

TWENTYTHIRD ANNUAL REPORT

for the year ended

31st March 2008

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UPASANA FINANCE LIMITED

BOARD OF DIRECTORS

SRI. R RAMAKRISHNAN

SRI. S E S MANI

SRI. S RAMAKRISHNAN

**SENIOR MANAGER -
FINANCE & SECRETARY**

SRI. R KRISHNAN

BANKERS

The Karur Vysya Bank Ltd.
United Bank of India
State Bank of Mysore

AUDITORS

M/s. SUNDARAM & SRINIVASAN
Chartered Accountants
23, C P Ramaswamy Road,
Chennai - 600 018.

REGISTERED OFFICE

III Floor
Auras Corporate Centre
98-A, Dr. Radhakrishnan Salai,
Mylapore, Chennai - 600 004.
Tel: 044 - 2847 8605
email: upasana_shares@yahoo.com

UPASANA FINANCE LIMITED, Chennai 600 004

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Shareholders of the Company will be held at the Music Academy, Kasturi Srinivasan Hall (Mini Hall) New No. 168(Old No., 306), T T K Road, Chennai 600 014 on Monday the 29th September, 2008 at 10.00 a.m to transact the following business :

Ordinary Business

1. To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:
"RESOLVED that the Audited Balance Sheet as at 31st March 2008, the Profit and Loss Account for the year ended 31st March 2008 and the Reports of the Directors and the Auditors of the Company, be and are hereby approved and adopted."
2. To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:
"RESOLVED that Sri S E S Mani, who retires by rotation and being eligible, for re-appointment, be and is hereby appointed as Director of the Company."
3. To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:
"RESOLVED that M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company, in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the Audit."

Special Business

4. To consider and, if thought fit, to pass, with or without modification the following Resolution as a Special Resolution:
"RESOLVED that pursuant to the provisions of Section 78, 80, 100 and other applicable provisions, if any, of the Companies Act, 1956, Article 6 of the Articles of Association of the Company and subject to the approval of the Reserve Bank of India, if any, and also subject to the confirmation of the Hon'ble High Court of Judicature at Madras or the National Company Law Tribunal, the following amounts as on 31/03/2008 be utilized to set off the accumulated losses of the Company (the debit balance in the Profit and Loss Account), which stood at Rs.6,65,37,164 as on 31/03/2008:
 - a) an amount not exceeding Rs.2,98,00,948 of Share Premium Account,
 - b) an amount not exceeding Rs. 3,95,998 of Capital Reserve Account,
 - c) an amount not exceeding Rs.1,00,00,000 of Capital Redemption Reserve Account; and
 - d) an amount not exceeding Rs.2,63,40,218 of Statutory Reserve Account

"RESOLVED FURTHER that the Directors of the company or any person(s) whom the Board or the Committee of the Board may nominate, to exercise its powers, including the power conferred under this Resolution, be and are hereby severally authorized to take all steps necessary and file application/petition to the High Court of Madras or the National Company Law Tribunal for obtaining sanction of the utilization/adjustment of the Share Premium/Capital Reserve/Capital Redemption Reserve/Statutory Reserve account as resolved and to do all such acts, deeds and things as may be deemed necessary or expedient in order to give effect to the above Resolution and for that purpose to engage any Counsel to act for and on behalf of the Company so as to comply with the various formalities required under the provisions of the Companies Act, 1956 and the Companies (Court) Rules, 1959."

"RESOLVED FURTHER that for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company or the Committee of the Board specifically constituted for this purpose or any person(s) whom the Board or the above Committee may nominate, to exercise its powers, including the power conferred under this Resolution, be and is hereby authorized to do all such acts, deeds, matters, things, as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to utilization/adjustment of the amounts standing in the accounts of Share Premium, Capital Reserve, Capital Redemption Reserve and Statutory Reserve including passing of such accounting entries and / or making such other adjustments in the books of accounts as considered necessary to give effect to the above Resolution or to carry out such modifications/directions as may be Ordered by the Hon'ble High Court of Judicature at Madras or the National Company Law Tribunal or the Reserve Bank of India or other appropriate authorities so as to implement the aforesaid Resolution."

