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ARVIND MAFATLAL GROUP

MAFATLAL

FINANCE

MAFATLAL FINANCE COMPANY LIMITED

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**MAFATLAL
FINANCE****BOARD OF DIRECTORS**

SHRI J. A. PATEL
SHRI V. J. OJHA
SHRI R. R. PATEL
SHRI M. J. BHATIA
(Ceased w.e.f. 31.01.2008 - Nominee of Debenture Trustee)
SHRI A. P. MOHANTY
(w.e.f. 31.01.2008 - Nominee of Debenture Trustee)

**SR. VICE PRESIDENT - RESOURCES
AND COMPANY SECRETARY**

SHRI K. CHANDRAMOULI

BANKERS

DENA BANK
BANK OF BARODA
CENTRAL BANK OF INDIA
ORIENTAL BANK OF COMMERCE
THE DHANALAXMI BANK LTD.
THE FEDERAL BANK LTD.

MANAGEMENT TEAM

SHRI J. A. PATEL	Chairman
SHRI N. R. DIVATE	President & CEO
SHRI K. CHANDRAMOULI	Sr. Vice President - Resources & Company Secretary

AUDITORS

R. PRABHU & ASSOCIATES
Chartered Accountants
Mumbai

REGISTERED OFFICE

Flat No. K-3/4, Second Floor,
Shopping Centre, Sector 15/16,
Vashi, Navi Mumbai - 400 703.

**REGISTRARS & SHARE TRANSFER
AGENTS**

BIG SHARE SERVICES PRIVATE LTD.
E-2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (East),
Mumbai - 400 072.

**MAFATLAL
SECURITIES****BOARD OF DIRECTORS**

SHRI H. A. MAFATLAL	Chairman
SHRI N. R. DIVATE	Director
SHRI B. K. GHIYA	Director
SHRI V. J. OJHA	Director
SHRI P. KARUNAKAR RAO	Wholetime Director
SMT. MEGHA J. VAZKAR	Wholetime Director

AUDITORS

R. PRABHU & ASSOCIATES
Chartered Accountants
Mumbai.

REGISTERED OFFICE

Rustom Building, 4th Floor,
29, Veer Nariman Road,
Fort, Mumbai - 400 001.

NOTICE

Notice is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING of the Members of MAFATLAL FINANCE COMPANY LIMITED will be held at Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703 on Friday, 26th day of September, 2008 at 10.30 a.m. to transact the following BUSINESS:

ORDINARY BUSINESS

1. To consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date and the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R. R. Patel who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the Board
For MAFATLAL FINANCE COMPANY LTD.

K.CHANDRAMOULI
Company Secretary

Registered Office:

Flat No. K - 3/4 Second Floor
Shopping Centre, Sector 15/16
Vashi, Navi Mumbai - 400 703

Date: 18th June, 2008

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER.
- b) The proxy form duly completed and signed by the shareholder should be deposited at the registered office of the company atleast 48 hours before the commencement of the meeting.

- c) The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd September, 2008 to 26th September, 2008.
- d) Members are requested to notify any change in their address to the Company's Registrars & Share Transfer Agents, M/s. Big Share Services Pvt. Ltd., E-2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072, quoting their folio nos. immediately, so as to ensure that all communications/reports reach the Members promptly.
- e) Shareholders seeking any information with regard to the Accounts of the Company are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

ANNEXURE TO THE NOTICE

Notes on directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

PROFILE OF DIRECTORS BEING APPONTED/RE-APPOINTED

Name : Ramakant R. Patel
Age : 72 years
Qualifications : B.Sc.(Honours), LLB, FCS
Experience : 47 years experience in Company Law Matters

His Directorships and Committee Memberships of other Companies are as follows:

Company	Position	Committee Membership
Sunanda Industries Limited	Director	—

Mr. Ramakant R. Patel holds 200 Equity Shares in Mafatlal Finance Company Limited.

DIRECTORS' REPORT

To,
The Members
Mafatlal Finance Company Limited

Your Directors present the Twenty First Annual Report with the Audited Statement of Accounts of the Company for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

The Financial results of the company for the year under review as compared to the previous year are summarized below for your consideration:

	Year ended 31.03.2008 (Rs. in lacs)	Year ended 31.03.2007 (Rs. in lacs)
Gross Income	1077.63	749.42
Gross (Loss)/Profit before depreciation and Income tax	(624.51)	69.89
Depreciation	1.84	1.98
Provision for Tax	1.97	1.03
Net Profit/(Loss) After Tax	(628.32)	66.88
Transferred from Investment Allowance Reserve	-	-
Add: Amount brought forward from previous year	(24242.20)	(24309.08)
Amount available for appropriation	-	-
Transferred to Debenture Redemption Reserve	-	-
Transferred to Statutory Reserve under RBI Act	-	-
Adjustment made as per Scheme of Compromise	13564.03	-
Balance carried forward	(11306.49)	(24242.20)

2. OPERATIONS

The financial year 2007-2008 has ended with the company making a loss of Rs. 628.32 lacs. The company has given the effect of scheme of compromise sanctioned in the accounts in the last quarter of the current year and the company's accumulated loss has been brought down substantially.

Your company is confident of meeting the obligations to the creditors as per the scheme of compromise sanctioned by the Honourable Bombay High Court and pursuant to the same and various other factors the company is hopeful of turning its network positive.

The company is continuing its efforts and discussions with the BSE for lifting the suspension in trading of the company's shares. The company continues to pursue aggressively the recoveries from its irregular and bad accounts.

The company does not anticipate any claims on the fixed deposits which are outstanding as per the books of accounts other than the deposits which are escrowed against the fixed deposits placed with the bank. The company has not reversed the liability and the same would be undertaken in the current year alongwith the effects that are being given to the accounts pursuant to the 'Scheme of Compromise'.

