

28th Annual Report 2012-13



RAJATH FINANCE LIMITED

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

Phone :0281-2447800 Fax: 0281-2454271

RAJATH FINANCE LIMITED

BOARD OF DIRECTORS

Shri Hitesh M Bagdai
Shri Bhavdeep V. Vala
Dr. K.K. Khakhar
Shri Ketan G Dhulesiya

STATUTORY AUDITRS

M/s. SADP & Co.
Chartered Accountants,
Rajkot

SECRETARIAL AUDITORS

M/s. MJP Associates
Practicing Company Secretaries
Rajkot.

BANKERS

Indusind Bank Ltd., Rajkot
Corporation Bank, Main Branch, Rajkot

REGISTERED OFFICE

208-215, Star Plaza,
Phulchhab Chowk
Rajkot- 36001
(Gujarat)

RAJATH FINANCE LIMITED

NOTICE

Notice is hereby given that the 28th Annual General Meeting of the Members of the Company will be held on Monday, 30th September, 2013 at 11:00 a.m. at the Registered Office of the Company situated at 208-215, Star Plaza, Phulechhab Chowk, Rajkot-360 001, to transact the following business

❖ Ordinary Business:

1. To receive, consider and adopt Audited Balance Sheet as on 31st March 2013 and Statement of Profit & Loss for the year ended on that date together with the Auditors and Directors' Report thereon.
2. To appoint Director in place of **Mr. Hitesh Bagdai** who is liable to retire by rotation and being eligible, offers himself for reappointment.
3. To appoint Director in place of **Dr. Kantilal Khakhar** who is liable to retire by rotation and being eligible, offers himself for reappointment.
4. To reappoint, the retiring auditors **M/s. S A D P & Co., Chartered Accounts**, Rajkot as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Date : 30/05/2013
Place : Rajkot

By Order of the Board of Directors,
For, **RAJATH FINANCE LIMITED**

(HITESH BAGDAI)
MANAGING DIRECTOR

NOTES:-

1. A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of him self and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.
2. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
3. Mr. Hitesh Bagdai and Dr. K. K. Khakhar, Directors are liable to retire by rotation, and being eligible offers themselves for reappointment.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Link Intime India Pvt. Ltd. for consolidation into a single folio.
6. The Register of Members and Transfer Books will be closed from Monday, September 23, 2013 to Saturday, September 28, 2013 (inclusive of both days) for determining the names of Members eligible for dividend on Equity Shares, if approved at the Meeting.
7. We request members to update your email address with your depository participant to ensure that the Annual Report and other documents reach you on your preferred email.

Directors seeking reappointment at this Annual General Meeting

Director's Name	HITESH BAGDAI	DR. KANTILAL K. KHAKHAR
Age	49	60
Date of Appointment as Director in Company	27/02/2007	05/02/2008
Qualification	B. Sc.	M.A., Ph. D.
Experience in specific functional area	21 years	Served as Professor and Head of Department of Economics, Saurashtra University for 28 years. Worked as Chairman of Saurashtra Kutchh Stock Exchange (SKSE), Rajkot. Also worked as a Professional Director for a term of 3 years in SKSE
Directorship held in other public limited Indian Companies (excluding Directorship in Rajath Finance Limited)	Nil	Nil
Membership/Chairmanship of Committees public limited Indian Companies(excluding Membership/ Chairmanship of Committees in Rajath Finance Limited)	Nil	Nil

Date : 30/05/2013
Place : Rajkot

By Order of the Board of Directors,
For, **RAJATH FINANCE LIMITED**

(HITESH BAGDAI)
MANAGING DIRECTOR

DIRECTORS' REPORT

Your Directors are pleased to present their 28th Annual Report for the financial year ended on 31st March, 2013.

FINANCIAL RESULTS:

Your Company's performance for the year ended on 31st March 2013 is summarized as under:

(Amt. in Rs)

PARTICULARS	2012-13	2011-12
Revenue from Operation	30,75,415	47,38,652
Other Income	Nil	Nil
Total Revenue (1+2)	30,75,415	47,38,652
Depreciation & Amortization Exp.	3,23,836	3,22,825
Other Expenses	22,14,894	45,67,352
Profit/(Loss) Before Tax	(47,386)	(3,28,998)
Current Tax	83,828	4,92,561
Deferred Tax	(25,285)	(3,74,605)
Profit/(Loss) After Tax (PAT)	(1,05,929)	(4,46,854)

PERFORMANCE HIGHLIGHTS:

During the year under Report, your Company has recorded the total Revenue Rs. 30,75,415/-. Further, due to adverse market conditions, the Company has incurred Net Loss of Rs. 1,05,929/-. The Company is striving to bring the business back to profits and in the coming years it is envisioned that the Company will present considerable performance.

