



Swarna Securities Limited

15th ANNUAL REPORT

2004 - 2005

Registered Office :
27-21-36, Swarna House, 1st Floor
Kaleswara Rao Road, Governorpet
VIJAYAWADA - 520 002
Phone : 2575928

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT****BOARD OF DIRECTORS**

Sri M. MURALI KRISHNA	..	Chairman & Managing Director
Sri M. VENKATESWARA RAO	..	Director
Sri PRADEEP KUMAR	..	Director
Sri K. SRIDHAR	..	Director
Sri T.V.S. JAWAHARLAL NEHRU	..	Director

REGISTERED OFFICE

27-21-36, Swarna House, I Floor
Kaleswara Rao Road
Governorpet
VIJAYAWADA - 520 002

AUDITORS

M/s. SESHADRY & COMPANY
Chartered Accountants
UGF 1 & 2, Ammana Estates
Prakasam Road, Governorpet
VIJAYAWADA - 520 002

BANKERS

PUNJAB NATIONAL BANK
B. R. P. Road
VIJAYAWADA - 520 001

15th ANNUAL GENERAL MEETING

Day, Date	:	Monday, 11th July, 2005
Venue	:	Hotel Swarna Palace, Eluru Road Vijayawada - 2
Time	:	10.00 A.M.

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT****NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on Monday, the 11th day of July, 2005, at Hotel Swarna Palace, Eluru Road, Vijayawada at 10.00 AM to transact the following business:

AS ORDINARY BUSINESS :

01. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Audited Balance Sheet as at that date and the report of the Directors' and Auditors thereon.
02. To appoint a Director in place of Sri Pradeep Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint M/s. Seshadry & Co. Chartered Accountants, who retire at the conclusion of this Annual General Meeting, as auditors of the company and for the purpose of the same, to pass, with or without modifications, the following resolution as an Ordinary Resolution.

"RESOLVED that M/s. Seshadry & Co., Chartered Accountants, Vijayawada be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next annual general meeting on a remuneration that may be fixed by the Board of Directors."

BY ORDER OF THE BOARD

Regd. Office: 27-21-36, Swarna House
1 Floor, Kaleswara Rao Road,
Governorpet, Vijayawada-2.

Date : 09.06.2005

(sd)
M. MURALI KRISHNA
Chairman & Managing Director

SWARNA SECURITIES LIMITED

15th ANNUAL REPORT

NOTICE

NOTES :

01. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. THE PROXY FORMS, IN ORDER TO BE EFFECTIVE, SHALL BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
02. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 8th day of July, 2005 to Monday, the 11th day of July, 2005 (both days inclusive).
03. Shareholders desiring any information as regards accounts are requested to write to the Company seven days before the date of the Meeting so as to enable the Company to keep the information ready at the meeting.
04. As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.

**PARTICULARS OF DIRECTORS APPOINTED / RE-APPOINTED IN PURSUANCE
TO CLAUSE 49 OF THE LISTING AGREEMENT.**

01. Sri Pradeep Kumar is a Chartered Accountant and has more than 10 years experience in the fields of Hire Purchase Finance and Administration. He is a Director of M/s.Raghava Estates Limited and Sha Nathmal Yeswanth Raj Finance Limited.

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT****DIRECTORS' REPORT**

Your Directors take pleasure in presenting their 15th Annual Report and the audited financial statements of the Company for the year ending 31st March, 2005.

FINANCIAL RESULTS	(Rupees in Lakhs)	
	CURRENT YEAR	PREVIOUS YEAR
Total Income	50.37	60.38
Less: Expenditure	58.84	51.08
	-----	-----
Profit before depreciation	-08.47	09.30
Less: Depreciation	02.50	01.11
	-----	-----
Profit before tax	-10.97	08.19
Less: Provision for Taxation	02.29	05.16
	-----	-----
Profit after tax	-13.26	03.03
Less: Reserve Fund	00.00	02.33
	-----	-----
Add: Surplus carried forward	-50.16	-50.86
	-----	-----
Balance Carried to Balance Sheet	-63.42	-50.16
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DIVIDEND :

In view of the financial constraints of the Company, the Board of Directors do not recommend any dividend for the year 2004-05.

REVIEW OF OPERATIONS :

Owing to the competition in the Non-banking finance sector, especially from the banking sector, the company could not perform in the same rate as it was in the previous years. However, due to strong customer base, the company is able to do business in a reasonable manner. The financial results given above illustrates the same.