3. PROPOSED CHANGE IN CONTROL

Pursuant to the Share Purchase agreement the Promoters and some Share Holders of the Company have agreed to collectively sell 42.02% of the Equity Share Capital of the Company to Mr. N. R. Divate, the

President & CEO and Mr. K. Chandramouli, the Vice President - Resources & Company Secretary of the Company. The Share Purchase agreement provide for the resignation of the Promoter Nominated Directors namely Mr. J. A. Patel, Mr. R. R. Patel and Mr. V. J. Ojha and the appointment of New Directors representing Mr. N. R. Divate and Mr. K. Chandramouli upon completion of the take over under SEBI Substantial Acquisition of Shares and Take Over (SAST) Regulations, 1997.

Mr. N. R. Divate and Mr. K. Chandramouli have made an open offer in terms of SEBI SAST Regulations 1997 and upon Completion of the same and approval by BIFR in case of Mafatlal Industries Limited (one of the promoters), the shares of the sellers would be acquired by Mr. N. R. Divate and Mr. K. Chandramouli.

The Company's name also shall be changed in tune with the change in control.

4. LITIGATIONS AGAINST THE COMPANY

With the sanction of the Scheme of Compromise by the Honourable Bombay High Court, the litigations filed against the company by the secured creditors are expected to cease. The company however would be continuing its appeals against the various penalties etc. levied by the Enforcement Directorate and the disputed income tax claims besides cases that have been filed in Consumer Forums. or any other Courts.

5. REJECTION OF COMPANY'S APPLICATION AS AN NBFC

The Company expects that once the proposed restructuring of creditors and the capital is carried through, the company's networth should become positive thereby giving an opportunity to the company to revive itself. The course of action to be proposed shall be decided later and the company shall in the interim pursuing activity of broking through its subsidiary.

6. COMMENTS ON AUDITOR'S QUALIFICATIONS AND MANAGEMENT'S RESPONSE

The qualifications of the auditor's have been segmented and responded so as to facilitate a precise understanding on the subject:

I. Reappointment of Directors [relates to Item No. 4(e)]

The company is of the view that the disqualifications envisaged in clause-g (sub-section 1) of Section 274 of Companies Act, 1956 relates only to fresh appointments and not reappointment of the Directors in the same Company. In any case the period of 5 years after the default has already elapsed.

II. Income tax demand of Rs. 8,14,51,111/- [relates to Item No. 4(f)(i)]

This is an exparte order and the consequential demand arising there from without any credence to the intent of the order passed by the Income Tax Appellate Tribunal. The company has gone in appeal before the Commissioner of Income Tax Appeals and is hopeful the demand being set aside.

III. Fixed Deposits and Debentures [relates to Item No. 4f(ii) to (v)]

Reconciliation of Fixed Deposits Liability is constrained by lack available data. Reconciliation differences if any with Garron Trading Company Private Limited are unlikely to have any significant impact.

IV. Written Consent not obtained from Secured and Unsecured Creditors [relates to Item No. 4f(vi)]

The Secured Creditors have at the time of meeting itself preferred Option 'B' and the Unsecured Creditors Option 'A'. The Company

feels that no separate consent is necessary. The Secured and Unsecured Creditors have already accepted the payments made by the Company as per relevant options.

V. Confirmations from Banks [relates to Item No. 4f(vii)]

Most of the current accounts with banks are inoperative for a long time and the company is taking measures to close these current accounts. The statements are regularly received for the operative accounts and they are reconciled accordingly.

VI. Borrowings from ICICI Bank Ltd. and non provision of Interest and penal interest. [relates to Item No. 4f (viii) to (x)]

The company had in the year 1999 made a settlement with ICICI Ltd. consisting of issue and allotment of equity and preference shares, securitization of certain receivables and transfer of property which the company was to receive in settlement with a debtor. The transfer of the property to ICICI Bank Ltd. is pending and the company is in dialogue for the same. The Company does not anticipate any interest and penal interest liabilities on this borrowing after the takeover of the property by ICICI Bank Ltd.

VII. Capital Adequacy Ratio [relates to Item No 4f (xi)]

As the company is currently under the directions of Reserve Bank of India to sell the assets and repay the fixed deposits, the applicability of capital adequacy is not presently enjoined on the company as per the views of the management. This shall be applicable only when the company proposes to reregister itself.

VIII. Going Concern [relates to item No. 4f (xii)]

The accounts have been prepared on a going concern basis as the company has filed a 'Scheme of Arrangement and Compromise' under Section 391/394 of the Companies Act, 1956 in the Honourable Bombay High Court and the same has been sanctioned by the Honourable Bombay High Court. The company has given the effect of scheme of compromise in the accounts in the last quarter of the current year. The company's accumulated loss has been brought down substantially.

The enhanced recovery of receivables are also likely to improve the Net-Worth of the Company.

7. PUBLIC FIXED DEPOSITS

The company currently has 115 unclaimed depositors for a value of Rs. 10,23,000/- against which the company has escrowed a fixed deposit for a value of Rs. 18,63,968/- The outstanding liability of fixed depositors however as per books of accounts does not reflect the true position as some of the accounting entries of previous years have remained to be carried out and consequently higher book balances. It is also required to be noted that the company's outstanding book balances of banks specifically created for payment of fixed deposits, is showing a substantially high balances although as per the bank, the account has already been closed and therefore Nil balances. The company had created the contingency provision for the said loss as the figure of book balances of banks is higher by the outstanding fixed deposit by Rs. 2.29 crores. As the efforts to reconcile and identify the difference is constrained and affected by non-availability of records the Company has adjusted this difference of Rs. 2.29 crores as prior period item and the same is adjusted against contingency provisions.

In view of the fact that the outstanding fixed deposits as per the books do not reflect correctly the liability and the company shall reverse the said deceptive liability not supported by adequate data in the form of individual balances in the current financial year. The company would however continue its effort to obtain the records from the bank and reconcile the differences.

8. LISTING OF SHARES

The company is making efforts to get the suspension removed so as to enable the shares to be traded in BSE and pursue the voluntary

delisting in other stock exchanges as already approved by members in the year 2004.