BUSINESS DEVELOPMENT STRATEGY:

During this current fiscal, the Company has reviewed the upcoming prospects of the segment funding lying into the business in diverse areas and the Company has taken necessary steps to spread out the business activities of the Company into segment funding /finance activities.

DIVIDEND:

Due to loss incurred during the financial year 2012-13, your Board of Directors does not recommend declaration of dividend.

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

As the Company is engaged in service sector, details of consumption of energy are not required to be given. However the Company has made enough efforts for minimizing the electricity expenses at its office, and thereby putting efforts for conservation of energy. The Company has not taken any significant steps for adoption of new technology during the year under Report. Further, there have been no foreign exchange earnings or expenses during the year under report.

PARTICULARS OF EMPLOYEES:

There are no employees in the Company drawing remuneration more than Rs. 5 Lacs per month or 60 Lacs per annum, the limits specified in the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Particulars of Employees) (Amendment) Rules, 2011.

BOARD OF DIRECTORS:

Mr. Hitesh Bagdai, Managing Director and Dr. K. K. Khakhar, Director of the Company, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. A brief profile of both the Directors is attached with Notice of the AGM.

CORPORATE GOVERNANCE:

The Company believes that the Corporate Governance is all about effective management of relationship among constituents of the system, i.e. shareholders, management, employees, customers, vendors, regulatory and the society at large. The Company has strong belief that this relationship can only be built and strengthen through corporate fairness, transparency, and accountability. The Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), National Foundation for Corporate Governance (NFCG), Institute of Company Secretaries of India (ICSI) and other such regulatory bodies and organizations are continuously making stringent efforts to strengthen Corporate Governance framework in the country. Accordingly, a detailed Report on Corporate Governance as well as the Certificate from M/s. S A D P & Co, Chartered Accountants, and the Statutory Auditors of the Company are annexed to this Report of Board of Directors.

STATUTORY AUDITORS:

M/S. S A D P & Co., Chartered Accountants, Rajkot and retiring Statutory Auditors of the Company, being eligible offer themselves for reappointment. Members are requested to appoint them as auditors of the Company to hold office from the conclusion of ensuing General Meeting until the conclusion of the next Annual General Meeting of the Company, and to authorize the Board to fix the remuneration of auditors.

SECRETARIAL AUDITORS:

As directed by the Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by M/s. MJP Associates, Practising Company Secretaries, Rajkot.

SUBSIDIARY COMPANY:

The Company has one Subsidiary Company, M/s. Hitraj Developers Private Limited (HDPL). In accordance with General Circular No: 2/2011 dtd. 8th February, 2011 issued by the Ministry of Corporate Affairs (MCA) , Government of India, the Balance Sheet, Statement of Profit and Loss and other requisite documents of HDPL are not attached herewith. However, the financial information of the subsidiary company as required is disclosed in the Annual Report in compliance with the said circular. The annual accounts of HDPL and the related detailed information are kept open for inspection by any member/s who may be interested in obtaining the same at the Registered Office of the Company at any time. The Consolidated Financial Statements presented by the Company include the financial results of HDPL.

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REPLY OF THE MANAGEMENT TO THE REMARKS OF THE AUDITORS:

The Statutory Auditors have remarked in Point No. 3 (B) of Annexure to the Auditors Report that the terms and conditions of loans granted by the Company are prima – facie prejudicial to the interest of the Company since there is no stipulation regarding repayment of principal and interest. Here, the management would like to inform, that necessary terms and conditions are being formulated to recover the loan and interest granted by the Company and the same will be implemented shortly.

BOARD'S RESPONSIBILITY STATEMENT:

In pursuance of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm:

- that in the preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same,
- that they 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 end of the accounting year and of the profit and loss account for that year;
- that they 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 frauds and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTS

The Company does not have multiple segments, and hence, comments are not required.

PERFORMANCE

During the year under Report, the Company has recorded total revenue of Rs. 30,75,415/- and major part of revenue is generated through Interest Income. Further, due to unfavorable conditions prevailing in the market, the Company has recorded Net Loss of Rs. 1,05,929/-. Your directors assure to recover the losses as early as possible.

INTERNAL AUDIT SYSTEM

The Company has implemented proper and adequate systems of internal control to ensure that all assets are safeguarded and protected against loss from any unauthorized use or disposition and all transactions are authorised, recorded and reported correctly. The System ensures appropriate information flow to facilitate effective monitoring. The internal audit system also ensures formation and implementation of corporate policies for financial reporting, accounting, and information security.

