

# 14<sup>th</sup> Annual Report 2005-2006

The right people  
to prosper with.



**Swastika**  
Prosperity...ALLways



## SWASTIKA FIN-LEASE LTD.

Corporate Member :

The Stock Exchange, Mumbai (BSE)  
National Stock Exchange of India Ltd. (NSE)

Depository Participant :

Central Depository Services (India) Ltd. (CDSL)

**Board of Directors**
*Managing Director.*

Sunil Nyati

*Executive Director*

Anil C. Nyati

*Directors*

S. N. Maheshwari

Vinod Gupta

C.R. Doshi

Parasmal Deshlahara

**Auditors**

M. B. Ladha &amp; Co.

*Chartered Accountants*

MUMBAI

**Bankers**

ICICI Bank Ltd.

IDBI Bank Ltd.

**Regd. Office**

 29, Madhukunj No.1, Juhu Cross Lane,  
 Andheri (W), MUMBAI - 400 058

**Admn. Office**

 48, Jaora Compound, M.Y.H. Road,  
 INDORE - 452 001

**Registrar & Share Transfer Agent**

Ankit Consultancy Pvt. Ltd.

2nd Floor, Alankar Point,

Geeta Bhawan Chouraha,

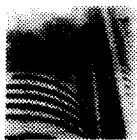
A.B. Road, INDORE - 452 001

**Listed At**

- BOMBAY STOCK EXCHANGE LTD.

- M.P. STOCK EXCHANGE, INDORE

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## ABOUT YOUR COMPANY

### Current Activities of Swastika :

- Stock broking - NSE & BSE - Equities & Derivatives.
- Depository Services - CDSL
- Portfolio & Investment Advisory Services.
- Mutual Funds and Fixed Deposits Investments.
- Initial Public Offering (IPO) and IPO Financing.
- Research and Analysis.
- Internet Based Trading.

### Proposed Activities :

- Commodities trading - NCDEX & MCX
- Institutional Broking - Empanelment with Banks, FIs & Insurance companies.
- Merchant Banking Services
- Registrar & Transfer Agents Services
- Equity Placement & Venture Capital Funding.
- Dealing in Forex
- Finance & Loans Syndication.

### Strengths of Swastika :

- NSE & BSE Corporate Membership Cards
- Most widely used Internet Based Trading Platform.
- Depository Participants - CDSL
- State of art Web Based\* 7 Back Office Software.
- Private VSAT Net Work.
- Network of 21 branches & various sub brokers across major cities in central & western India.
- Cannel Partners - more than 100.
- CTCL Net Work - More than 250 trading terminals.
- More than 6000 Registered Clients - Individual & Corporate
- Continuous growth in client base & brokerage revenue.

### The Achievements of FY 2005-06

- |                                     |   |        |
|-------------------------------------|---|--------|
| • Increase in revenue               | : | 32.50% |
| • Increase in Gross Profit          | : | 26.93% |
| • Increase in Book Value            | : | 14%    |
| • Increase in Market capitalization | : | 66%    |

## NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the fourteenth Annual General Meeting of the company will be held on Saturday, the 30th day of September, 2006 at 2.00 p.m., at the Registered Office of the Company, at 29, Madhukunj No.1, Andheri (W), Mumbai - 400 058, to transact the following business :

### AS AN ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account of the company for the year ended on the same date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a director in place of Mr. C.R. Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Parasmal Deshlahara, retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting of Company and fix their remuneration.

