

21st ANNUAL REPORT
2005-2006



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

V. V. Joshi

P. I. Mody

R. Srinivasan

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 Twenty First Annual General Meeting of the Company will be held at 200-215, Star Plaza, Phulchhab Chowk, RAJKOT on Friday, the 29th day of September, 2006 at 5 p.m. to transact the following businesses :

ORDINARY BUSINES ;

- (1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account as at and for the year ended 31th March, 2006 and the report of the Directors' and Auditors' thereon.
- (2) To appoint a Director in place of Mr. P. I. Mody, who retires by rotation and being eligible offers himself for reappointment.
- (3) To appoint a Director in place of Mr. R. Srivinasan, who retires by rotation and being eligible offers himself for reappointment.
- (4) To appoint Auditors and fix their remuneration.

By order of the Board of Directors
For and on behalf of
RAJAHT FINANCE LIMITED

Place : Rajkot

Date : 31st July, 2006

(V. V. Joshi)

DIRECTOR

21st ANNUAL REPORT**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 Company shall receive the Deed of Proxy 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 22nd September, 2006 to Friday, the 29th September, 2006 (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, 1998 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, 1999 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, 1999 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.

RAJATH FINANCE LIMITED

ANNEXURE TO THE NOTICE :

A. Information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges Item no. 2

Mr. P. I. Mody, is 40 years of age. He joined the Board 29.05.2000 as Director of the Company. He has wide experience in the filed of Business, finance and administration.

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

Position	Company
Unicorn Holdings Pvt. Ltd.,	Director
Infotalent Systems Pvt. Ltd.,	Director
J. B. Malls Pvt. Ltd.,	Director
Parmaz Properties Pvt. Ltd.,	Director
Parmaz Buildcon Pvt. Ltd.,	Director
Parmaz Hospitality Pvt. Ltd.,	Director

Mr. P. I. Mody, retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Item no. 3

Mr. R. Srinivasan, is 42 years of age. He is a Chartered Accountant and has wide experience in the field of Finance and taxation. He was appointed as a Director of the Company on 30.08.2004 to fill the casual vacancy caused by voluntary resignation of Mr. N. C. Dave, Director of the Company.

He is not holding directorship in other company.

Mr. R. Srinivasan, retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

By order of the Board of Directors
For and on behalf of
RAJATH FINANCE LIMITED

Place : Rajkot
Date : 31st July, 2006

(V. V. Joshi)
DIRECTOR

21st ANNUAL REPORT**DIRECTORS' REPORT**

Dear Shareholder

Your Directors have pleasure in presenting the Twenty first Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. In Lacs)	
	March 31, 2006	March 31, 2005
Total Income	02.16	15.12
Operating Expenditure	18.27	28.15
Profit (Loss) Before Non-Cash Charges	(16.11)	(13.03)
Depreciation & Non-cash Charges	04.65	01.60
Provision for taxation	---	---
Deferred Tax Provision during the year	(00.62)	(00.20)
Net profit (Loss)	(20.14)	(14.43)
Taxation adj. of previous Year	---	00.06
Brought down profit(loss) of previous year	(40.34)	(25.85)
Profit/(Loss) carried forward	(60.48)	(40.34)

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, 2006 is higher than as required by the guidelines issued by the Reserve Bank of India.

FIXED DEPOSITS

The Company has no outstanding deposits. Further, your Company has accepted any transaction involving fixed deposit during the year under review. As on 31st March, 2006, the position of fixed deposit is nil.

RAJATH FINANCE LIMITED

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 survived. The cost of funds of Large NBFCs and Banks are decreasing and consequently, the finance rates reduced substantially. Furthermore, 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

The Company is in operation since 1985 and has good reputation in financing of used vehicles and consumer durables in the region with 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 reduce 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.

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 during the year under review.

Internal Control

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

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Material Development in Human Resources

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

Directors

Mr. P. I. Mody and Mr. R. Shrinivasan, Directors, are retiring by rotation and being eligible offer themselves for reappointment. The details of their directorship is mentioned in the Corporate Governance report. The Board of Directors recommends 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;
- 3) That the Directors has 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.

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Conservation of Energy, Technology Absorption

The Company is engaged in service oriented industry, the electricity expenses are nominal against total expenses. However, the company took 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, and the Shareholders for their continued support.

**BY ORDER OF THE BOARD
FOR AND ON BEHALF OF THE BOARD
For RAJATH FINANCE LIMITED**

Place : Rajkot

Date : July 31, 2006

**V. V. Joshi
DIRECTOR**

**R. Srinivasan
DIRECTOR**

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Annexure-A

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance.

Your Company is committed to transparency in all its dealing and emphasizes on business ethics, concern and relationship with all customers, shareholders and other stakeholders and good corporate practices and has incorporated separate report in compliance of Clause 49 of the Listing Agreement.

2. Board of Directors

As on 31st March, 2006, the Board of Directors consisted of Six Directors. Mr. V. V. Joshi Director of the Company is the key management personnel.

Information to the Board

During the year, among others, the Board of Directors had been furnishing the following information;

Quarterly Financial Results, Annual Accounts and other Details.

Minutes of the Board Meetings.

Materially relevant Financial and legal obligation

Contracts where Directors are interested.

Attendance Record of Director .

Attendance Record of Director

During the year under review, Nine Board Meetings were held on 01st April, 2005, 30th June, 2005, 30th July, 2005, 16th September, 2005, 10th October, 2005, 29th October, 2005, 17th December, 2005, 11th January, 2006 and 23rd January, 2006 . The attendance records and other Directorship held and committee positions in other companies are as follows :

Attendance in 2005-2006 BOARD LAST AGM

Mr. C.V. Kamani	Chairman	-	Absent
Mr. R. C. Kamani	Director	-	Absent
Mr. D.C. Kamani	Director	-	Absent
Mr. P. I. Mody	Director	9	Absent
Mr. V. V. Joshi	Director	9	Absent
Mr. R. Srinivasan	Director	9	Present

None of the Directors hold any Directorship and / or committee positions in any Public Limited Companies in India.