding shares in physical and electronic form are required to inform immediately the changes, if any, in their address to Share Transfer Agents.
8. The postal Ballot form is herewith attached. You are required to kindly accord your assent or dissent to the aforesaid item Nos.7 being resolution in the postal ballot form. Your assent must be recorded in the Box "For" and dissent in the box " Against" by way of placing tick (4)
9. After recording your vote, please sign the postal ballot form and forward it to the Scrutinizer in the enclosed prepaid self-addressed envelop within 30 days from 10th November, 2006. The postage will be borne by the Company.
10. Members may note that the Directors Report for the year 2005 – 2006 was approved on 29.06.2006 i.e. before the takeover of the Company by the present management. Therefore the Statement regarding retirement of directors by rotation appearing in the Directors Report does Not match with the resolutions placed before the members in the Notice convening the annual General Meeting.

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956

Item no: 3, 4, 5 & 6

The Board of Directors of the Company appointed Mr. Sanjay Sanghi, Mr. V.K. Agarwal

Mr. K. Sunder, Mr. Ritesh Sanghi as Additional Directors of the Company during the period and their term of office expires on the date of ensuing Annual General Meeting and a notice from a member of the Company was received proposing their appointment as a Directors of the Company under Section 257 of the Companies Act, 1956. The profile of the appointee Directors is as follows:

Name of the Director	Date of Birth	Areas of experience	Other Directorships
Mr. Sanjay Sanghi	08.07.1967	Jewellers Segment	Sanghi Jewellers Pvt Ltd
Mr. V.K. Agarwal	02.12.1954	Construction	Garg Projects Ltd Garg Leasing & Finance Pvt Ltd Kavari Project Ltd
Mr. K. Sunder	29.10.1964	Jewellers Segment	
Mr. Ritesh Sanghi	24.12.1971	Jewelers Segment	Sanghi Jewellers Pvt Ltd

No Director other than the appointees is concerned or interested in the said resolution.

Item No. 7

The existing business of your Company has not been giving a healthy return since a long period because of several factors. Keeping this in view, the Board is of the opinion that the business activities of the Company should be revived and the Company should discontinue carrying on with the present business. The new management of your Company has vast business experience in the field of gems and jewellery. Accordingly the Board proposes that the Company should venture into the business of gems and jewellery since it will benefit from the rich experience of the new management. The Board is of opinion that venturing into new business would be in the interest of the Company. Undertaking such new business activities and foregoing the present business activities requires alteration of Main Objects Clause of the Memorandum of Association of the Company by replacing the existing objects by the new objects clause, mentioned in the relevant resolution.

In this connection, the Company proposes to replace the all the sub-clauses of the Main Objects of the Memorandum of Association of the Company by a new sub-clause 1.

None of the Directors is in any way concerned or interested in the resolution.

Since the proposal comes under the ambit of Section 17 wherein it is required that the Special Resolution be passed by way of Postal Ballot process as prescribed under the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 framed under the provisions of Section 192A of the Act.

You are requested to carefully read the instructions in the Postal Ballot Form and send the same after exercising your vote to the Scrutinizer Mr. Ajay S Shrivastava, Practising Company Secretary at the following address:

**# 303, Durga Apartments, Road No. 10, Surya Nagar Colony, Somajiguda,
Hyderabad - 500 082**

The Board has appointed him as a Scrutinizers for the Postal Ballot Programme.

Please note that after recording your vote, please sign the postal ballot form and forward it to the Scrutinizer in the enclosed prepaid self-addressed envelop within 30 days from 20th November, 2006 so as to reach to the Scrutinizer on or before 25th December, 2006 to be able to announce the result of the Postal Ballot by the Chairman at the Annual General Meeting to be held on 27th December, 2006.

Dear Members,

NOTICE U/s 192A of the Companies Act, 1956

Alteration of Objects Clause of the Memorandum of Association of the Company:

Draft Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 17 of the Companies Act, 1956, and other applicable provisions, if any, and subject to the approval of the Registrar of Companies and such other authorities, as may be required, Part (A) of Clause III of the Memorandum of Association of the Company containing the “Main Objects Clause” be and is hereby altered by inserting the following new sub-clause number 1 by replacing all the existing sub-clauses:

1. To carry on the business of dealers, traders, manufacturers, refiners, processors, assayers and investors in metals, bullion, gold, silver, diamonds, precious stones, ornaments and jewellery, coins and to carry on the work of manufacturing of jewellery items made of any metals, to carry on the trading in bullion, silver and jewellery items whether as wholesalers or retailers, exporters, importers, job workers, consignors, contractors, vendors, stockiest, distributors of semi precious, decorative stones, imitation, synthetic, natural and other varieties of stones and materials whatsoever such items and promote brands in the line of business.

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution.”