PUBLIC DEPOSITS :

The Company had neither accepted nor held any public deposits during the year under review. In pursuance to Clause 5 (Part III) of the Non-Banking Finance Companies (Reserve Bank) Directions, 1998, your Directors wish to state that as on 31st March, 2005 there are no depositors who have not claimed or to whom the amount was not paid by the Company after the date on which the deposits became due for repayment and as on date there are no deposits that are matured and remained unclaimed or deposits that are claimed and remained unpaid.

FINANCE :

Your Company is availing a Cash Credit facility from Punjab National Bank, Vijayawada-1 for Rs.100 Lakhs. Your Company has further issued secured redeemable Non-

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT**

Convertible Debentures of Rs.100/- each on private placement basis to the tune of Rs.14.35 lakhs (Series-L), Rs.43.05 Lakhs (Series-M) and Rs.46.37 Lakhs (Series-N). While Series-J and Series-K are redeemed in full during the year under review, Series-O is open for subscription on private placement basis.

FUTURE PROSPECTS :

The role of Non-banking Finance Companies in the financial market is inevitable given the present situation in the Indian context. With the lower interest rate regime is expected to continue in the future the competition in the Hirepurchase market is expected to increase. However, your company has all the ingredients to face the competition and to achieve a sustainable growth in the years to come.

DIRECTORS :

Sri Pradeep Kumar who retires by rotation in the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Smt. V. Lakshmi Devi was appointed as additional Director by the Board of Directors on 27.07.2004 and she holds office until the conclusion of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' responsibility statement, your Directors wish to confirm that :

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- (ii) Such accounting policies have been selected and applied consistently and judgements and estimates are made that the 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 financial year and of the profit or loss of the Company for that period.
- (iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting any fraud or other irregularities;
- (iv) Accounts for the financial year ended on 31st March,2005 are prepared on a going-concern basis.

AUDITORS :

M/s.Seshadry & Company, the auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and they have intimated that their re-appointment, if made, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956.

OBSERVATIONS OF AUDITORS :

The Observations made in the audit report are self-explanatory as given in the notes of accounts attached thereto.

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT****LISTING:**

The shares of the Company were listed in Mumbai and Hyderabad Stock Exchanges and the listing fee for both the exchanges have been paid upto financial year 2004-05.

CORPORATE GOVERNANCE :

A detailed report on Corporate Governance along with the certificate from the auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the listing agreement is attached to this report.

HUMAN RESOURCES :

There are no employees covered by Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

ADDITIONAL INFORMATION:

Your Company not being a Manufacturing Company is advised that Forms A & B of the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 requiring the disclosure of particulars regarding conservation of energy and technology absorption, are not applicable.

There has been no foreign exchange inflow or outgo in the current year.

APPRECIATION :

Your Directors wish to place on record their sincere appreciation to the Company's Customers, Bankers, Financial Institutions, Debenture Holders and share holders for their continued support and faith in the Company. A word of appreciation is also due to the employees of the Company for their hard work and commitment.

For and on behalf of the Board

Place: VIJAYAWADA

Date : 09.06.2005

(sd)

M. MURALI KRISHNA

Chairman & Managing director

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT****REPORT ON CORPORATE GOVERNANCE**

- I. Your Company has been practicing the principles of good corporate governance and lays a strong emphasis on transparency, accountability and integrity. All the matters of strategy, significant developments etc are routinely placed before the Board. The Audit, Share Transfer and Investor Grievance Committees meet regularly to consider the aspects relevant to each committee.

II. BOARD OF DIRECTORS :

- a) Composition and Category of directors as on 31st March, 2005.

Category	No. of Directors
Promoter Directors	1
Executive Directors	1
Non-Executive, Independent Directors	4
Total	6

- b) Attendance of each Director at the Board Meetings and the last AGM.

Director	No. of Board Meetings held	No. of Board Meetings Attendance	Last AGM Attendance (Yes/No)
Sri M. Venkateswara Rao	12	12	Yes
Sri M. Murali Krishna	12	12	Yes
Sri Pradeep Kumar	12	12	Yes
Sri K. Sridhar	12	12	Yes
Sri T.V.S. Jawaharlal Nehru	12	12	Yes
Smt. V. Lakshmi Devi (appointed on 27.7.2004)	--	06	No

- c) Number of Other Directorships or Board Committees he/she is a member or Chairperson of

Name of Director	Number of Director-ships	No. of Member ships in Board Committees Other than SSL	Whether Member or Chairman
Sri M. Venkateswara rao	4	--	
Sri M. Murali Krishna	5	1	Chairman
Sri Pradeep Kumar	2	--	
Sri K. Sridhar	1	1	Chairman
Sri TVS Jawaharlal Nehru	0	-	
Smt. V. Lakshmi Devi	0	-	

- d) Number of Board Meetings held and dates on which held

Twelve Board Meetings were held during the financial year from 01.04.2004 to 31.03.2005. The dates on which the meetings were held are as follows:

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT**

01.04.04, 24.04.04, 10.05.04, 12.06.04, 12.07.04, 27.07.04, 21.09.04, 27.10.04, 01.12.04, 28.12.04, 27.01.05 and 21.02.05.