OUTLOOK FOR 2013-14

The Economy is predicted to continue its consistent performance seen in 2012-13 and the business outlook for Rajath is healthy in its way. In 2013-14, the Company's approach would be to continue to grow by focusing on returns while balancing risk. It will launch new product lines, further strengthen risk management practices; maintain investments in technology and human resources to consolidate its position in the Industry.

CAUTIONARY STATEMENTS

All statements made in Management and Discussion Analysis have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Management envisages in terms of performance and outlook. Market data, industry information etc. contained in this Report have been based on information gathered from various published and unpublished reports and their accuracy, reliability, and completeness cannot be assured.

Factors such as economic conditions affecting demand/supply and priced conditions in domestic & international markets in which the Company operates, and changes in Government regulations, tax laws, other statutes and other incidental factors, may affect the final results and performance of the Company.

ACKNOWLEDGEMENT:

Your directors put on record their whole hearted gratitude to bankers, employees of the Company for their sincere efforts for the Company.

Date : 30/05/2013
Place : Rajkot

By Order of the Board of Directors
For, RAJATH FINANCE LIMITED,

(HITESH BAGDAI) (BHAVDEEP VALA)
MANAGING DIRECTOR DIRECTOR

"ANNEXURE C"
CORPORATE GOVERNANCE REPORT

Your directors present the Company's Report on Corporate Governance.

1. Company's Philosophy on Corporate Governance:

The Company believes in setting the highest standard of good and ethical corporate governance practices to enhance the long-term shareholder value and protect the interest of shareholders, customers and all the stakeholders.

The main objectives of Corporate Governance are:

- 1 Maximizing long-term shareholder value in a legal and ethical manner.
- 2 Ensuring fairness, courtesy and dignity in all transactions within and outside the Bank with customers, investors, employees, competitors, government and the general public.
- 3 Open, transparent and merit-based management.

The Company is committed to following high standards of transparency and accountability. The Company has formed various committees of the Board of Directors to monitor the various aspects of the business.

2. Board of Directors:

Composition of the Board of Directors

The Board of Directors of the Company as on 31st March, 2013 consists of Five directors out of which three (3) are Independent Non-Executive Directors and two (2) are Executive & Non-Independent Directors. The Composition of the Board and other relevant details relating to Directors are given below:

Name of Director	Designation	Number of Shares held in Company (as on 31 st March, 2013)	Directorship in all Public Limited Companies #	Membership in Committee in all public limited Companies #	Chairmanship of Committee in all Public limited Companies #
Shri Hitesh Bagdai	Managing Director	8,96,853	1	Nil	Nil
Shri Bhavdeep Vala	Director	9,96,851	1	Nil	Nil
Dr. Kantilal Khakhar	Independent Director	Nil	1	3	1
Shri Ketan Dhulesia	Independent Director	Nil	1	3	Nil

includes Directorship/Membership/Chairmanship of Committee in Rajath Finance Ltd but excludes Directorship/Membership/Chairmanship of any Committee in any Private Limited Companies/Foreign Companies.

❖ **Information placed before the Board of Directors:**

The Company circulates along with Notice of the Board Meeting, a detailed Agenda which, *inter alia*, contain following items, as and when applicable:

- a) Review of annual business plans of the business, capital budgets, and updates.
- b) Quarterly (including periodic) results of the Company.
- c) Materially important show cause, demand, prosecution and penalty notices, if any.
- d) Fatal or serious accidents or dangerous occurrences.
- e) Any material significant effluent or pollution problems.
- f) Any issue which involves possible public or product liability claims of a substantial nature.
- g) Significant development in the human resources and industrial relations fronts.
- h) Status of compliance with all regulatory, statutory and material contractual requirements.
- i) Minutes of Board Meetings of Unlisted Subsidiaries

The Board of Rajath Finance Limited is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board Meetings.

1. Materially significant related party transactions:

As per Accounting Standard 18, issued by ICAI, the disclosure of transactions with the related parties as defined in the Accounting Standard are provided in Note No. 23 of the attached financial statements.