### AS SPECIAL BUSINESS

6. To, consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :  
 "RESOLVED THAT in supercession of resolution passed at the Annual General Meeting of the Company held on 15th September, 1994 and pursuant to section 293 (1) (d) of Companies Act, 1956 and all other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with the monies, already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 20.00 Crores and the Board be and is hereby authorized to decide all terms and conditions in relation to such borrowing, at their absolute discretion."  
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts deeds, matters and things as may be necessary for giving effect to the aforesaid resolution"
  7. To, consider and, if thought fit, to give Assent /Dissent to the following resolution as an Ordinary Resolution by way of Postal ballot :  
 "RESOLVED THAT pursuant to provisions of section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment there of) , the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred as 'Board' which shall be deemed to include any committee thereof) of the Company, to mortgage, hypothecate, pledge and/or charge, in addition to the mortgage, hypothecate, pledge and/or charge already created, in such form, manner and ranking and on such terms as the Board deems fit in interest of the company, on all or any of the movable and/or immovable properties of the company (both present and future) and/or the whole or part of any of the undertaking of the company, in favor of the Lender/s, Agent/s and trustee/s, for securing the borrowing availed or to be availed by the Company or any of its subsidiaries Companies, if any, by way of loans, debentures ( comprising fully /partly convertible Debentures and/or Non Convertible Debentures or any other securities or otherwise, in foreign currency or in India rupees, from time to time, up to the limits approved under section 293 (1) (d) of the Companies Act, 1956 along with interest, additional interest, accumulated interest, liquidated charges, commitment charges or costs, expenses and all other moneys payable by the company including any increase as result of devaluation/revaluation /fluctuation in the rate of exchange."  
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary for giving effect to the above said resolution"
  8. To, consider and, if thought fit, to give Assent/Dissent to the following resolution as a Special Resolution by way of Postal ballot :  
 "RESOLVED THAT pursuant to the provisions of section 17 and other applicable provisions, if any, of the Companies Act, 1956 the approval of the company be and is hereby accorded, subject to requisite approvals, if any, of the appropriate authorities, for change in main object clause of the Memorandum of Association by deleting the following clause 1 of the Main Objects Clause of the Memorandum of Association and post deletion erstwhile clause 2 would be renumbered as clause 1, so on and so forth.
- Clause 1 :**
- "To carry on the business of a hire purchase, bills discounting, finance and leasing and to purchase or otherwise acquire in order to provide on lease or on hire or on hire purchase basis every kind of Industrial, household or office plant, equipment, machinery, instruments appliances, apparatus or accessories, or goods, articles or commodities of all and every kind or description, buildings premises or other real estate or immovable property."
- "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be necessary for giving effect to the aforesaid resolution"

**..... notice to the shareholders**

9. **To, consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :**  
 "RESOLVED THAT Consent of the Company be and is hereby accorded to the Board of Directors of the Company for appointment of Mrs. Anita Nyati as an executive in the Company at a remuneration not exceeding the maximum permissible limits prescribed under the provisions of section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit ) Rules, 2003 with effect from October, 1, 2005."  
 "RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

**Notes :**

1. 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 proxy need not be a Member of the Company. The proxies in order to be valid, the proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The relative Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business as set out above are annexed hereto.
3. Register of Members and Share Transfer Book of the Company will remain closed from Saturday the 23rd September, 2006 to Saturday the 30th September, 2006 (both days inclusive) for the purpose of payment of dividend to those members whose name stand on the Register of Members as on 30th September, 2006 . The dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of the equity shares as at the end of business hours on 22nd September, 2006, as per the details furnished by the depositories for this purpose.
4. The dividend on equity shares, as recommended by the Board of Directors for the year ended March, 31, 2006 will be payable on or after September, 30th, 2006, in accordance with the resolution to be passed by the members of the Company.
5. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details.  
 Members are requested to notify immediately any change of address :  
 (i) To their Depository Participant (DPs) in respect of their electronic share Accounts and  
 (ii) To the Share Transfer Agent in respect of their Physical share folio terms.
6. **As per requirement of section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot), Rules, 2001 in respect of item No. 7 and 8 of the Notice herein above, the Company seek approval of its members by way of postal Ballot, Postal ballot form is dispatched separately to all the members entitled to receive the same. The members are requested to send their assent/dissent within the time specified.**
7. All the documents referred to in this notice and explanatory statement are available for inspection of the members at the Registered Office of the Company on any working days between 11.00 a.m. to 1.00 p.m. at the Registered Office of the Company up to the conclusion of the said Annual General Meeting.
8. Members are requested to send their queries, if any, at least 7 days in advance so that the information can be made available at the meeting and members are requested to bring their copy of the Annual Report to the meeting.
9. As per the provisions of Companies Act, 1956, facility for making nominations is now available to Individuals holding shares in the company. The nomination form 2-B prescribed by the Government can be obtained from the Share Transfer Agent or may be download from the Website of the Ministry of the Company Affairs.
10. In all correspondence with the Company, members are requested to quote their Account/Folio numbers and in case their shares are held in dematerialized form, they must quote their client ID number and their DP ID number.
11. **ADDITIONAL INFORMATION ON RE-APPOINTMENT OF DIRECTORS.**

Pursuant to Clause 49 of Listing Agreement, Profile of Directors proposed for re-appointment are attached hereto.

(A) Mr. C.R. Doshi, a Director retiring by rotation has offered himself for re-appointment at the ensuing Annual General Meeting. Mr C.R. Doshi, Commerce & Law graduate, Aged 62 years is having 35 years of rich experience in personnel and Labour relations and is associated with the Company since 25/08/2003. He is member of Investor Grievance Committee, Audit Committee, Remuneration Committee, of Board of Directors of the Company. He does not hold any shares of the Company.