EXPLANATORY STATEMENT U/s 173(2) and 192A of the Companies Act, 1956

Item No. 7

The existing business of your Company has not been giving a healthy return since a long period because of several factors. Keeping this in view, the Board is of the opinion that the business activities of the Company should be revived and the Company should discontinue carrying on with the present business. The new management of your Company has vast business experience in the field of gems and jewellery. Accordingly the Board proposes that the Company should venture into the business of gems and jewellery since it will benefit from the rich experience of the new management. The Board is of opinion that venturing into new business would be in the interest of the Company. Undertaking such new business activities and foregoing the present business activities requires alteration of Main Objects Clause of the Memorandum of Association of the Company by replacing the existing objects by the new objects clause, mentioned in the relevant resolution.

In this connection, the Company proposes to replace the all the sub-clauses of the Main Objects of the Memorandum of Association of the Company by a new sub-clause 1.

None of the Directors is in any way concerned or interested in the resolution.

Since the proposal comes under the ambit of Section 17 wherein it is required that the Special Resolution be passed by way of Postal Ballot process as prescribed under the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 framed under the provisions of Section 192A of the Act.

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Please note that after recording your vote, please sign the postal ballot form and forward it to the Scrutinizer in the enclosed prepaid self-addressed envelop within 30 days from 20th November, 2006 so as to reach to the Scrutinizer on or before 25th December, 2006 to be able to announce the result of the Postal Ballot by the Chairman at the Annual General Meeting to be held on 27th December, 2006.

Your Directors hereby present the Fourteenth Annual Report of the Company together with the Audited Accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS:

Your Company's performance during 2005-2006 is summarized below:

(Rs. in lakhs)

Sl. #	Particulars	2005-06	2004-05
1.	Sales	0	1752.09
2.	Other Income	5.26	15.77
3.	Total Income (1+2)	5.26	1767.86
4.	Expenditure	156.58	1803.15
5.	Profit / Loss before depreciation and Misc. Exp written off (3-4)	-151.32	-35.29
6.	Depreciation	0	19.21
7.	Misc. Exp. written off	0	4.76
8.	Net Profit (+) / Loss (-) [5-(6+7)]	-151.32	-59.26

BUSINESS REVIEW AND FUTURE OUTLOOK:

Members are aware that during the year 2005 the Company has sold the Company's plant located at 38/2, Kilometer Stone, Kesoram Village, Chevella Mandal, R.R. Dist. A.P and out of the proceeds thereof has fully repaid the due of State Bank of India under a One Time Settlement scheme. During the year, there was no business activity and hence no income from operations. There was a loss of Rs. 155.26 lakhs during the year as compared to Rs. 59.26 lakhs in last year mainly on account of the administrative expenses and loss on sale of assets. The management of the Company is considering a strategic sale of equity in order to revive the Company.

DIRECTORS:

In accordance with provisions of Section 256 of the Companies Act, 1956 and the Articles of Association, Mr. Amarjyot Singh, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mr. Ritesh Sanghi has been opted on the Board as Additional Director and in accordance with the provisions of Section 260 of the Act, his term expires at the ensuing Annual General Meeting. As required us 257 of the Act, Company has received a notice proposing his appointment as director. The Board recommends his appointment as Director liable to retire by rotation.

FIXED DEPOSITS:

Your Company has not accepted any deposits from the public during the year.

AUDITORS:

M/s. Venugopal & Chenoy, Chartered Accountants, the present statutory auditors of the Company

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hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received confirmation 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.

DIRECTOR'S RESPONSIBILITY STATEMENT:

The Directors confirm:

- (i) that in the preparation of the Annual Accounts for the year ended on 31st March 2006, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) that the Directors 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 31st March 2006 and of the loss for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the year ended on 31st March 2006, on a going concern basis.

INDUSTRIAL AND PERSONNEL RELATIONS:

The relationship between the management and the staff continued to be cordial.

PARTICULARS OF EMPLOYEES:

In pursuance of the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the Directors are to report that no employee was in receipt of emoluments as provided in the said Section.

ADDITIONAL INFORMATION AS REQUIRED U/S 217 (1) (e) OF THE COMPANIES ACT, 1956:

The statement giving particulars with respect to 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 the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is enclosed as **Annexure 1**

CORPORATE GOVERNANCE:

The report on Corporate Governance and Management Discussion Analysis Report are annexed hereto as **Annexure – 2 & 3** respectively and they form part of Directors' Report.

ACKNOWLEDGMENTS:

Your Directors express their appreciation for the support received from the Bank, Government Authorities, Customers, Vendors and Shareholders.

For and on behalf of the Board of Directors
of **Starchik Specialities Limited**

Place: Hyderabad
Date: 29-06-2006

Sd/-
(Harbans Singh)
Managing Director

Sd/-
(Amarjyot Singh)
Director