2. Composition of Various Committees:-

AUDIT COMMITTEE:

a) Composition

The Company has set up Audit Committee of three Directors -Shri Ketan Dhulesia, Dr. K K Khakhar and Mr. Bhavdeep Vala. Dr K K Khakhar, an expert in economics, acted as the Chairman of the Audit.

b) Terms of Reference:

The Terms of reference as stipulated by the Board to the Audit Committee are, as contained in the Clause 49 of the Listing Agreement are as follows:

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information.
- 2) Review of Company's financial and risk management policies.
- 3) Review of accounting and financial policies and practices.
- 4) Review of internal control and internal audit systems.
- 5) Discussion with the Statutory Auditors on any significant findings and follow-up thereon.
- 6) Reviewing the Company's financial statements and risk management policies.

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The Committee held four Meetings during the year 2012-2013 as under:

Name of the members of the Committees	No. of Meetings	
	Held	Attended
Dr K K Khakhar, Chairman	4	4
Mr. Ketan Dhulesia	4	4
Mr. Bhavdeep Vala (since October 2012)	4	2

REMUNERATION COMMITTEE

a) Composition

The Company has set up Remuneration committee of three Directors -Dr. K K Khakhar, Shri Ketan Dhulesia and Shri Bhavdeep Vala. Dr. Khakhar has acted as the Chairman of the Remuneration Committee.

The Committee held four Meetings during the year 2012-2013 as under:

Name of the members of the Committees	No. of Meetings	
	Held	Attended
Dr K K Khakhar, Chairman	4	4
Mr. Ketan Dhulesia	4	4
Mr. Bhavdeep Vala (since October 2012)	4	2

Shareholders' Grievance Committee

a) Terms of Reference:-

The Committee has been given responsibility to look after complaints, if any, of investors to redress the same expeditiously. The Committee also approves requests for issue of duplicate share certificates, splitting/consolidation of share certificates, transfer and transmission of shares etc.

b) Composition:-

The Committee comprises of Dr. K K Khakhar, Shri Ketan Dhulesia. And Shri Bhavdeep Vala, Shri Ketan Dhulesia is the Chairman of the Committee.

c) The Committee has resolved almost all complaints received during the financial year and there are not investor complaints pending to be resolved as on 31st March, 2013.

The Committee held four Meetings during the year 2012-2013 as under:

Name of the members of the committee	No. of Meetings	
	Held	Attended
Mr. Ketan Dhulesia, Chairman	4	4
Dr K K Khakhar	4	4
Mr. Bhavdeep Vala (Since October 2012)	4	2

Communication to Shareholders

The quarterly results of the Company are published in any two of leading newspapers of Gujarati and English language.

General Body Meetings

Details of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Venue	Special Resolution passed
2011-2012	24 th Day of September, 2012	11.00 a. m.	208 - 215 Star Plaza, Phulchhab Chowk, Rajkot - 360 001	Approval of Members for Appointment of Mr. Hitesh Bagdai as Managing Director w.e.f. 1 st October, 2011 for the period of 3 years.
2010-2011	29 th Day of September, 2011	11:00 a. m	208 - 215 Star Plaza, Phulchhab Chowk, Rajkot - 360 001	No Special Resolution was passed
2009-2010	25 th Day of August, 2010	11:00 a. m	208 - 215 Star Plaza, Phulchhab Chowk, Rajkot - 360 001	1. Approval of Members u/s 81 (1A) of the Companies Act, 1956 for making Preferential allotment of convertible warrants. 2. Alteration of Clause V of the Memorandum of Association of the Company consequent to increase in authorised share capital of the Company.

3. Shareholder information

Registered Office

M/s. Rajath Finance Limited, 208 - 215, Star Plaza, Phulchhab Chowk, Rajkot - 360 001

Annual General Meeting

The 28th Annual General Meeting (AGM) of the Company will be held on Monday, 30th September, 2013 at 11:00 A.M. at Registered Office of the Company, 208 - 215 Star Plaza, Phulchhab Chowk, Rajkot - 360 001

Financial Calendar

1. Annual General Meeting : 30th September, 2013
2. Results for Quarter ending 30th June, 2013 : First/Second week of August, 2013
3. Results for Quarter ending 30th September, 2013 : First/Second week of November, 2013
4. Results for Quarter ending 31st December, 2013 : First/Second week of February, 2014
5. Results for year 31st March, 2013 : Last week of May, 2014

Dates of book Closure

The Company's transfer books will be closed from Monday, September 23, 2013 to Saturday, September 28, 2013 (both days inclusive) for the purpose of Annual General Meeting.

Stock Exchange Listing

The Company's shares are presently listed on the BSE Ltd., Mumbai. The Company has already passed Resolution for delisting of its Securities from the Ahmedabad Stock Exchange Ltd. (ASE), Ahmedabad and Saurashtra Kutch Stock Exchange Ltd. (SKSE), Rajkot. Approval of Delisting of securities is pending from ASE as on date of this Report. Further, SEBI has, vide order dated 6th July, 2007, withdrawn recognition of SKSE.