9. MAFATLAL SECURITIES LIMITED (MSL) - SUBSIDIARY COMPANY

The Company has posted a net profit of Rs. 341.17 lacs for the financial year ended 31st March, 2008, after writing off Rs. 0.11 lacs towards bad debts. The Subsidiary Company is exploring various options to fare better in the current financial year. Statement pursuant to Section 212 of the Companies Act, 1956 in respect of Mafatlal Securities Limited are separately given in this Report. The financial statements and the audited accounts of the subsidiary are annexed to this report.

10. OUTLOOK

Having regard to the fact that the Scheme of compromise and arrangement formulated by the company has since been sanctioned, and accordingly the necessary accounting effects have been given in last quarter of the current year the company's accumulated loss has been brought down substantially. The company would examine the possibility of undertaking non-NBFC activities.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign exchange earnings : Nil

Foreign exchange outgoings : Nil

12. DIRECTORATE

In accordance with the provision of the Articles of Association of your company, Mr. Ramakant R. Patel is retiring by rotation and being eligible, has offered himself for reappointment. The Board of Directors recommends his reappointment. He holds 200 Shares in the Company.

13. DEPOSITORIES

Effective October 30, 2000, the equity shares of your Company have been mandated by Securities and Exchange Board of India for delivery only in dematerialized form for all investors.

Your Company has already entered into arrangements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for custody and dematerialization of shares in accordance with the Depositories Act, 1996.

14. PARTICULARS OF EMPLOYEES

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 form part of this report. However as per the provisions of Section 219 (1) (a) (iv) of the Companies Act, 1956 the Reports and Accounts are being sent to Share Holders excluding the statement of particulars of employees under Section 217 (2A) of the Companies Act, 1956. Any Share Holder interested in obtaining the statement may write to the Company at the Registered Office address for obtaining the same.

15. DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates 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 the financial year and of the loss of the Company for the period;
- the Directors had taken proper and sufficient care for the

maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. the Directors had prepared the annual accounts on a going concern basis notwithstanding the rejection of the company's application for registration by RBI and complete erosion of networth on account of the anticipated restructuring process.

16. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, management discussion analysis, and corporate governance report are made a part of the annual report.

17. AUDITORS

The Company's Auditors M/s. R. Prabhu & Associates, Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible having given their consent to act as Auditors of the Company if

reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

18. ACKNOWLEDGEMENTS

Your Directors wish to thank and place on record their appreciation of the valuable support given by Company's Customers, Shareholders, Bankers, Deposit Holders, Financial Institutions, Mutual Funds and Debenture Holders.

The Directors would also like to thank the employees for their contribution to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Navi Mumbai
Date : 18th June, 2008

R. R. PATEL
Director

MANAGEMENT DISCUSSION AND ANALYSIS

The Scheme of Arrangement and Compromise with the residual creditors and debenture holders has been sanctioned by the Honourable Bombay High Court. The Company has given the necessary accounting effects in the last quarter of the current year which has brought down the accumulated loss substantially. The company would be drawing up the resource plans to carry out future operations in fee based areas.

FINANCIAL REVIEW

As the company discontinued its lending operations, most of the revenues arose from past lending and disbursements. Consequent upon the judgement delivered by the Hon'ble Supreme Court the company was successful in finalising its pending sales tax assessments in Karnataka as well as in Maharashtra State in respect of Lease Tax. The company's income was Rs. 1077.63 Lacs which included Rs. 330.16 Lacs towards operational income and Rs. 747.47 Lacs as other income (which includes write-backs) and the company incurred a loss of Rs. 628.32 Lacs. During the year the company has provided Rs. 22.18 Lacs (net) towards bad and doubtful debts.

BUSINESS ANALYSIS OUTLOOK

The company has been exploring the possibility of alternate activities in the fee based segment. In addition, the company would also further activate its stock broking subsidiary as there has been significant improvement in the capital market. The company is confident of improving its revenues from the new activities.

RISK AND CONCERNS

The company faces the following challenges and risks:

- a) Risk associated with rejection by RBI, its application for registration as NBFC and thereby impinging on the company's core area of operations.
- b) Results of the litigations filed against by the company.
- c) Contingent risks which the company is not currently facing but may be exposed too.

Your company's management has been continuously evaluating the risk and concerns and have been taking proactive action in its mitigation. Given the fact that there are substantial numbers of risks, which are cumulatively impinging the company's operations, any road to future development would be fraught with a fair degree of uncertainty.

INTERNAL CONTROL AND THEIR ADEQUACY

The company has appropriate and adequate internal control system, which are sufficient for the level of activities carried by it. The internal audit is being carried out by an external firm of Chartered Accountant and their findings are reviewed at reasonable intervals. The Board is of the opinion that the internal control system is adequate to size of the Company's business.

The company has fully computerised and integrated financial and accounting function.

INDUSTRIAL RELATIONS

The Company as on 31.03.2008 has 16 employees on its payroll: The relationship were cordial and the Company had performance based incentive scheme for all its officer cadres.

CAUTIONARY STATEMENTS

Statement in the Management Discussion and Analysis describing the Company's position and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulation. Actual results could differ materially from those expressed, or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the market in which the Company operates, changes in the Government Regulations, tax laws and other statutes and incidental factors.

CORPORATE GOVERNANCE REPORT

The detailed report on corporate governance as required in terms of Clause 49 of the Listing Agreement is given below:

1. CORPORATE GOVERNANCE PHILOSOPHY

The company's philosophy is aimed at being transparent by discharge of all functions in a professionally sound and competent manner. The company's operations in the past have been hampered due to operative difficulties but nevertheless the company has been continuously striving to meet its responsibilities and obligations towards shareholders and others.

