

20th ANNUAL REPORT
2004-2005



RAJATH

FINANCE LIMITED

Regd. Office :

208-215, "Star Plaza",
Phulchhab Chowk,
Rajkot - 360 001.

Phone : 0281-2447800 Fax : 91-281-2454271

RAJATH FINANCE LIMITED

BOARD OF DIRECTORS

Chairman

C. V. Kamani

Directors

R. C. Kamani

D. C. Kamani

P. I. Mody

V. V. Joshi

R. Srinivasan

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Auditors

M/s. M. P. Sarda & Associates

Chartered Accountants

Bankers

Corporation Bank

Registered Office

208-215, "Star Plaza",

Phulchhab Chowk,

Rajkot - 360 001.

RAJATH FINANCE LIMITED

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held at 208-215, Star Plaza, Phulchhab Chowk, RAJKOT on Friday, the 30th day of September 2005 at 5 :00 p.m. to transact the following businesses;

ORDINARY BUSINESS ;

- (1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account as at and for the year ended 31st March, 2005 and the report of the Directors' and Auditors' thereon.
- (2) To appoint a Director in place of Mr. C. V. Kamani who retires by rotation and being eligible offers himself for reappointment.
- (3) To appoint a Director in place of Mr. D. C. Kamani who retires by rotation and being eligible offers himself for reappointment.
- (4) To appoint Auditors and fix their remuneration.

By Order of the board
For and on behalf of the Board
For RAJATH FINANCE LIMITED

Place : Rajkot
Date : 30th July, 2005

(V. V. Joshi)
Director

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NOTES ;

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and **A PROXY NEED NOT BE A MEMBER OF THE COMPANY**. The Deed of Proxy shall be received by the Company at least 48 hours before the meeting.
2. The Register of Members and the Transfer Book of the Company shall remain closed from Friday, the 23rd September, 2005 to Friday, the 30th September, 2005 (Both Days inclusive)
3. The members are requested to intimate the Company regarding any change of address at the Registered Office of the Company.
4. Members are requested to bring their copy of the Annual Report along with them, to the Annual General Meeting.
5. Members are requested to send their queries, if any, ten day in advance of the meeting so that the information can be made available at the time of the meeting.
6. The Company has already transferred all unclaimed dividends declared up to the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected such dividends up to the aforesaid financial year are requested to claim their dividends from the Registrar of Companies, Gujarat, ROC Bhavan, Opp. Rupal Park, Near Bus Stop, Naranpura, Ahmedabad - 380 013. Unpaid/unencashed dividend for the financial year ended 31st March, 1997 has been credited to the Investor Education and Protection Fund (IEPF) by the Company. Pursuant to the amended provisions, Dividend for the financial year ended 31st March, 1998 and thereafter, which remains unpaid and unclaimed for a period of 7 year will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the Dividend Warrants so far for the Financial Year ended 31st March, 1998 and any subsequent financial year are requested to make their claim at the Registered Office of the Company. It may be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie in respect of such amount.

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ANNEXURE TO THE NOTICE :

A. Information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges

Item no. 2

1. Mr. C.V. Kamani is 74 years of age. He is a Non resident businessman of repute based at Nairobi with a long-standing experience of international trade. He joined the Board on 12.03.1998 as a Director.

The details of his directorship in other companies are as follows;

Position	Company
Metropolis Entertainment Pvt. Ltd.	Director
Silver Springs Pleasure Resorts Pvt. Ltd.	Director
Well Wisher Hotel & Resorts Pvt. Ltd.	Director
Ramboo Prolen (India) Pvt. Ltd.	Director
Unicorn Holdings Pvt. Ltd.	Director
Bell Tower Resorts Pvt. Ltd. (Formerly known as Unicorn Hotel Management Academy Pvt. Ltd.)	Director
Laguna Kumarakom Resorts Pvt. Ltd.	Director
Bell Tower Hotels (Bangalore) Pvt. Ltd.	Director
Goa International School Pvt. Ltd	Director

Mr. C.V. Kamani retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Item no. 3

2. Mr. D. C. Kamani is 52 years of age. He is a Non resident businessman of repute based at Nairobi with a long standing experience of international trade. He joined the Board on 05.03.1996 as a Director.

The details of his directorship in other companies are as follows;

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Position	Company
Metropolis Entertainment Pvt. Ltd.	Director
Silver Springs Pleasure Resorts Pvt. Ltd.	Director
Well Wisher Hotel & Resorts Pvt. Ltd.	Director
Ramboo Prolen (India) Pvt. Ltd.	Director
Unicorn Holdings Pvt. Ltd.	Director
Bell Tower Resorts Pvt. Ltd.	Director
(Formerly known as Unicorn Hotel Management Academy Pvt. Ltd.)	
Sparex Pvt. Ltd.	Director
Laguna Kumarakom Resorts Pvt. Ltd.	Director
Bell Tower Hotels (Bangalore) Pvt. Ltd.	Director
Goa International School Pvt. Ltd	Director

Mr. D. C.Kamani retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

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By Order of the board
For and on behalf of the Board
For RAJATH FINANCE LIMITED

