

Annual Report 2005 - 2006



**SUMEDHA
FISCAL
SERVICES
LIMITED**



**SUMEDHA
FISCAL
SERVICES
LIMITED**

SUMEDHA FISCAL SERVICES LIMITED

REGISTERED AND CORPORATE OFFICE

8B, Middleton Street, 6A, GEETANJALI,
Kolkata - 700 071

Telephone Nos.: 033-2229-8936/6758/3237/4473

Fax No. 033-2226-4140

E-mail : kolkata@sumedhafiscal.com

BRANCH OFFICES

New Delhi

B1/12 Safdarjung Enclave, 2nd Floor
New Delhi - 110 029

Telephone Nos.: 011-4165-4481/82

Fax No. 011-4165-4483

E-mail : delhi@sumedhafiscal.com

Mumbai

107/108, Siddhivinayak Annexe,
Sitaram Jadav Marg, Near Railway Station
Lower Parel, Mumbai - 400 013.

Telephone Nos.: 022-2493-0531, 2498-5210

Fax No. 022-2498-2878

E-mail : mumbai@sumedhafiscal.com

Chennai

2B, Park Centre,
25, Venkatanarayana Road,
T. Nagar, Chennai - 600 017

Telephone No. 044-5212-6808

Fax : 044-5260-4808

E-mail : chennai@sumedhafiscal.com

Bangalore

First Floor, Park Plaza , No. 1, Park Road,
(Off Infantry Road), Tasker Town
Bangalore - 560 051

Telephone No. 080-4124-2545/46

Fax No. 080-4124-2547

E-mail: bangalore@sumedhafiscal.com

ANNUAL REPORT 2005 - 2006

DIRECTORS : R. L. GAGGAR, Chairman

DR. BASUDEB SEN*

VIJAY MAHESHWARI

RAJEEV TANDON

PRAKASH KUMAR BIYANI

BIJAY MURMURIA

ANIL KUMAR BIRLA*

BHAWANI SHANKAR RATHI, Wholetime Director

ASHISH MITTAL, Wholetime Director - Resignation submitted *

PAWAN KUMAR AGARWAL, Wholetime Director - Resignation submitted *

* Awaiting approval of National Stock Exchange.

COMPANY SECRETARY : DEB KUMAR SETT

BANKERS : CANARA BANK

HDFC BANK LTD.

INDUSIND BANK LTD.

STATUTORY AUDITORS : KHADELWAL RAVINDRA & CO.

Chartered Accountants

REGISTRARS : MAHESHWARI DATAMATICS PVT. LTD.

6, Mangoe Lane, 2nd Floor,

Kolkata — 700 001.

Tel. No. 033-2243-5029, 2243-5809

Fax No. 033-2248 4787

E. mail : mdpl@cal.vsnl.net.in

REGISTERED AND CORPORATE OFFICE : 8B, MIDDLETON STREET

6A, GEETANJALI

KOLKATA - 700 071

BRANCHES : NEW DELHI, MUMBAI, CHENNAI & BANGALORE



NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of SUMEDHA FISCAL SERVICES LIMITED will be held at Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001 on Saturday, the 16th day of September, 2006 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt Audited Accounts of the Company for the year ended 31st March, 2006 together with Reports of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2006.
3. To appoint a Director in place of Mr. Prakash Kumar Biyani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Bijay Murmura, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. Appointment of Dr. Basudeb Sen as a Director

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Dr. Basudeb Sen, appointed as Additional Director of the Company by the Board of Directors with effect from 28th December, 2005 and whose term expires at the Seventeenth Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the Office of a Director, be and is hereby appointed a Director of the Company."

7. Appointment of Mr. Anil Kumar Birla as a Director

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Mr. Anil Kumar Birla, appointed as Additional Director of the Company by the Board of Directors with effect from 30th November, 2005 and whose term expires at the Seventeenth Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the Office of a Director, be and is hereby appointed a Director of the Company."