2. BOARD OF DIRECTORS

(a) Composition and Category of Directors

The company's Board of Directors from the commencement and completion of the year under review have been unchanged except Mr. M. J. Bhatia, a Nominee Director appointed by Bank of India representing the interest of the debenture holders has since resigned from the Board of Directors on his transfer within the bank. In his place Mr. A. P. Mohanty has been nominated by Bank of India, the Debenture Trustee as their new Nominee Director with effect from 31.01.2008. There has been no change in the composition of the Board of Directors. More than 50% of the Directors are non executive. However, Mr. J. A. Patel, Chairman of the company and a non-executive director has been classified as an independent director as he does not hold any material pecuniary relationship with the company. He is a professional chartered accountant performing the role of an internal auditor in one of the promoter companies. The company accordingly has three independent directors based on the revised classifications. As the Chairman is a non executive Director, more than 1/3rd of the Directors are independent.

The company follows the prescribed board procedures by circulating various items of agenda in advance which are to be dealt at the Board meetings.

The company has formulated a code of conduct for the Board members and senior management. The code provides for fair degree of transparency of operations with necessary guidelines for ethics, appropriate safety and healthy working environment.

(b) Attendance of each Director at the Board of Director's Meetings held during 2007-2008 and the last Annual General Meeting is as follows:

Director	Attended	Last Annual General Meeting Attended (Held on 31.12.2007)
Mr. J. A. Patel	6	Yes
Mr. R. R. Patel	2	No
Mr. Vinod Ojha	6	Yes
Mr. M. J. Bhatia *	4	Yes
Mr. A. P. Mohanty **	Nil	No

* Appointed with effect from 30.08.2007. Ceased to be a Director with effect from 31.01.2008.

** Appointed with effect from 31.01.2008.

(c) Details of Directorships/Committee Memberships held by the existing Directors in other companies are given hereunder:

Name of the Director	Category	Directorships held in other Companies		Committee Memberships held in other Companies	
		As Director	As Chairman	As Member	As Chairman
Mr. J. A. Patel	Independent, Non-Executive	4	Nil	Nil	Nil
Mr. R. R. Patel	Not Independent, Non-Executive	1	Nil	Nil	Nil
Mr. Vinod Ojha	Independent, Non-Executive	1	Nil	Nil	Nil
Mr. M. J. Bhatia *	Independent, Nominee Director	Nil	Nil	Nil	Nil
Mr. A. P. Mohanty*	Independent, Nominee Director	Nil	Nil	Nil	Nil

* Mr. M. J. Bhatia was appointed as a Nominee Director representing debenture trustees ceased to be a Director with effect from 31.01.2008 and in substitution whereof, Mr. A. P. Mohanty has been appointed as a nominee director for the debenture holders as per Section 15(M) of SEBI (Debenture Trustees) regulations 1993 in conjunction with the provisions of the Trust Deed.

(d) Number of Board Meetings held and the dates on which held:

Six Board Meetings were held during the year 2007-2008. The dates on which meetings were held were as follows:
27th April, 2007, 25th July, 2007, 30th October, 2007, 5th December, 2007, 31st December, 2007 and 31st January, 2008

(e) Remuneration of Directors:

The company does not pay any remuneration other than payment of Travelling and Conveyance expenses to the directors.

(f) Directors Share Holding:

Mr. Vinod Ojha is holding 1600 shares in the company. Mr. R. R. Patel is holding 200 shares in the company.

3. AUDIT COMMITTEE

The company has constituted an Audit Committee in accordance with the requirements of Clause 49 of the Listing Agreement entered with the Stock

Exchanges. The terms of reference of the Audit Committee, are in conformity with those mentioned in Clause 49 of the Listing Agreement. The Committee reviews various reports placed before it by the Internal Auditors of the Company. The members of the Audit Committee are as under:

Mr. Vinod Ojha ... Chairman
 Mr. R. R. Patel ... Director
 Mr. J. A. Patel ... Director
 Mr. A. P. Mohanty ... Nominee Director (with effect from 31.01.2008)

The details of the Audit Committee Meetings and attendance of its members are given below:

Five meetings were held during the year 2007-2008. (27th April, 2007, 25th July, 2007, 30th October, 2007, 5th December, 2007 and 31st January, 2008). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. Vinod Ojha	Chairman	5
Mr. J. A. Patel	Director	5
Mr. R. R. Patel	Director	2
Mr. A. P. Mohanty	Nominee Director	Nil

4. REMUNERATION COMMITTEE

The company has constituted a remuneration committee on 27th April, 2005 and following are the members:

Mr. J. A. Patel ... Chairman
 Mr. Vinod Ojha ... Director
 Mr. R. R. Patel ... Director

No Remuneration Committee Meeting was held during the Financial Year 2007-2008

5. SHARE/DEBENTURE TRANSFER-CUM-INVESTOR'S GRIEVANCE COMMITTEE

The company has a Share/Debt Transfer-cum-Investor's Grievance Committee, constituting the following members:

Mr. J. A. Patel ... Chairman
 Mr. Vinod Ojha ... Director
 Mr. R. R. Patel ... Director
 Mr. N. R. Divate ... President & Chief Executive Officer (Co-opted)

The Committee oversees and approves transfer/transmission of equity shares and debentures. The Committee also oversees complaints received from investors for appropriate redressal. The minutes of the Committee meetings are placed at the Board Meetings from time to time. The Board has designated Mr. P. V. Thombre, Assistant General Manager as the Compliance Officer with effect from 31st January, 2008 in place of K. Chandramouli, Vice President & Company Secretary of the company who was Compliance Officer earlier. All valid shares transfers received during the year have been acted upon.