Place : Rajkot
Date : 30th July, 2005

(V. V. Joshi)
Director

RAJATH FINANCE LIMITED

DIRECTORS' REPORT

Dear Shareholder

Your Directors have pleasure in presenting the Twentieth Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(In Lacs)	(In Lacs)
	March 31, 2005	March 31, 2004
Total Income	15.12	95.06
Operating Expenditure	28.15	68.14
Profit (Loss) Before Non-Cash Charges	(13.03)	26.91
Depreciation & Non-cash Charges	01.60	10.14
Provision for Taxation	00.00	00.58
Deferred Tax Provision during the year	(00.20)	00.35
Net profit (Loss)	(14.43)	15.85
Taxation adj. of previous Year	00.06	00.00
Transfer to Reserves	00.00	00.00
Brought down profit(loss)of previous year	(25.85)	(41.70)
Profit/(Loss) carried forward	(40.34)	(25.85)

DIVIDEND

In view of net loss during the year and carried forward losses, the Board of Directors regret to inform that they have not recommended any Dividend for the year under review.

PERFORMANCE HIGHLIGHTS

During the year under review, the company has almost restricted business activities. There has been no Hire Purchase disbursement during the year under review. This is due to imposition and increase rate of Service Tax, bad economic conditions and intense competition with National level NBFC's.

CAPITAL ADEQUACY

The company has followed the guidelines issued by the Reserve Bank of India for recognition of Income, Asset Classification, Investment Accounting, Provisioning for non-performing Assets. As the Company's exposure in Hire Purchase Loan reduced substantially, the Capital adequacy Ratio as on 31st March, 2005 is higher than as required by the guidelines issued by the Reserve Bank of India.

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FIXED DEPOSITS

The Company has no outstanding deposits. Further, your Company has not accepted any transaction involving fixed deposit during the year under review. As on 31st March, 2005, the position of fixed deposit is nil.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Auditors certificate are annexed hereto as Annexure A as part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The Finance Industry is passing through consolidation phase since last few years and some of the leading NBFC's are converted into banks and only few leading companies are surviving. The cost of funds of Large NBFCs and Banks are decreasing and so the finance rates reduced substantially. Furthermore, the Banks have entered into the traditional NBFC activities i.e. financing and refinancing on commercial vehicles, Two Wheelers, Consumer Durables. Hence, the future of small and medium NBFC's is not encouraging.

Opportunities

Company is in operation since 1985 and has a good reputation in financing of used vehicles and consumer durables in the region and ready infrastructure. The Company can provide non-fund based marketing services. But, considering the adverse economic situation, increase in the rates of Service Tax and severe competition with national level NBFC's, the Company has not entertained any fresh proposal during the year under review.

Company performance and Discussion on Financial performance.

The performance of the company during the year was not satisfactory.

Considering the multiplicity of taxes, bad economic conditions and intense competition with National level NBFC's and Banks in this region the company has not entertained any fresh business in Hire Purchase and reduced funds based exposure.

Risks and Concerns

The provision of Securitisation and Reconstruction of Financial Assets and enforcement of Security Interest Act, 2002 and Recovery of Debts to Banks and Financial Institutions Act, 1993 are extended to NBFCs. The imposition of Multiplicity of Taxation on Financial Services should be reconsidered.

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Outlook

Considering intense competition with national level NBFCs and Banks, the decreasing Interest rates and multiple taxes and consequently the decreasing margins the survival of traditional NBFCs is difficult. The Company has in view of the same, not entertained any fresh proposal for financing.

Internal Control

Your company has adequate internal control systems commensurate with its size of operations.

Material Development in Human Resources

The company has limited employees strength and there are no material development in this front.

Directors

Mr. C. V. Kamani and Mr. D. C. Kamani, Directors, are retiring by rotation and being eligible offer themselves for reappointment. The details of the directors are mentioned in the Corporate Governance Report. The Board of Directors recommend their reappointment.

Auditors

M/s. M.P. Sarda & Associates, Chartered Accountants, holds office until the conclusion of the ensuing Annual General Meeting. They have shown their willingness to continue as Auditors of the Company. The Board of Directors recommends their appointment.

Particulars of Employee

No Employee was in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules, 1975.

Foreign Exchange Earning & Outgo

The Company has no earnings or outgo of Foreign Exchange during the year.

Directors Responsibility Statement

As stipulated in section 217 (2AA) of the Companies Act 1956, Your Directors subscribe to the "Directors Responsibility Statement" and confirm as under:

- 1) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) That the Directors has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give 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;

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- 3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) That the Directors had prepared the Annual Accounts on a going concern basis.

Conservation of Energy, Technology Absorption

The Company is engaged in service oriented activities, the electricity expenses are nominal against total expenses. However, the company has taken measures to control electricity expenses and reduced the expenses during the year. The details in Form A of energy conservation and B of Technology absorption as per Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 under section 217(1)(e) of the Companies Act, 1956 are not applicable to the company.

Appreciations

The Directors wish to express their sincere appreciation to all the Staff Members for their contribution and thanks to our valued clients, Bankers, Depositors and the Shareholders for their continued support.

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By Order of the board
For and on behalf of the Board
For RAJATH FINANCE LIMITED

Place : Rajkot
Date : 30th July, 2005

(V. V. Joshi)
Director

(R. Srinivasan)
Director