8. Re-appointment of Branch Auditors for Mumbai Branch.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT M/s. Prakash Modi & Associates, Chartered Accountants, 303 VINOD VILLA, 3rd Floor, 66, 3rd Cavel Cross Lane, Kalbadevi Road, Mumbai — 400 002 be re-appointed as Auditors, for Auditing Mumbai Branch Accounts of the Company for the financial year 2006-07 at a remuneration to be decided by the Board of Directors."

9. Appointment of Branch Auditors for Bangalore Branch.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT M/s. Yuvraj & Associates, Chartered Accountants, 374/7/1 Saprih, 2 Man, 5th Cross, K N Extension, Yeshwantpur, Bangalore be appointed as Auditors, for Auditing Bangalore Branch Accounts of the Company for the financial year 2006-07 at a remuneration to be decided by the Board of Directors."

Registered Office :
8B, Middleton Street,
6A, Geetanjali,
Kolkata - 700 071.
Date : June 24, 2006

By Order of the Board

DEB KUMAR SETT
Company Secretary

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the Company. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 12th September, 2006 to 16th September, 2006 (both days inclusive).
3. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
4. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or after 16th September, 2006 to those members whose names appear on the Register of Members as on 16th September, 2006.
5. Members are advised that bank details and addresses as furnished by them or by NSDL/CDSL to the Company, for shares held in the certificate form and in the dematerialised form respectively, will be printed on their dividend warrant(s) as a measure of protection against fraudulent encashment.
6. Members are requested to address all their correspondences, including dividend matters, to the Registrar and Share Transfer Agents — Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, Kolkata — 700 001.
7. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
8. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 A.M. to 1.00 P.M. up to the date of the Annual General Meeting.
9. Shareholders seeking any information with regard to Accounts are requested to write to the Company early so as to enable the management to keep the information ready.
10. Members are requested to bring their copy of the Annual Report to the Meeting and produce the enclosed Attendance Slip at the entrance to the hall.



EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6

Dr. Basudeb Sen was appointed with effect from 28th December, 2005 as an Additional Director (non-executive) of the Company in terms of section 260 of the Companies Act, 1956 ("the Act").

Dr. Sen vacates his office at the forthcoming Annual General Meeting pursuant to provisions of Section 260 of the Act. The Board of Directors ("the Board") of your Company recommend for approval of the Members, the appointment of Dr. Sen as Non-Executive Director of the Company, liable to retire by rotation.

Dr. Sen has over 32 years of management experience in different areas of commercial banking, development banking and investment management. He is an M.A. in Economics and a Ph.D. from Indian Statistical Institute, besides being an alumnus (ISMP-AMP) of the Harvard Business School. He has contributed several articles in academic / professional journals and financial papers on a range of subjects like management, economics, banking, financial markets and energy. Dr. Sen has served as Chairman and Managing Director of the Industrial Investment Bank of India Limited and as Executive Director of UTI. He has managed critical business responsibilities in various areas including strategic planning, management information systems and IT project implementation, risk management system, and management of investment portfolio, credit appraisal, project execution, marketing and business research, accounts, audit, and negotiation of collaborations in various organisations including United Bank of India, Coal India Limited and Industrial Development Bank of India. In the last two decades, Dr. Sen has served as Chairman and / or Member of various inter-constitutional committees and working groups set up by SEBI, RBI and domestic financial institutions and industry associations on consortium loan accounting, corporate governance, institutional disinvestment, overseas investment by mutual funds, money markets and corporate debt restructuring. He has also served on the Boards of a number of companies in the power, engineering, textiles, financial services, electronics and entertainment sectors.

Due notice under Section 257 of the Act has been received from a member proposing the appointment of Dr. Sen as a Director of the Company. Requisite consent has been filed by Dr. Sen, pursuant to provisions of Section 264(1) of the Act, to act as such Director, if appointed, Dr. Sen does not hold any share in the Company. Dr. Sen has given the declaration as required under Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956), Rules, 2003. The Board considers it desirable to continue to receive the benefit of his guidance and therefore commends his appointment.

None of the Directors of the Company, other than Dr. Sen, is interested in this Resolution.