Complaint Status: 01.04.2007 to 31.03.2008

Number of Equity Shareholders/Debt holders/
 Preference Shareholders complaints pending as on 01.04.2007 : 22
 Number of complaints received during the year : 78
 Number of complaints solved during the year : 77
 Number of pending complaints pending as on 31.03.2008 : 23

Five meetings were held during the year 2007-2008 (27th April, 2007, 25th July, 2007, 30th October, 2007, 5th December, 2007 and 31st January, 2008). The attendance for the said meetings is as follows:

Name of the Director	Category	Attendance Particulars
Mr. J. A. Patel	Chairman	5
Mr. Vinod Ojha	Director	5
Mr. R. R. Patel	Director	2
Mr. N. R. Divate	President & Chief Executive Officer (Co-opted)	5

6. DIRECTORS

Mr. Ramakant R. Patel, Director of the company is retiring by rotation at the ensuing Annual General Meeting. Brief particulars of the retired director is as under:

Name of Director	Mr. Ramakant R. Patel
Date of Birth/Age	17 th October, 1936 / 72
Date of Original Appointment	8 th June, 2001
Expertise in specific functional areas	Company Law Matters and Company Secretary
List of Companies in which the person holds the directorship	Sunanda Industries Limited

Annual Report 2007-2008

Mr. M. J. Bhatia appointed as a Nominee Director representing the Debenture Trustee ceased to be a Director with effect from 31st January, 2008 and in substitution whereof, Mr. A. P. Mohanty has been appointed as a nominee director for the debenture holders with effect from 31st January, 2008

7. GENERAL BODY MEETINGS

Venue and time where the last three Annual General Meetings were held are given below:

Date	Venue	Time
31 st December, 2005	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	10.00 A.M.
29 th December, 2006	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	11.00 A.M.
31 st December, 2007	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	10.00 A.M.
31 st January, 2008	Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.	10.30 A.M.

There were no special resolutions passed by the company through postal ballots in any of the above meetings. However in the last Annual General Meeting held on 29th December, 2006 a special resolution was passed for the reappointment of Mr. N. R. Divate as a Manager of the Company for a period of five years commencing from 1st August, 2006 to 31st July, 2011. The 20th Annual General Meeting held on 31st December, 2007 was adjourned as the Audited Accounts for the Financial Year Ended 31st March, 2007 was not ready to adopt hence the same was adopted in the Adjourned Annual General Meeting held on 31st January, 2008.

In the ensuing Annual General Meeting, there is no special resolution required to be passed through postal ballot.

8. SUBSIDIARY COMPANY:

Subsequent to the year end, the company has appointed Mr. Vinod Ojha in compliance with Clause 49 (III) (Subsidiary Company) of the Listing Agreement as a director of the holding company in the board of the subsidiary company with effect from 31st August, 2007. The audit committee of the listed holding company also reviews the financial statement of the unlisted subsidiary company and also other matters connected thereto.

During the year ended 31.03.2006, the company had entered into contract for rendering services to the subsidiary for Rs. 60 lacs per annum plus taxes as per the terms mutually agreed and codified through an agreement entered in this respect. These services consist of seconding the parent company employees to the subsidiary and attending to the taxation, treasury, accounting and other operations of the subsidiary. These services are provided at a fair and market related price.

9. DISCLOSURES

a) The details of related party transactions are given in Point No. 17 of the notes to the account.

During the year, the company paid a sum of Rs. 33,66,255/- to Mr. N. R. Divate, Manager of the company including Rs. 3,93,717/- paid during the year against recovery made in the earlier years based on the approval received from the Central Government u/s. 309(5B) of the Companies Act, 1956 permitting the waiver of the recovery of excess remuneration paid.

b) The company's shares were suspended from trading by National Stock Exchange of India Limited (NSE) since September 2001 and Bombay Stock Exchange Limited (BSE) since December 2002 on account of failure of the company to redress the complaints of investors relating to redemption of public issue of non-convertible debentures.

The company has not paid the listing fees to National Stock Exchange of India Limited (NSE), from the financial years 2002-03 to 2007-08, Ahmedabad Stock Exchange Limited (ASE) from the financial years 2000-01 to 2007-08 and Delhi Stock Exchange Association Limited (DSE) from the financial years 2001-02 to 2007-08 after the members' approval to delist the company's shares from these exchanges. The company's shares are currently suspended for trading in BSE.

c) The company had received show cause notices from Registrar of Companies for the alleged violation of Section 209 (3)(b) & 211(7) of the Companies Act 1956. The company's response has been accepted by ROC and it has been advised to be careful in future. The aforesaid notices were sequel to the inspection of the company's books and records under Section 209(a) of the Companies Act, 1956 conducted during January 2005 - March 2005.

d) There are no other penalties or strictures by any other authority during last three years on any matter relating to capital market except the following: During the year 2004-05 SEBI had issued a notice of adjudication to the Company for its failure to redress the investor grievances and non-compliance of the provisions of corporate governance under Clause 49 of the Listing Agreement, which have been responded. The company has since accepted the same and forwarded a reply accordingly. Penalty of Rs. 15,000/- was imposed which has since been paid in that year.

e) **Differential Accounting Treatment**

The auditors have qualified the non-provisioning of interest on term loan taken from ICICI Bank Limited who is not a party to the scheme of Compromise and penal interest accordingly. The Company had in the year 1999 made a settlement with erstwhile ICICI Limited consisting of issue and allotment of Equity and Preference Shares, securitization of certain receivables and transfer of property which the company was to receive in settlement with Debtor.

The transfer of property to ICICI Bank Limited is pending and the Company is in dialogue for the same on the residual sum represented by pending transfer, the Company has provided interest till 30th June, 2006 as a measure of abundant precaution although the Company does not perceive the same as liability.