III. AUDIT COMMITTEE :**a) Terms of Reference :**

The responsibilities of the audit committee include the overseeing of the financial reporting process to ensure a proper disclosure of the financial statements; recommending appointment / removal of the external auditors and fixing their remuneration; reviewing the quarterly, half yearly and annual financial results before submission to the Board; reviewing the adequacy of internal control systems; structure and staffing of the internal audit function, reviewing findings of the internal investigations and to make recommendations to the Board on any matter relating to the financial management of the Company including the Audit Report.

b) Composition

The Audit Committee consists of the following non-executive Directors

1. Sri Pradeep Kumar	Chairman
2. Sri K. Sridhar	Member
3. Sri T.V.S. Jawaharlal Nehru	Member

c) Meetings and Attendance of the Audit Committee during the year

A total of 4 meetings were held during the financial year from 01.04.2004 to 31.03.2005 on 24.04.2004, 27.07.2004, 27.10.2004 and 27.01.2005.

All the Members and the Chairman attended all the meetings.

IV. SHAREHOLDERS COMMITTEE :

The Board has constituted the Shareholders committee which looks into shareholders and investors grievances. The following are the members of the Committee.

-
1. Sri Pradeep Kumar
 2. Sri K. Sridhar
 3. Sri T.V.S. Jawaharlal Nehru
-

During the year 2004-05, a total number of 800 shares were transferred and as at 31st March, 2005 there are No Equity shares pending for transfer.

There are no complaints received during the year under review and as on 31st March, 2005 there are no complaints that are pending. Since the company has an in-house secretarial department, in addition to the common agency for transfers, the shareholders grievances, if any are promptly attended to.

V. GENERAL BODY MEETINGS :

The Location and Time of the Annual General Meetings held during the last 3 years are as follows:

SWARNA SECURITIES LIMITED**15th ANNUAL REPORT**

AGM	Date	Time	Venue	No. of Special Resolution
12th	06.07.2002	10.00 A.M.	Hotel Swarna Palace Vijayawada	Nil
13th	09.07.2003	10.00 A.M.	Hotel Swarna Palace Vijayawada	1
14th	12.07.2004	10.00 A.M.	Hotel Swarna Palace Vijayawada	Nil

For the year ended 31st March, 2005 there have been no ordinary or special resolutions passed by the Company's shareholders through postal ballot.

VI. DISCLOSURES :

There are no non-compliances by the Company, penalties strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

VII. MEANS OF COMMUNICATION :

The unaudited quarterly, and annual financial results are sent to all the stock exchanges where the shares of the Company are listed. The results are also published in Indian Express and Andhra Prabha.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS :**a) INDUSTRY STRUCTURE AND DEVELOPMENT :**

The Non-Banking Finance Industry has a very crucial role to play in the economy. According to an estimate, non-banking credit services account for at least 70 percent of trading community. More than 50% of the borrowing requirements of the Transport sector are met by the Non-Banking Finance Companies. The recent development in this industry is the diversification of most of the companies to Insurance Business. However, the Commercial Vehicle Finance remains the crux of the Non-Banking Financing Industry.

b) OPPORTUNITIES AND THREATS :

Although the NBFCs are facing competition from the Commercial Banks, the personalized service that they offer has enabled them to develop a strong customer base. All requirements of new vehicles either commercial or non-commercial, of the customers of any NBFC are met in a faster manner than any Commercial Bank. There are only few strong genuine companies in the market and they have good avenues to grow with a strong customer base, efficiency and credibility.

However, the decrease in the rate of interests by the Commercial Banks is a major threat to the industry, which will face problems to get funds at competitive rates so as to give loans at the rates less than the commercial banks.

c) SEGMENT WISE PERFORMANCE :

The Company is engaged in the hire purchase loans and advances segment, the performance of which was discussed earlier in the report.