

RAJESWARI FOUNDATIONS LIMITED

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15th Annual Report
2007 - 2008

Disclaimer

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Rajeswari Foundations Limited

Corporate Information

Board of Directors

Shri G. RAMAMURTHY	<i>Chairman & Managing Director</i>
Smt R. USHA	<i>Whole-time Director</i>
Shri D. SEKARAN	<i>Director</i>
Shri N.P. JAGANATHAN	<i>Director</i>
Shri K.V. SAMBAVADASS	<i>Director</i>

Company Secretary **Shri AMRITLAL BISANI**

Bankers

Indian Overseas Bank
Standard Chartered Bank
Corporation Bank
Kotak Mahindra Bank

Auditor

Shri R. SUNDARARAJAN
Chartered Accountant

Registered Office

B-3, 'C' Block, 3rd Floor
Parsn Paradise Apartments
109, G.N. Chetty Road
T.Nagar, Chennai - 600 017.
E-mail: rajeswarifoundationsltd@vsnl.net
Website: www.rajeswarifoundations.com

Registrar & Share Transfer Agent

Cameo Corporate Services Limited
Fifth Floor, Subramanian Building,
No.1, Club House Road, Chennai - 600 002.
Tel. No.: 91-44-28460390/91/92/93
E-mail: cameosys@satyam.net.in

NOTICE TO THE MEMBERS

Notice is hereby given that the Fifteenth Annual General Meeting of the Shareholders of the Company will be held on Friday the 26th September 2008 at 12.05 P.M. at Narada Gana Sabha (Mini Hall), at 314 T.T.K. Road, Chennai-600 018 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and the profit and loss Account for the year ended on that date together with the Reports of the Directors and the Auditors there on.
2. To declare a dividend of 10% on equity shares.
3. To elect a Director in place of Mr. K.V. Sambavadass who retires by rotation and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Mr. D. Sekaran who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration and for this to consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the retiring Auditor Mr. **R. SUNDARARAJAN**, Chartered Accountant, be and is hereby appointed as Auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company on such remuneration as may be fixed by the Board of Directors."

By order of the Board

Place: Chennai
Date : 09.06.2008

G. Ramamurthy
Chairman & Managing Director

Registered Office
B-3, 'C' Block, 3rd Floor
Parsn Paradise Apartments
109, G.N. Chetty Road
T.Nagar, Chennai— 600 017.

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY SHOULD BE LODGED WITH THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE SCHEDULED COMMENCEMENT OF THE MEETING.**
Revenue Stamp for 15 paise should be affixed on the Proxy Form. Forms which are not stamped or inadequately stamped are liable to be considered invalid. Further, for identification purposes etc., it is advisable that the proxy holder's signature may also be furnished in the Proxy Form.
2. Members who are holding Company's shares in dematerialized form are requested to bring details of their Depository Account Number for identification.
3. The Registrar of members and Share Transfer Books of the Company will remain closed from Friday 19th September 2008 to Friday 26th September 2008 (both days are inclusive)

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4. After declaration of the dividend at the Annual General Meeting, the Dividend Warrants are scheduled to be posted on or after September 26, 2008. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership, as per details to be furnished for this purpose by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
5. Members holding shares in physical form are requested to notify any change in their address to the Company's Registrar and Transfer Agent, Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai-600 002. Members holding shares in electronic form may intimate any such change to their respective Depository Participants (DPs).
6. The equity shares of the Company are available for trading in dematerialized form (scripless trading in electronic form) through Depository Participants. The ISIN Code is INE 016CO1014
7. Pursuant to the provisions of Section 205A of the Companies Act, as amended, read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules 2001, dividend which remain unpaid or unclaimed for a period of 7 years will be transferred to the investor Education and Protection Fund of the Central Government, shareholders/investors who have not encashed the dividend warrant(s) so far are requested to make their claim to the Secretarial Department, B-3, "C" Block, 3rd Floor, Parsn Paradise Apartments, No.109, G.N. Chetty Road, T.Nagar, Chennai-600 017. Shareholders are requested to please note that once the unclaimed dividend is transferred to the Central Government, no claim shall lie in respect thereof.

The particulars of due dates for transfer of such unclaimed dividend to Investor Education and Protection Fund are furnished below:

Financial year	Date of Declaration of Dividend	Date of Transfer to Special Account/ Unclaimed Account	Date of Transfer to IEPF
2005-2006 (Interim Dividend)	04.01.2006	04.02.2006	04.02.2013
2005-2006 (Final Dividend)	07.09.2006	07.10.2006	07.10.2013
2006-2007	26.09.2007	26.10.2007	26.10.2014

By order of the Board

Place: Chennai
Date : 09.06.2008

G. Ramamurthy
Chairman & Managing Director

Registered Office
B-3, 'C' Block, 3rd Floor
Parsn Paradise Apartments, 109, G.N. Chetty Road
T.Nagar, Chennai - 600 017.