10. CEO/CFO CERTIFICATION:

The President & Chief Executive Officer of the company and the Senior Vice President & Company Secretary heading the finance function have certified to the Board that:

a) They have reviewed the Financial Statements as on 31st March, 2008 and the Cash Flow Statement for the year ended 31st March, 2008 and that to the best of their knowledge and belief:

- These statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.
 - These statements in their opinion present true and fair view of the company's affairs and are in compliance with the existing accounting standards applicable laws and regulations except the fact that certain interest non-provisions and treatment of remission of liabilities, difference in books of accounts and third party transactions have been dealt differently than as they need to be considered based on the actual unfolding of events.
- b) There are to the best of their knowledge and belief, no transactions that have been entered into by the company during the year which are fraudulent or illegal or violative of the Company's code of conduct
- c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the company, pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which they are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) i) There has not been any significant change in Internal control over financial reporting during the year under reference;
- ii) There has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
- iii) They are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

11. MEANS OF COMMUNICATION

a) Half-yearly Report sent to each household of shareholders	: No
b) Quarterly Results	: Quarterly results are taken on record by the Board of Directors and submitted to the Stock Exchanges as per the requirements of the Listing Agreement, which enables the Exchanges to put the same in their websites.
<ul style="list-style-type: none"> • In which newspapers normally published in • Websites where displayed • Whether it also displays official news releases and presentations made to institutional investors/analysis. 	: Navshakti and Free Press Journal : Yes : No
c) Whether Management Discussions and Analysis is a part of the Annual Report	: Yes

12. GENERAL SHAREHOLDER INFORMATION

12.1 Annual General Meeting

Date, Time & Venue

: Friday, 26th September, 2008 at 10.30 A.M. at Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703.

12.2 Financial Calendar (2008-2009) (tentative)

Quarterly Results:

Quarter ending June 30, 2008

: Last week of July 2008

Quarter ending September 30, 2008

: Last week of October 2008

Quarter ending December 31, 2008

: Last week of January 2009

Quarter ending March 31, 2009

: Last week of June 2009

12.3 Book Closure date(s)

: Monday 22nd September, 2008 to Friday 26th September, 2008.

12.4 Dividend payment date(s)

: Not applicable

12.5 Listing of Equity shares/debentures on Stock Exchanges

: Bombay Stock Exchange Ltd. (BSE)
 Phiroze Jeejeebhoy Towers,
 Dalal Street, Mumbai - 400 001.
 National Stock Exchange of India Ltd. (NSE)
 Exchange Plaza C-1 Block G
 Bandra Kurla Complex
 Bandra (E), Mumbai - 400 051
 The company's shares were also listed in the Ahmedabad Stock Exchange and Delhi Stock Exchange.
 The company has paid the listing fees to Bombay Stock Exchange Limited (BSE) under protest for the financial years from 2004-05 to 2007-08 on 17th May, 2007.

12.6 Stock Code

Physical Segment - BSE

: 500262

Demat Segment - BSE

: INE965B01014

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12.7 Market Price Data

: The trading of the company's shares has been suspended in the National Stock Exchange of India Limited (NSE) with effect from September 2001 as well as in the Bombay Stock Exchange Limited (BSE), Mumbai with effect from December 2002 and accordingly no market price data is available.

12.8 Registrar & Transfer Agents

: M/s. Big Share Services Private Ltd.
E-2, Ansa Industrial Estate, Saki Vihar Road
Saki Naka, Andheri (East)
Mumbai - 400 072
Tel: 28470652/28470653 • Fax: 28475207

12.9 Share & Transfer agents (for Electronic Transfers)

: M/s. Big Share Services Private Ltd.
E-2, Ansa Industrial Estate
Saki Vihar Road, Saki Naka
Andheri (East), Mumbai - 400 072
Tel: 28470652/28470653 • Fax: 28475207

12.10 (a) Distribution of Shareholding as on 31st March, 2008

No. of Equity Shares held (Rs.)	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto - 5000	50,408	95.90	58,34,997	14.63
5001-10000	1,021	1.94	8,58,687	2.15
10001-20000	508	0.97	7,74,255	1.94
20001-30000	179	0.34	4,65,061	1.17
30001-40000	98	0.19	3,56,406	0.89
40001-50000	75	0.14	3,56,556	0.90
50001-100000	125	0.24	8,92,776	2.24
100001 and above	147	0.28	3,03,42,962	76.08
GRAND TOTAL	52,561	100.00	3,98,81,700	100.00

(b) Category of Shareholding as on 31st March, 2008

Sr. No.	Category	Shareholding	Percentage
1.	Promoters	1,59,20,000	39.92
2.	Financial Institutions & Nationalised Banks	91,36,753	22.91
3.	Bodies Corporate	14,13,279	3.54
4.	Directors and their relatives	1,800	0.01
5.	Non-Resident Individuals	29,700	0.07
6.	General Public	1,33,80,168	33.55
	TOTAL	3,98,81,700	100.00

12.11 Dematerialization of shares

: The Company has arrangements with NSDL and CDSL for demat facility.
34.40% of the total equity shares are held in dematerialized form with NSDL and CDSL as at 31st March, 2008
Members can hold shares in electronic forms and trade the same in Depository system. However, they may hold the same in physical form also.

12.12 Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity.

: NIL

12.13 Registered Office & Address for Correspondence

: Flat No. K-3/4, Second Floor, Shopping Centre, Sector 15/16, Vashi, Navi Mumbai - 400 703.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company.
I confirm that the Company has received from the Senior Management team of the Company and the Members of the Board a declaration of compliance with the code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the employee in the cadre of President and Vice President as on 31st March, 2008

Place : Navi Mumbai
Date : 18th June, 2008

R. R. PATEL
Director

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To

**THE MEMBERS
MAFATLAL FINANCE COMPANY LIMITED**

We have examined the compliance of conditions of Corporate Governance by **Mafatlal Finance Company Limited** for the year ended on **31st March, 2008** as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, *subject to the following:*

- a) Two thirds of the members comprising the audit Committee not being independent directors upto 31st January, 2008.*
- b) No Board meeting and Audit Committee Meeting have been held since 31st January, 2008.*
- c) Significant transactions and arrangements entered into by the unlisted subsidiary company have not been brought to the notice of the Board of Directors of the Holding Company and the minutes of Board Meeting of Unlisted Subsidiary Company have not been placed at the Board Meeting of the holding company upto 31st January, 2008.*
- d) The company has not laid down procedures to inform the board members about risk management and minimization requirements.*
- e) The extent of adoption of non mandatory requirements has not been highlighted in the Corporate Governance Report.*