(B) Mr. Parasmal Deshlahara, a Director retiring by rotation has offered himself for re-appointment at the ensuing Annual General Meeting. Mr. Parasmal Deshlahara, Aged 64 years is having vast experience of more than 40 Years in the area of Business control and Development and is associated with the Company since 25/08/2003. He is member of Audit Committee and Remuneration Committee of Board of Directors of the Company and Chairman of Investor Grievance Committee. He is also on Board of Directors of Dhar Coal Pvt. Ltd. and Vikas international Pvt. Ltd. He does not hold any shares of the Company.



**..... notice to the shareholders**

**Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956**

**Item no. 6**

In terms of provisions of section 293 (1) (d) of the Companies Act, 1956 the Board of Directors of the Company cannot, except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in ordinary course of business, in excess of aggregate of the paid up capital and its free reserves (reserves not set apart for any specific purpose).

Keeping in view the Company's business requirement and its growth plans, it is considered desirable to increase borrowing limits from 5 crores to 20 crores.

The Directors commend the resolution at Item No. 6 of the accompanying notice for approval of members. None of Directors of the Company is in anyway concerned or interested in the said Resolution.

**Item no. 7**

The borrowing by the Company, in general, is required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of all Company from time to time, in consultation with the lender(s).

The Mortgage and/or charge on any of the movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company, to secure borrowings of the Company, may be regarded as disposal of the Company's undertaking(s) within the meaning of section 293 (1) (a) of the Companies Act, 1956.

The proposed resolution is in the interest of the Company and your Directors commend the resolution for approval. None of Directors of the Company is in anyway concerned or interested in the Resolution.

**Item No. 8**

The members are aware that Company was Incorporated with the main object of Hire Purchase and Leasing Business and registered as a Non Banking financial Company with Reserve Bank of India ,under section 45-IA of the the Reserve Bank of India Act, 1934

With the discontinuation of NBFC activities, the Company has surrendered the Certificate of Registration of NBFC to Reserve Bank of India.

In view of the above and instruction of the Reserve Bank of India, it is necessary to delete the activities relating to Non Banking Financial Company listed in main object of Memorandum of Association. Accordingly it is proposed to be deleted the said activities.

In terms of section 17 read with section 192A of the Companies Act, 1956 any change in the object clause of Memorandum of Association of Company requires approval of shareholders by passing a special resolution through Postal ballot. Accordingly, consent of shareholder is Solicited by passing a special resolution by way of postal ballot for alteration in main object clause as detailed in Item No.8 of the accompanying Notice.

Hence, the Board commends this resolution for your approval. None of Directors of the Company is in anyway concerned or interested in the Resolution.

**Item No. 9**

The Board of Directors of the Company has appointed Mrs. Anita Nyati as an executive in the Company, who shall be part of the management team of the Company . She would be paid a remuneration in accordance with provisions of Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit ) Rules, 2003 with effect from October, 1, 2005."

Mrs. Anita Nyati a commerce graduate, she contributes in the general administration and editorial aspect of Company's Publication, is the wife of Mr. Sunil Nyati , Managing Director of the Company. In accordance with the provisions of the Companies Act, 1956 the consent of the Company is required to be accorded by a special resolution for holding any office or place of profit by relative of Director of the Company carrying a total monthly remuneration of not less than Rs. 10,000/- per month upto a maximum limit of Rs. 50,000/- per month.

The Board of Directors accordingly recommend the resolution set out at Item No. 9 of the accompanying notice for the approval of the members.

Mr. Sunil Nyati, Managing Director, Shri Anil Nyati, Executive Director and Shri S.N. Maheshwari, Director of the Company, are concerned or interested in this resolution. None of the other Directors of the Company is, in any way, concerned or interested in this resolution.

Indore, August, 25, 2006

By order of the Board of Directors  
For Swastika Fin-Lease Ltd.

**Registered Office -**

29, Madhukunj No.1,  
Andheri (W), Mumbai - 400 058

**Sunil Nyati**  
(Managing Director)

## DIRECTORS' REPORT

Dear Members,

Your Directors have immense pleasure in presenting the 14th Annual Report of the Company and the Audited Accounts for the financial year ended 31st March, 2006.