INFORMATION ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING IN RESEPT OF RESOLUTION NO.3 AND 4 ABOVE

(In accordance with Clause 49 VI of the Listing Agreement)

Name of the Director	Age	Qualification	Other Directorship(s) if any	Committee Memberships
K.V. Sambavadass	63	DAE	Nil	Nil
D. Sekaran	52	Graduate	Nil	Nil

DIRECTORS' REPORT

Your Directors are pleased to present the 15th Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2008.

Financial Results of your Company are as follows:

	Year ended 31.03.2008 (Rs. in lakhs)	Year ended 31.03.2007 (Rs. in lakhs)
Income from Operations	970.14	863.41
Non-Operating Income	6.47	7.70
Total Expenditure	828.28	757.83
Interest	32.57	23.12
Gross Profit (after Interest but before depreciation and taxation)	115.77	90.15
Depreciation	17.60	19.77
Profit before tax	98.17	70.38
Provision for Current Taxes	45.66	24.88
Provision for Deferred Taxes	2.86	3.34
Fringe Benefit Tax	0.82	0.56
Profit after Tax	54.56	48.30
Balance brought forward from last year	1.37	9.92
Amount available for appropriation	55.93	58.22
Appropriations have been made us under:		
Transfer to General Reserve	0.50	1.50
Dividend(Proposed) –Final	47.31	47.31
Dividend Tax	8.04	8.04
Surplus carried to Balance Sheet	0.08	1.37

DIVIDEND

Your Directors take pleasure on recommending equity dividend of 10% (Rs.1.00 per share of Rs.10/- face value) on the paid-up equity share capital for the approval of members. The dividend, if approved, at the 15th Annual General meeting by the members, will be paid to all those equity shareholders whose names appear in the register of members as on 26th September and also to those, whose names as beneficial owners are furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited.

OPERATIONAL PERFORMANCE

You will be glad to note that your company achieved a turnover of Rs. 970.14 lakhs as against Rs.863.41 lakhs achieved in the previous year registering a growth of 12%. The earned a gross profit of Rs.148.34 lakhs before interest and depreciation as against Rs.113.27 lakhs in the previous year. After deducting interest of Rs.32.57 lakhs, providing a sum of Rs.17.60 lakhs towards depreciation, income tax provision of Rs.45.66 lakhs, the operations resulted in a net profit of Rs. 52.51Lakhs as against Rs. 45.50 lakhs in the previous year, recording a growth of 15.4%.

The Company has also submitted bids for other projects, which are under evaluation. The Company is confident of securing a sizeable share of these new projects.

FUTURE OUTLOOK

The Indian construction industry is an integral part of the Indian economy and an important portion of investments into the development of the Indian Economy takes place through the construction industry. The construction industry is expected to grow with further economic development, industrialization, urbanization and improvements in the standard of living.

REALTY RELIABILITY ROBUST

Rajeswari Foundations Limited

According to Indian infrastructure, the Indian construction industry accounts for more than 5% of India's GDP and is the second largest employer after agriculture, employing nearly 32 million people. The financing of infrastructure development has largely shifted to the private sector, primarily through the use of public, private partnership (PPP), which are based on a partnership between the public and the private sectors for the purpose of delivering a project or service traditionally provided by the public sector.

In the year to come, your company has initiated major cost effective measures to improve the margins. Sustainable medium and long term goals are envisaged and pursued. Your director's foresee that, the performance of the Company will be better.

PREFERENTIAL ISSUE OF EQUITY SHARES TO PROMOTERS OF THE COMPANY

As approved by the members at the Annual General Meeting of the company held on 26th September 2007, the Board of Directors at their meeting held on Friday, 19th October 2007 has made allotment of 7,95,000 convertible warrants of Rs.10 each at a premium of Rs.13 per share as per SEBI Guidelines to the promoters of the Company on preferential basis.

DIRECTORS

Mr. K.V. Sambavadass and D. Sekaran retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

PUBLIC DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

AUDITORS

Mr. R. Sundararajan, Chennai Chartered Accountant, who are the statutory auditors of the Company retire at the ensuing annual general meeting and is eligible for re-appointment. The retiring Auditor have furnished a Certificate of his eligibility for re-appointment under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to be re-appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, to the best of their knowledge and belief, confirm that:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- ii. that the selected accounting policies were applied consistently and the directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis.

AUDITORS' REPORT

With regard to the remarks of the Auditors in their report to the members, the Directors have to state that the notes no.2, 3 and referred to by the Auditors are self explanatory and no further comments are called for.

Rajeswari Foundations Limited

Your Directors have to comment as under on the point regarding confirmation of balances. The Company had sent circulars to most of the suppliers but the confirmation from them were not received except in a few cases. However, from the current year the Company will be writing for confirmation of all debit and credit balances.

The Report of the Auditors being self-explanatory needs no further comments.

INVESTOR EDUCATION & PROTECTION FUND

As at March 31, 2008 dividends amounting to Rs. 5,12,036 have not been claimed by shareholders of the Company. The Company has been intimating the shareholders to lodge their claim for dividend from time to time.

As per the provisions of Section 205A of the Companies Act, 1956, dividends that have not been claimed by the shareholders for a period of seven years from the date of transfer to the unpaid dividend account will be transferred to the Investor Education and Protection Fund in accordance with the current regulations.