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
R. PRABHU & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 18th June, 2008

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

AUDITORS' REPORT TO THE SHAREHOLDERS OF MAFATLAL FINANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of **MAFATLAL FINANCE COMPANY LIMITED**, as at **31st March, 2008**, and also the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations *subject to note no. 8 and 12 regarding non receipt of confirmation of certain balances* which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far, as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956,
 - e) Though on the basis of written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31st March, 2008, from being appointed as a Director, *in our opinion, due to the fact that the Company has failed to redeem some of its debentures under provisions of Clause (g) of subsection (1) of section 274 of the Companies Act, 1956, on the due date, the directors are disqualified from being appointed as a director. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - f) **Attention is invited to the following notes in Schedule No. 17(II):**
 - i. *Note no. 1(b) regarding income tax demand of Rs. 8,14,51,111/-. At this stage we are unable to express an opinion on the outcome of this matter. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - ii. *Note no. 5 regarding the unreconciled difference of Rs. 4,16,61,000/- between public deposit as per general ledger and as per subsidiary register. The impact of the reconciliation on the accounts is not ascertainable at present. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - iii. *Note no. 5 regarding depositing of fixed depositors' balances in an escrow account on the basis of subsidiary register, which is unreconciled with the general ledger. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - iv. *Note no. 5 regarding non - submission of certain returns to the Reserve Bank of India (RBI) and other non compliances as required by Reserve Bank vide its letter dated 24th October, 2002 rejecting application for registration as NBFC, as well as under NBFC Directions as explained in the note. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - v. *Note no. 6 regarding non reconciliation of the company's account with Garron Trading Company Private Limited balance due Rs. 2,36,68,515/- (Previous Year Rs. 6,15,68,015/-). We are unable to express our opinion on the impact of adjustments, if any, pending reconciliation. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - vi. *Note no. 7 regarding written consent not obtained from secured and unsecured creditors for exercise of option for one time payment/payment in instalments with interest. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - vii. *Note no. 8 regarding the statement of accounts/confirmations not received for balances in current account with banks and reconciliation pending for the other current accounts including in some cases for past several years. Necessary adjustments if any would be effected on reconciliation, of these balances. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - viii. *Note no. 9(a) regarding non adjustment of advance for property against borrowings from ICICI Bank and the consequent non settlement of the account with ICICI Bank for several years. We are unable to express our opinion on the ultimate outcome of the matter. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
 - ix. *Note no. 9(b) regarding non-providing of interest expense on the aforesaid loan. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year. As a result, interest and finance charges for the year ended 31.03.2008 is lower and loss for the year is lower by Rs. 2,17,35,127/-; debit balance in the profit and loss account as at 31.03.2008 is lower by Rs. 3,80,51,359/-; the loan funds as at 31.03.2008 are lower by Rs. 3,80,51,359/-.*
 - x. *Note no. 9(c) the non-provision for penal interest (amount unascertained) on the aforesaid loan. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*

xi. Note no. 13 regarding non-compliance with the capital adequacy ratio requirements prescribed as per regulation 10 of the Non-Banking Financial Companies Prudential norms (Reserve Bank) Directions, 1998 as amended from time to time. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.

xii. Note no. 15 regarding accounts being prepared on going concern basis. Net worth of the company would remain eroded even after considering the impact of the reliefs obtained under the scheme of arrangement. Successful implementation of the scheme itself is contingent on timely realisation/recovery of substantial investments and unprovided loans and advances and actively developing non fund based activity. These factors raise substantial doubts as to whether the company will be able to continue as a going concern; we are therefore unable to express our opinion on whether it is appropriate to use the going concern assumption in preparation of the financial statements. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.

xiii. We further report that, without considering the items mentioned in paragraphs i), ii), iii), iv), v), vi), vii), viii), x), xi), and xii) above the effect of which could not be determined, had the observations made by us in para ix) above been considered,

the loss for the year ended 31.03.2008 would have been Rs. 8,45,68,000/- and the loss for the previous year ended 31.03.2007 would have been Rs. 96,28,437/- [against the reported loss for the year ended 31.03.2008 of Rs. 6,28,32,873/- and reported profit for the previous year ended 31.03.2007 of Rs. 66,87,795/-],

the accumulated losses as at 31.03.2008 would have been Rs. 116,87,00,149/- and the accumulated losses as at the end of the previous year 31.03.2007 would have been Rs. 244,05,35,269/- [against the reported accumulated losses as at 31.03.08 of Rs. 113,06,48,790/- and as at the end of the previous year 31.03.07 Rs. 242,42,19,037/-],

the Secured loan funds as at 31.03.2008 would have been Rs. 35,76,72,521/- and Secured loan funds as at the end of the previous year 31.03.2007 would have been Rs. 145,38,83,069/- [against the reported Secured loan funds as at 31.03.2008 of Rs. 31,96,21,162/- and as at the end of the previous year 31.03.2007 of Rs. 143,75,66,837/-]

5. Subject to our observations in Para 4 (f) above and more particularly para xiii) of Para 4(f) regarding effect on the loss for the year and the accumulated losses as on 31.03.2008 had our qualifications been considered, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the other notes thereon, gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view (in the case of previous year, auditors have qualified the report that the financial statement do not give a true and fair view), in conformity with the accounting principles generally accepted in India.

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;*
- (ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and*
- (iii) In the case of cash flow statement, of the cash flows for the year ended on that date..*

FOR R. PRABHU & ASSOCIATES
Chartered Accountants

Place: Mumbai
Date : 18th June, 2008

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of Mafatlal Finance Company Limited for the year ended 31st March, 2008.)