Item No. 7

Mr. Anil Kumar Birla was appointed on 30th November, 2005 as an Additional Director (non-executive) of the Company in terms of section 260 of the Act.

Mr. Birla vacates his office at the forthcoming Annual General Meeting pursuant to provisions of Section 260 of

the Act. The Board of your Company recommend for approval of the Members, the appointment of Mr. Birla as Non-Executive Director of the Company, liable to retire by rotation.

Mr. Anil Birla is a practicing Chartered Accountant with in-depth experience in audit, law and corporate strategy. Mr. Birla runs his own Chartered Accountancy firm under the name & style, M/s. Birla & Associates. He is having wide experience in matters relating to finance, audit and liaisoning with different agencies. He is also a partner of M/s. Maheshwari & Associates, Chartered Accountants, Kolkata.

Due notice under Section 257 of the Act has been received from a member proposing the appointment of Mr. Birla as a Director of the Company. Requisite consent has been filed by Mr. Birla, pursuant to provisions of Section 264(1) of the Act, to act as such Director, if appointed. Mr. Birla holds 2000 share in the Company. Mr. Birla has given the declaration as required under Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956), Rules, 2003. The Board considers it desirable to continue to receive his benefit and guidance and therefore commends his appointment.

None of the Directors of the Company, other than Mr. Birla, is interested in this Resolution.

Item No. 8 & 9

The Auditors for Mumbai Branch Office of the Company who retire at the forthcoming Annual General Meeting, being eligible offer themselves for re-appointment.

The Company has opened a Branch Office at Bangalore and is required to appoint Branch Auditors to conduct statutory audit thereat. The profile of M/s. Yuvraj & Associates, Chartered Accountants, Bangalore was found suitable for the purpose. The Board recommends for approval of Members the respective re-appointment and appointment of the said Branch Auditors.

None of the Directors of the Company is in any way interested in the resolution.

Registered Office :
8B, Middleton Street,
6A, Geetanjali,
Kolkata - 700 071.
Date : June 24, 2006

By Order of the Board

DEB KUMAR SETT
Company Secretary



CERTIFICATION BY CFO OF THE COMPANY

I, Bhawani Shankar Rath, Wholetime Director and Chief Financial Officer, to the best of my knowledge and belief, certify that:

1. I have reviewed the Balance Sheet as at 31st March, 2006 and Profit & Loss Account, and all its Schedules and Notes on Account, as well as the Cash Flow Statements and Directors' Report for the year ended on that date.
2. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or does not contain any statement that might be misleading.
3. Based on my knowledge and information, the financial statements, and other financial information included in this report, present in all materials respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report and are in compliance with the existing Accounting Standards and/or applicable laws and regulations;
4. To the best of my knowledge and belief, no transactions entered into by the Company during the aforesaid period are fraudulent, illegal or violative of the Company's Code of Conduct.
5. I am responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and I have -
 - a. Evaluated the effectiveness of the Company's disclosure, controls and procedures over financial reporting, and
 - b. Disclosed in this report any change in Company's internal control over financial reporting that occurred during the Company's most recent accounting period that may have materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.
6. I have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors.
 - a. All deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors, any material weakness in internal control over financial reporting including any corrective actions with regard to such deficiencies, if any;
 - b. Significant changes in internal controls during the period covered by this report, if any;
 - c. All significant changes in accounting policies during the period, if any, and that the same have been disclosed in the notes to the financial statements.
 - d. No instances of significant fraud of which I am aware, involving management or other employees who have significant role in the Company's internal controls system.
7. I further declare that all board members and senior management personnel have affirmed compliance with the Code of Conduct (since its adoption) during the period under review.

Place : Kolkata

Date : June 24, 2006

Bhawani Shankar Rath

Wholetime Director & Chief Financial Officer

SUMEDHA FISCAL SERVICES LTD.**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their 17th Annual Report and the Audited Accounts for the financial year ended 31.03.2006.