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5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution

"RESOLVED that pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, sanctions and permissions of appropriate authorities as may be necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to invest from time to time by way of subscription, purchase, acquisition or otherwise the units of the Mutual Funds, registered with the Securities and Exchange Board of India (SEBI) and sponsored by recognized Banks and/or Corporate Bodies/Institutions not exceeding in the aggregate a sum of Rs.500 Lakhs (Rupees Five Hundred Lakhs only) notwithstanding that the aggregate of total investments and loans made and that may be made by the Company together with the aforesaid investment, shall be in excess of the limits prescribed under section 372A of the Companies Act, 1956.

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board of Directors of the Company be and is hereby authorized to determine the actual sum to be invested from time to time and also authorized to take all such actions and give all such directions on all matters arising out of or incidental thereto to the proposed investments and to do all such acts, deeds and things and to execute all such deeds, documents and writings as may be deemed expedient, desirable and necessary in this regard."

Chennai
22nd August, 2008

By Order of the Board
R KRISHNAN

Senior Manager - Finance & Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. The instrument appointing proxy should be deposited at the Registered office of the Company at least 48 hours before the commencement of the meeting.
3. Members desiring any information as regards accounts are requested to write to the Company atleast seven days before the meeting so as to enable the Management to keep the information ready.
4. Members are requested to notify/send the following to the Registered Office of the Company
 - a) any change in their address
 - b) Nomination in Form 2B, in duplicate as provided under Section 109A of the Companies Act, 1956, in case they have not been sent earlier.
 - c) Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one account.
5. Please bring the Attendance Slip duly filled in and hand it over at the entrance of the meeting hall.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from 20th September 2008 to 29th September 2008 both days inclusive.
7. The equity shares of the Company are listed with the following Stock Exchanges:

Madras Stock Exchange Limited	The Bombay Stock Exchange Limited,
Exchange Building	Phiroze Jeejeebhoy Towers
11 Second Line Beach	Dalal Street
Chennai 600 001.	Mumbai 400 001.

The listing Fees for the year 2008-2009 has been paid to the above Stock Exchanges.
8. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under Item Nos.4 & 5 is annexed hereto.
9. At this annual general meeting Sri S E S Mani, Director, retires by rotation and being eligible, offers himself for re-appointment. The particulars of Sri S E S Mani, Director as required to be furnished under the Listing Agreement are provided hereunder.

Sri S E S Mani, aged 66 years, is a Mechanical Engineering Graduate He has 35 years of experience in various capacities in the fields of engineering and finance.

He is not a Director in any other Company. As on date, he holds 200 equity shares.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.4

The Company has a paid-up equity capital of Rs.4,27,80,000 , Reserves & Surplus of Rs.6,88,08,148 consisting of Share Premium Rs.2,98,00,948, Capital Reserve of Rs.3,95,998, Capital Redemption Reserve of Rs.1,00,00,000 and Statutory Reserve of Rs.2,86,11,202 and accumulated losses of Rs.6,65,37,164 as on 31st March 2008.

The current Capital Structure of the Company does not reflect the correct financial position of the Company. The true financial position is arrived by writing off the accumulated losses with equivalent reduction in Reserves & Surplus without reducing the number of equity shares and paid-up value of the equity share.

The Bombay Stock Exchange Limited (BSE) has suspended the trading of securities of the Company. The BSE has informed the Company that it will be in a position to consider the request of the Company for revocation of suspension of trading in securities of the Company only after the Company (1) wipes off the accumulated losses and (2) sign necessary agreements with both the Depositories, so that the shareholders may dematerialize the equity shares of the Company. The Depositories have also rejected the application of the Company for admission of the securities of the Company into depository system, as the capital base of the Company does not meet the admission criteria of the Depositories.

As the trading in securities of the Company have been suspended, the small investors are not in a position to trade in the securities of the Company. Since the accumulated losses of the Company mainly consist of non-performing assets, the Reserves & Surplus of the Company to the extent of the accumulated losses has been lost or unrepresented by available Assets. The Company is concentrating only in recovery of overdue receivables. Hence, the Company is not certain of recouping the entire losses in the near future.