### FINANCIAL HIGHLIGHTS

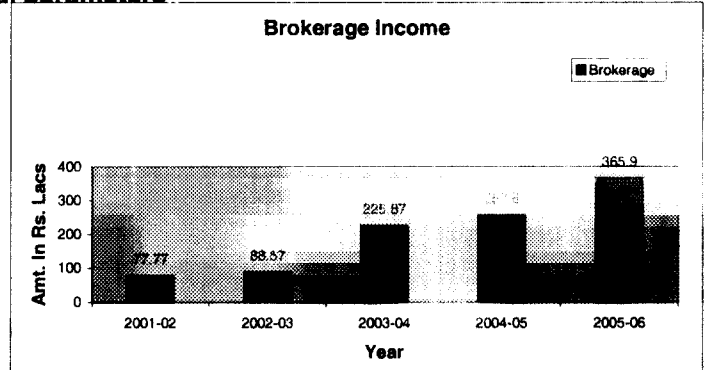
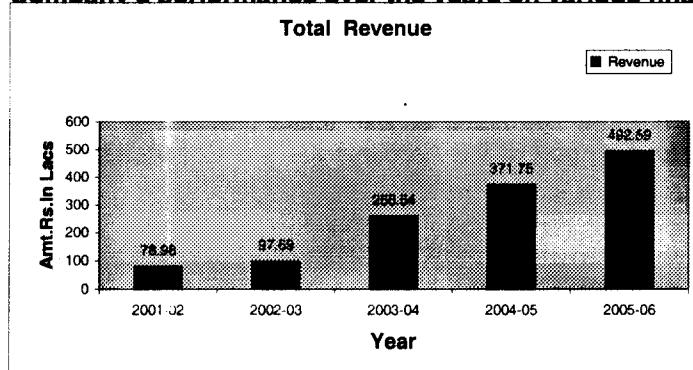
(Amount in Rs. Lacs.)

PARTICULARS	31.03.2006	31.03.2005
Total Income	492.59	371.75
Gross Profit	173.22	136.46
Less: Depreciation	26.95	13.75
Profit before Taxation	146.27	122.71
Less : Provision for Taxation	37.64	17.50
Less : Deferred Tax Liabilities	7.49	3.50
Net Profit	101.14	101.71
Less : Prior Period Adjustments	7.27	1.62
Add : Balance brought forward from Last Year	8.36	11.03
Amount available for appropriation	102.23	111.12
Appropriations:		
Transfer to General Reserve	65.00	70.00
Dividend @ 10%	29.27	28.98
Dividend Distribution Tax	4.10	3.78
Surplus carried to Balance Sheet	3.86	8.36

### FINANCIAL REVIEW

For a successive third year in line, your company has achieved an all time high performance with a 33% growth in revenue of Rs. of 492 Lacs compared to 371 Lacs in the previous year. Gross profit also increased by 26.94% from Rs. 136.46 Lacs in the previous year to Rs. 173.22 Lacs in the current year.

#### Company's performance over the years on various financial parameters



..... directors' report

## DIVIDEND

Looking at the consistent growth in performance, your Directors are pleased to recommend a final dividend of 10% on the equity shares i.e. Re. 1/- per Equity Share of face value Rs.10/- subject to Approval of the members in ensuing Annual General Meeting.

## DEPOSITORY PARTICIPANT & INTRNET TRADING

As a tool to provide comprehensive broking services to the clients, and in turn generate revenues, your company has been registered as a Depository Participant (DP) with Central Depository Service (India) Limited (CDSL).

The Company has commenced a Internet based trading system for the convenience of the Investor w.e.f. 29/03/2006. It offers a convenient & secure mode of trading to the clients.

## DIRECTORS

In accordance with the provision of the Companies Act, 1956 and Articles of Association of the Company Shri C.R.Doshi and Shri Parasmal Deshlahara retire from the Board of Directors by rotation and they are eligible offer themselves for reappointment in ensuing Annual General Meeting.

Companies rules 1988 (Disclosure of particulars in the reports of Board of Director)

As the Company is not engaged in any manufacturing activities, hence provisions of section 217 (1) (e) of the Companies Act, 1956 read with the Companies Rules, 1988 are not applicable to the Company. Further there was neither inflow nor outflow of foreign exchange during the year.

## PUBLIC DEPOSITS

Your Company has not accepted any Public deposit within the meaning of section 58A of the Companies Act 1956, read with the Companies ( Acceptance of Deposit) Rules, 1975

## RBI DIRECTIONS

The Company is not engaged in any Non-Banking financial activities and hence the Certificate of NBFC has been surrendered to RBI and same has been accepted by RBI and further as per direction of RBI, it is proposed to delete the object clause of Memorandum of Association relating to NBFC activities in ensuing Annual General Meeting.

## PARTICULARS OF EMPLOYEES

The Company did not have any employee, during the year drawing remuneration attracting the provision of section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rule 1975. The company continued to have cordial and harmonious relations with employees. In totality our employees have shown a high degree of maturity and responsibility in responding to the changing environment, economic and the market condition.