(Rs. in Lacs)

	Year ended 31.03.2006	Year ended 31.03.2005
Total Income	478.63	309.13
Cash Profit	145.94	102.50
Less : Depreciation	15.47	14.06
Profit before tax	130.47	88.44
Less : Provision for taxation (net)	33.50	26.75
Less : Provision for Fringe Benefit Tax	3.75	-
Add / (Less) : Deferred Tax	(3.74)	(18.87)
Add / (Less) : Tax for Earlier years	(0.20)	-
Profit after tax	89.28	42.82
Add : Surplus brought forward	70.51	73.75
Balance available for appropriation	159.79	116.57
APPROPRIATION		
Less : Amortisation of Goodwill	8.19	8.19
Provision for Dividend (Including Dividend Tax)	-	37.87
Balance carried to Balance Sheet	151.60	70.51

MANAGEMENT DISCUSSION & ANALYSIS**INDUSTRY SCENARIO**

The Fiscal 2005-06 has been the third consecutive year of excellent performance for India. India has achieved a GDP growth of 8.4% during the year which is largely contributed by Industries as well as Service Sector coupled with renewed business and consumer confidence. India is one of the fastest growing economies in emerging market and has clearly poised on a higher growth path. This accelerated growth would make further opportunities available to the company in time ahead.

OPERATIONAL REVIEW

During the year under review your Company's Income from Operations increased to Rs. 458.26 lacs as against Rs. 299.20 lacs during the previous year. Your Company continued its focus on fee based activities (Loan Syndication and Project Consultancy Services) and income there from rose to Rs. 288.65 lacs (Rs. 198.78 lacs in previous year).



Income from Capital Market Operation was Rs. 169.61 lacs as against Rs. 100.41 lacs during the previous year. Income from Other Sources was at Rs. 20.37 lacs as against Rs. 9.93 lacs during the previous year.

INVESTMENT BANKING

The Company continues to concentrate on its greatest strength arising out of Loan Syndication & Project Consultancy services. The operations are further being enlarged to undertake assignment related to Issue Management, Private Placement of Equity and other related assignments which will further consolidate its position towards accelerated growth of this segment.

SECURITY DEALING

The Company continues to adopt a reasonable conservative approach with respect to Security Dealing but has improved its institutional sales which has largely contributed to the improvement of income in this segment during the year. Further, the Company is adopting measures to further enlarge its revenue by starting operations from other branches including opening of new branches as well.

DIVIDEND

Taking into consideration the overall profitability position, the Board of Directors is pleased to declare a dividend of 5% during the year under review.

BUSINESS OUTLOOK

The excellent boom environment provides a unique opportunity to the Company to move to a higher growth trajectory. Recognising this, the Company has taken initiatives in the areas of technology, project enhancement and widening its geographical reaches by further opening new branch which will enhance its competitive capabilities and increase its client-base and business volumes. The Company is confident of leveraging to greater scale of operations to achieve even better performance in 2006-07.

DIRECTORS

Pursuant to Section 260 of the Companies Act, 1956 and Article 138 of the Articles of Association of the Company Dr. Basudeb Sen was appointed with effect from 28th December, 2005 as an Additional Director (non-executive) of the Company. Similarly Mr. Anil Kumar Birla was appointed on 30th November, 2005 as an Additional Director (non-executive). Dr. Sen and Mr. Birla hold their respective offices up to the date of the ensuing Annual General Meeting. The Company has received respective notices in writing from members of the Company proposing candidature of Dr. Sen and Mr. Birla for the office of Director, liable to retire by rotation. In terms of Article 145 of the Articles of Association of the Company, Mr. Prakash Kumar Biyani and Mr. Bijay Murmura, retire by rotation and being eligible, offered themselves for re-appointment at the ensuing Annual General Meeting.

Brief resume of the Directors proposed to appointed/re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreements with the Stock Exchanges, are provided in the Report on Corporate Governance forming part of the Annual Report. The Company has obtained necessary intimations from them in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956), Rules, 2003 to the effect that they have not incurred any disqualification under Section 274(1)(g) of the Companies Act, 1956 and they are eligible to be appointed as Directors of the Company.