The proposal as envisaged in the Resolution provides for writing off the accumulated losses of Rs.6,65,37,164 against the Reserves & Surplus to the extent of Rs.6,65,37,164 as permissible under Sections 78 and 80 read with Section 100 of the Companies Act, 1956 as Capital Reduction.

Therefore as per the proposal the Paid-up Share Capital shall remain at Rs.4,27,80,000 and Reserves & Surplus at Rs.22,70,984 (represented by Statutory Reserve) after giving effect to the above proposal, which would result in a healthy Capital structure of the Company.

Thus, if the accumulated losses are set off by the proposed reduction from Reserves & Surplus the securities of the Company will be admitted in both Depositories and further the BSE would be in a position to consider the revocation of suspension of trading in securities of the Company, thereby the small investors may trade in the securities of the Company.

As required under the Listing Agreement entered into with the Stock Exchanges, Capital Structure and Shareholding pattern (Before and After proposed Share Capital Reduction proposal) of the Company is furnished below;

CAPITAL STRUCTURE AND SHAREHOLDING PATTERN AS ON 22-08-2008

Category	Before Capital Reduction			After Capital Reduction		
	No. of Shares	Paid-up Share Capital (Rs.)	%	No. of Shares	Paid-up Share Capital (Rs.)	%
Promoters	30,00,200	3,00,02,000	70.13	30,00,200	3,00,02,000	70.13
Directors	400	4,000	0.01	400	4,000	0.01
Banks	3,07,200	30,72,000	7.18	3,07,200	30,72,000	7.18
Bodies Corporate	25,500	2,55,000	0.60	25,500	2,55,000	0.60
Non-Resident Indians	71,800	7,18,000	1.68	71,800	7,18,000	1.68
Resident Individuals	8,72,900	87,29,000	20.40	8,72,900	87,29,000	20.40
Total	42,78,000	4,27,80,000	100.00	42,78,000	4,27,80,000	100.00

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The Company proposes to seek the approval of the Reserve Bank of India to utilize the Statutory Reserve to the extent indicated hereinabove to reduce the accumulated losses.

The proposal to reduce Share Premium account and Capital Redemption Reserve are subject to the provisions of Sections 78 and 80 read with Section 100 of the Companies Act, 1956. Sections 78 and 80 prescribe that the provisions of the Act relating to reduction of the Share Capital (Section 100) shall apply as if the Share Premium and Capital Redemption Reserve, are to be treated as paid-up share capital of the Company. Further Section 100 provides that a Company limited by shares can reduce its share capital in any way, if authorized by its Articles, approved by the members by way of a Special Resolution and subject to the confirmation by the Court/Tribunal. The Company after obtaining the approval of the members of the Company, would approach the Hon'ble High Court of Judicature at Madras or the National Company Law Tribunal for its confirmation.

The Board of Directors after careful consideration commend the Special Resolution for adoption by the members.

None of the Directors of the Company is concerned or interested in the above Resolution except to the extent of their respective shareholdings in the Company.

INSPECTION OF DOCUMENTS

The documents referred to in this Notice/ Explanatory Statement are open for inspection by any Member at the Registered Office of the Company during the business hours of the Company on any working day prior to the date of the Annual General Meeting.

Item No.5

The Company has deposited an amount of Rs.2.88 Crores, being the temporary surplus funds with schedule banks as on 31st March 2008. The Company is not in a position to invest these funds in the units of the recognized Mutual Funds, since the limit prescribed under Section 372A has been fully utilized. The Company will be able to get better post-tax returns, if funds are invested in the units of Mutual Funds, from time to time. The Company proposes to invest the said surplus together with the internal accruals generated from time to time, in various schemes of Mutual Funds registered with SEBI and sponsored by recognized Banks and/or Corporate Bodies/Institutions up to a maximum limit as prescribed in the Resolution.

As the proposed investments exceed the limits prescribed under Section 372A of the Companies Act, 1956 the Company will be required to obtain approval of the members by way of a Special Resolution and accordingly the Board of Directors commend the Special Resolution for adoption by the members.

None of the Directors of the Company is concerned or interested in the above Resolution.

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors present you with the Twenty Third Annual report with the Audited Accounts for the year ended 31st March 2008.