## AUDITORS

The auditors, M/s M.B. Ladha & Company, Chartered Accountants retire and being eligible offers themselves for re-appointment. Comments of the Auditors in their report and notes forming part of the Accounts are self explanatory and need no comments.

## CODE OF CONDUCT

The company has laid-down a code of conduct for all Board members and senior management of the Company. All the Board members and senior management personnel have affirmed compliance with the code of conduct. The code of conduct is being posted on website of the company.





..... directors' report

## CORPORATE GOVERNANCE

A report on the Corporate Governance code along with a certificate from the Auditors of the Company regarding the compliance of the conditions of the Corporate Governance as stipulated under clause 49 of the Listing Agreement and also the Management Discussion and Analysis Report and CEO certification are annexed to this report.

## DEPOSITORY SYSTEM

Your Company's shares are tradable compulsorily in electronic form and your Company has connectivity with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Service (India) Limited (CDSL). In view of the numerous advantage offered by the Depository System, members are requested to avail of the facility of Dematerialization of the Company's shares on either of the Depositories mentioned as aforesaid.

## INSURANCE

The Company's assets are adequately insured against the loss of fire and other risk, as considered necessary by the Management from time to time. The Company has also taken insurance cover for any claims / losses arising out of its core business of security broking.

## DIRECTOR'S RESPONSIBILITIES STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, your directors hereby confirm :

- I) That in the preparation of the annual accounts for the financial year ended 31st March 2006; the applicable accounting standards have been followed;
- II) That they have selected such accounting policies and applied them consistently and made judgments, and estimate 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 financial year and of the profit of the Company for the year under review ;
- III) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act, for safeguarding the assets of the Company and for preventing and detecting Fraud and other irregularities;
- IV) That they have prepared the annual accounts on a going concern basis.

## LISTING OF THE SHARES

Equity shares of the company are listed on Bombay Stock Exchange Ltd., Mumbai. The Company has received the permission for delisting of shares from Jaipur Stock Exchange. Further permission is still awaited from M.P. Stock exchange with respect to the delisting application made by the Company.

## ACKNOWLEDGEMENT

Your directors gratefully acknowledge the support and co-operation extended by all the shareholders, customers, bankers and business partners to your company during the year and look forward to their continued support.

Your directors wish to place on record their appreciation of valuable services rendered with dedication and commitment by all employees of the Company, thus enabling it to register a good performance.

For and on behalf of the Board of Directors

Place : MUMBAI

Date : 30.06.2006

**Sunil Nyati**  
(Managing Director)

**S.N. Maheshwari**  
(Director)

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to high standards of corporate governance in all its activities. The basic objective of corporate governance policies adopted by the company is to attain the highest levels of transparency, accountability and integrity. The company believes that all its actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

### BOARD OF DIRECTORS

- A. The Board has an optimum combination of Executive and non Executive Directors, and is in conformity by with clause 49 of the listing agreement entered in to with the Stock Exchange in which the Company's shares are listed.

The Board of Directors together with their details are as under. During the year 2005-06 the Board met 10(ten) times on the following dates, namely :

30/04/2005	12/06/2005	30/06/2005	30/07/2005	18/08/2005
30/08/2005	29/10/2005	27/12/2005	21/01/2006	31/03/2006

The last Annual General meeting was held on 30th Sept. 2005.

Name of Director	Category	No. of Board Meetings attended	Other Directorship		Committee Positions	
			Chairman	Member	Chairman	Member
Sunil Nyati	MD	10	---	---	---	---
S.N. Maheshwari	NED	10	---	---	---	---
Anil Nyati	ED	8	---	1	---	---
Vinod Gupta	ID	6	---	---	2	3
C.R. Doshi	ID	4	---	---	---	3
Parasmal Deshlahara	ID	4	---	2	1	3

MD = Managing Director, NED = Non- Executive Director, ED = Executive Director, ID = Independent Director.

None of the Director on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees. All the Directors have made the requisite disclosure regarding committees position held by them in other Companies.

### B. BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting on the overall Company performance.

### C. REMUNERATION OF DIRECTORS

Remuneration paid or payable to Directors during the year 2005-2006

Name of Director	Sitting Fees	Commission on Profit	Salary & Allowance	Contribution to PF	Perquisites	Total
Sunil Nyati	---	---	10,80,000	---	---	10,80,000
Anil Nyati	---	---	5,40,000	---	---	5,40,000

No sitting fees was paid to any Director of the Company during the Financial Year 2005-06