LISTING

The securities of the Company are listed on the Bombay Stock Exchange Limited and Madras Stock Exchange Limited. The Company has duly paid the listing fees to all the aforesaid Stock Exchanges for the year 2007-2008.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges, with which the Company's shares have been enlisted. A separate Report on Corporate Governance is enclosed as a part of this Annual Report. A certificate as to Compliance of the conditions of Corporate Governance as stipulated under Clause-49 of the Listing Agreement is annexed to the Report on Corporate Governance.

COMPLIANCE CERTIFICATE

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

DEPOSITORY SYSTEM

Trading in Equity shares of the Company is permitted only in dematerialized form. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories i.e. NSDL and CDSL within the stipulated time. Upto 31st March 2008, 85.61% Equity Shares of the Company have been dematerialized.

CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the listing agreement with Stock Exchanges, the cash flow statement for the year 2007-2008 is annexed hereto.

DISCLOSURES**INFORMATION AS PER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956 –CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The Company's core activity at present is civil construction which is not power intensive. The Company is making every effort to reduce the consumption of power.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings Rs. Nil (Previous Year Rs. Nil/-)

REALTY RELIABILITY ROBUST

Rajeswari Foundations Limited

Particulars	Year ended 31.3.2008		Year ended 31.3.2007	
	INR	In foreign currency	INR	In foreign currency
Foreign Exchange Outgo				
Imports	18,77,842	US \$ 46,069/95	Nil	Nil
Foreign Travel	5,61,000	Euro Currency 3000 Euro TC 7000	2,02,675	US \$ 4500

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of monetary ceiling prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 during the financial year 2007-2008.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial and contributed significantly to the record results achieved during the year.

ACKNOWLEDGEMENTS

The Board placed on record its appreciation for the assistance and co-operation received from the Banks and Government Authorities.

The Board also places on record its gratitude to the employees at all levels for their commitment and dedicated efforts. The Directors are also thankful to the shareholders for their continued support to the Company.

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For and on Behalf of the Board of Directors

Place : Chennai
Date : 09.06.2008

G. Ramamurthy
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of Rajeswari Foundations Limited presents the Industry Overview, Opportunities and Threats, Initiatives by the Company and overall strategy of Rajeswari Foundations Limited for the year 2007-2008 and its outlook for the future. This outlook is based on assessment on the current business environment; it may vary due to future economic and other developments.

This Management Discussion and Analysis statement of the Annual Report has been included in adherence to the spirit enunciated in the code of Corporate Governance approved by the Securities and Exchange Board of India.

Macro-Economic and Industry Development

India's GDP maintained its steady rise in 2007-08 to clock 9% growth. The average GDP for the last four years has been 8.6%, signifying stable economic growth and domestic demand. The per capita income, which is a parameter for judging purchasing power, increased from Rs.11672 in 2003-04 to Rs.24,321 in 2007-08. This consistent growth of the economy has catapulted India as the fastest growing economy after China for the following reasons:

- * Changing composition of GDP; reduced dependence on agriculture and growing industrial and services sectors
- * Strong outsourcing growth momentum – IT and financial services, healthcare and manufacturing.
- * Strong improvement in the external sector and a gradual fiscal deficit correction.

Industry Structure and Developments

The Indian construction industry is an integral part of the Indian economy and an important portion of investments into the development of the Indian Economy takes place through the construction industry. The construction industry is expected to grow with further economic development, industrialization, urbanization and improvements in the standard of living.

According to Indian Infrastructure, the Indian construction industry accounts for more than 5% of India's GDP and is the second largest employer after agriculture, employing nearly 32 million people. In the course of liberalization of the Indian economy, the Government has placed a priority on infrastructure development and emphasized the involvement of private capital and management in order to respond to the growing demand for new infrastructure projects. Accordingly, the financing of infrastructure development has largely shifted to the private sector, primarily through the use of Public Private Partnership (PPP), which are based on a partnership between the public and the private sectors for the purpose of delivering a project or service traditionally provided by the public sector.

According to the Indian Central Statistical Organisation, investments in construction in India grew at a compounded annual growth rate of 12% during the last ten years.

Housing Sector

Construction spending for urban infrastructure is expected to amount to Rs.827 bn (US\$ 18.8 bn) i.e. 23% of the total construction spending in the Eleventh Five Year Plan. The key drivers include a growing Indian industry and economy, increasing urbanization and household growth. The mounting demand for building and housing construction is due to the strong growth in the industrial, manufacturing and real estate sectors. Entertainment spending on malls, multiplexes and auditoriums are bound to rise in major cities, strengthening the demand for construction activity.

The Government of India introduced policies aiding public-private participation (PPPs) to bridge the gap between demand and supply of urban infrastructure. Urbanisation is the inevitable outcome and it is expected that over the next 10 to 15 years, about 40 per cent of India's population is stated to live in urban areas.

Real Estate

The Indian real estate market is worth around US\$ 40-45 billion and can be segregated into residential, commercial and the retail and hospitality segments. The residential sector forms 90-95 percent of the Indian real estate space, while