1. FINANCIAL RESULTS:

	2007-2008	Rs. in lakhs 2006-2007
Income from Operations	164.53	470.98
Other Income	55.21	18.17
Profit/(Loss) before Interest & Depreciation	179.29	439.02
Less: Interest	19.31	54.01
Less: Depreciation	0.01	6.00
Profit before Tax	159.97	379.01
Less: Provision for Tax	54.79	42.68
Profit after Tax	105.18	336.33
Add: Balance brought forward	(754.06)	(976.39)
Amount available for appropriation	(648.88)	(640.06)
Less: Appropriations		
Special Depreciation Reserve Withdrawn	-	(1.37)
Transfer to Statutory Reserve	21.04	67.26
Tax relating to earlier years	(4.54)	48.11
Balance Carried Over	(665.38)	(754.06)

DIRECTORS' REPORT TO THE SHAREHOLDERS (Contd..)

2. DIVIDEND:

In view of the accumulated losses, the Directors are unable to recommend any dividend on equity shares for the year ended 31st March 2008.

3. SET OFF RESERVES & SURPLUS AGAINST ACCUMULATED LOSSES

Bombay Stock Exchange Limited (BSE) has suspended the trading of the Securities of the Company. BSE has informed the Company that it will be in a position to consider the request of the Company for revocation of suspension of trading of the securities of the Company only after the Company (1) wipes off the accumulated losses and (2) sign necessary agreement with both depositories so that the shareholders may dematerialize the Equity Shares of the Company. As the capital base of the Company does not fulfill the admission criteria of the Depositories, the Depositories have also rejected the application of the Company for admission of the securities of the Company into depository system.

Since the accumulated losses of the Company consists of Non-performing assets, the Reserves and Surplus of the Company to the extent of the accumulated losses has been lost or unrepresented by available assets. The Company is concentrating only in recovery of Overdue receivables. Hence the company is not certain of recouping the entire losses in the near future.

The Board of Directors at its meeting held on 22nd August 2008 has approved a proposal to utilize the Share Premium Account, Capital Redemption Reserve Account, Capital Reserve Account and Statutory Reserve Account to set off the accumulated losses of the Company, subject to the approval of the Shareholders by way of Special Resolution and subject to the approval of Reserve Bank of India, if any, and also subject to the confirmation of the Hon'ble High Court of Judicature at Madras or the National Company Law Tribunal. The proposed reduction will enable the Company to comply with the requirements of the BSE and the depositories and the capital structure will be healthy. Hence, the Board of Directors of the Company commend the Special Resolution for approval of the members at the ensuing Annual General Meeting.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Classification by RBI : The Company is registered with RBI as Non Deposit taking Non-Banking Financial Company (NBFC-ND) and has a valid certificate of Registration.

Business Review : The Company continues to concentrate upon recovery of overdue receivables. Even while pursuing the legal route, the Company attempts negotiations with customers for early recovery of debts. The Company has collected an amount of Rs.137.31 lacs during the year.

Future Outlook : The company is not entering into fresh contracts for business and is continuing to concentrate upon recovery of overdue receivables and is hopeful that the impact of this approach on the net worth will be more beneficial to the company.

5. DEPOSITS:

As at 31st March 2008 deposits (including interest) amounting to Rs. 0.07 lakhs comprising 1 depositor having matured for payment was due to be claimed. Steps are being taken to obtain depositor's instructions to ensure repayment of the deposits. There are no matured deposits claimed by the depositors, but not paid by the company.

6. DIRECTORS:

Sri S E S Mani, Director, retire from the Board by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

7. AUDITORS:

M/s Sundaram and Srinivasan, Chartered Accountants, Chennai-600 018 retire at the ensuing Twenty Third Annual General Meeting and are eligible for re-appointment.

8. INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT 1956:

The Company is a Non-Banking Finance Company and is not engaged in manufacturing activity of any kind. The disclosure of information regarding conservation of energy and technology absorption are therefore not applicable to the company. There was no foreign exchange earning or outgo for the company during the year.

9. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the stock exchanges, a separate report on Corporate Governance together with a certificate from the Company's Auditors confirming the compliance of conditions of Corporate Governance is attached to this report.