Stock Code

	Code
BSE Ltd.	507962
ISIN	INE455H01013

Registrar and Transfer Agents

Company has appointed Registrar and Transfer Agent, the name and address is as follow:

LINK INTIME INDIA PVT. LTD.

Unit No. 303, 3rd Floor,
Shoppers Plaza V
Opp. Municipal Market
B/h. Shoppers Plaza
Off. C G Road, Ahmedabad – 380009
Tele No. 079-26465179
Email: ahmedabad@linkintime.co.in

Share Transfer System

The processing activities with respect to requests received for share transfer are normally completed within 15 working days from the date of request.

Distribution Schedule as on 31st March, 2013

SHARE OR DEBENTURE	NUMBER OF HOLDERS	% OF HOLDERS	TOTAL SHARES	% OF SHARES/ DEBENTURES
01 to 500	707	96.1905	106587	2.6647
501 to 1000	18	2.4490	159900	0.3975
1001 to 2000	2	0.2721	2500	0.0625
2001 to 3000	2	0.2721	4401	0.1100
3001 to 4000	1	0.1361	4000	0.1000
4001 to 5000	0	0	0	0
5001 to 10000	0	0	0	0
10001 & above	5	0.6803	3866612	96.6653
TOTAL	735	100.00	40,00,000	100.00

Dematerialization of shares

As on 31st March, 2013 out of total holding of 40,00,000 equity shares 38,79,651 equity shares representing 97% of the paid up capital of the company are in dematerialized form and balance 1,20,349 equity shares representing 3% are in physical form. Members are requested to dematerialize their shares as early as possible, if not yet dematerialized, so as to get benefits of electronic & paperless equity shares.

Shareholders seeking any information/solution of any problem of query related to shares, share transfer; dematerialization of shares etc. may kindly contact the Registrar and Transfer Agent of the Company.

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ADDRESS FOR CORRESPONDENCE:

<u>Company's Registered Office</u>	<u>Share Transfer Agent</u>
Rajath Finance Limited 208 - 215, Star Plaza, Phulchhab Chowk, Rajkot-360 001 Phone-0281-2447800	LINK INTIME INDIA PVT. LTD. Unit No. 303, 3rd Floor, Shoppers Plaza V Opp. Municipal Market B/h. Shoppers Plaza Off. C G Road, Ahmedabad - 380009 Tele No. 079-26465179 Email: ahmedabad@linkintime.co.in

DECLARATION REGARDING COMPLIANCE WITH CODE OF CONDUCT

[Clause 49 (I) (d)]

The Company has laid down and adopted "Code of Conduct" for all Board Members and core management team of the Company. The Company believes that such Code of Conduct is necessary for best Corporate Governance practices, and expects that all Board Members and Core management team adhere to this Code of Conduct.

It is hereby affirmed that all the Directors and Senior Management personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Date: 30/05/2013
Place: Rajkot

By order of the Board of Directors
For, RAJATH FINANCE LIMITED,

(HITESH BAGDAI) (BHAVDEEP VALA)
MANAGING DIRECTOR DIRECTOR

MANAGING DIRECTOR/JOINT MANAGING DIRECTOR CERTIFICATION FOR FINANCIAL STATEMENTS
(CLAUSE 49V OF LISTING AGREEMENT)

We have reviewed financial statements and cash flow statements for the financial year 2012-13 ended on 31st March, 2013, and to the best of our knowledge and belief:

- (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (b) These statements together present true and fair view of the Company's affairs and in compliance with existing accounting standards, applicable laws and regulations;
- (c) No transactions entered into by the Company during the aforesaid year, which are fraudulent, illegal or in violation of the Company's code of conduct.

Further, we accept that it is our responsibility to establish and maintain internal controls. We have evaluated the effectiveness of internal control system of the Company and have disclosed to the auditors and the Audit Committee, wherever applicable:

- (a) Deficiencies in the design or operation of internal controls, if any, which came to our notice and steps have been taken/proposed to be taken to rectify these deficiencies
- (b) Significant changes in the internal control during the year
- (c) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements
- (d) Instances of significant fraud of which we became aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Date : 30/05/2013
Place : Rajkot

By order of the Board of Directors
For, **RAJATH FINANCE LIMITED,**

(HITESH BAGDAI) (BHAVDEEP VALA)
MANAGING DIRECTOR DIRECTOR