- 1) The nature of the Company's activities during the year is such that the requirements of clause (viii) and (xiii), of paragraph 4 of the order are not applicable to the Company.
- 2) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) During the year, the fixed assets have been physically verified by the management in accordance with the programme of verification.
c) *In our opinion, the fixed assets disposed off during the year, do constitute a substantial part of the fixed assets of the Company and accordingly the provisions of sub clause (c) of clause 4(i) of the Companies (Auditor's Report) Order, 2003 are not applicable. However this itself will not affect the going concern concept. However reference is invited to Para 4 (f) (xii) of the Audit Report.*
- 3) a) As explained to us, the repossessed stocks on hire were physically verified during the year by the management at reasonable intervals.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of repossessed stocks on hire followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of repossessed stock on hire and no material discrepancies were noticed on physical verification.
- 4) The company has neither granted nor taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Companies (Auditor's Report) Order, 2003, are not applicable.
- 5) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and Sale of Services. We have not observed any continuing failure to correct major weaknesses in such internal controls. There are no transactions of purchase of inventory and sale of goods.
- 6) In our opinion and according to the information and explanations given to us, there are no contracts/arrangements referred to in section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4 (v) of the Companies (Auditor's Report) Order, 2003, are not applicable.
- 7) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A, Section 58AA or any other relevant provisions of the Companies Act, 1956 and the directions issued by the Reserve Bank of India in respect of deposits received from the public except for the following:
 - a) *The company has stopped accepting/renewing deposits after it was downgraded below the investment grading in 1998-99 and escrowed its fixed deposit liability [refer note No. 5 of schedule 17(II)]. The company has not attained the capital adequacy ratio. [refer note No. 13 of schedule 17(II)].*
 - b) *Attention is invited in Note No. 5 of Schedule 17(II) regarding the fixed deposits being subject to reconciliation and consequent adjustment and non-filing of annual return on deposits.*
 - c) *The company had escrowed its fixed deposit liability and interest payable thereon on the basis of its subsidiary register which is under reconciliation with the general ledger (the balance as per the general ledger being higher by Rs. 4,16,61,000/- (refer note No. 5 of schedule 17(II)).*
 - d) *The Company has not complied with the Reserve Bank of India directives to submit the monthly return on repayment of fixed deposits and to pass a specific resolution not to carry out the business of NBFC. Further the company is of the view that, as it has escrowed its public deposit liability it is not required to submit the half yearly return under the NBFCs Prudential Norms (Reserve Bank) Directions 1998 from the half-year ended September 2002 [(refer note No. 5 of schedule 17(II)).*
- 8) The company has an internal audit system, carried out by a firm of Chartered Accountants. *However considering the size of the Company and the nature of its business, in our opinion scope and coverage of the system needs to be enhanced.*
- 9) In respect of statutory dues:
 - a) *The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, cess and any other material statutory dues applicable to it with the appropriate authorities during the year. However service tax for the year 2007-08 has been paid in the month of May 2008.*
 - b) *According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales-tax, Wealth Tax, Service Tax and cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable, except for the following:*

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Maryana General Sales Tax Act, 1973.	Sales Tax	241/-	1998-1999	Assessment Order dated December 2002	Unpaid
Madhya Pradesh Commercial Tax Act, 1974.	Sales Tax	14,737/-	1999-2000	Assessment Order dated 30.04.2003	Unpaid
Gujarat Sales Tax Act, 1969.	Sales Tax	1,635/-	2000-2001	Assessment Order dated 24.03.2005	Unpaid
West Bengal Sales Tax Act, 1994.	Sales Tax	18,991/-	2000-2001	Assessment Order dated 09.08.2006	Unpaid
Service Tax Act	Service Tax	3,93,797/-	As on 30.09.2007	-	30.05.2008

c) According to the information and explanations given to us, details of disputed sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited as on 31st March, 2008 on account of any dispute are given below:

Name of statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Gujarat Sales Tax Act, 1969.	Sales Tax	42,992/-	1999-2000	Deputy Commissioner Commercial Taxes (Appeal- I).
Madhya Pradesh Commercial Tax Act, 1974.	Sales Tax	48,780/-	1995-1996	Deputy Commissioner of Commercial Taxes
Madhya Pradesh Commercial Tax Act, 1974.	Sales Tax	25,491/-	1996-1997	Deputy Commissioner of Commercial Taxes
Madhya Pradesh Commercial Tax Act, 1974.	Sales Tax	31,247/-	1997-1998	Commercial Tax Tribunal
Madhya Pradesh Commercial Tax Act, 1974.	Sales Tax	33,267/-	2000-2001	Indore High Court.
West Bengal Sales Tax Act, 1994.	Sales Tax	2,654/-	1994-1995	Deputy Commissioner of Commercial Taxes
West Bengal Sales Tax Act, 1994.	Sales Tax	143,788/-	1995-1996	Deputy Commissioner of Commercial Taxes
West Bengal Sales Tax Act, 1994.	Sales Tax	82,415/-	1996-1997	Deputy Commissioner of Commercial Taxes
West Bengal Sales Tax Act, 1994.	Sales Tax	44,851/-	1999-2000	Deputy Commissioner of Commercial Taxes
Uttar Pradesh Trade Tax Act, 1948.	Sales Tax	40,000/-	1999-2000	Trade Tax Tribunal
Rajasthan Sales Tax Act, 1994.	Sales Tax	20,562/-	1997-1998	Deputy Commissioner Appeals
Rajasthan Sales Tax Act, 1994.	Sales Tax	23,346/-	1998-1999	Deputy Commissioner Appeals.
Income Tax Act, 1961.	Income Tax	8,14,51,111/-	1993-94 to 1998-99	Commissioner (Appeals)
Foreign Exchange Management Act,	Import Duty	6,07,40,000/-	1994-1995 1995-1996 1996-1997	Appellate Tribunal of Foreign Exchange.

- 10) The accumulated losses of the company have exceeded fifty percent of its net worth as at the end of the year. The Company has incurred cash losses during the financial year covered by our audit; however The company has not incurred cash losses in the immediately preceding financial year. We are unable to determine the impact of qualifications, which are not quantifiable, on the accumulated losses and the cash losses, if any.
- 11) According to the information and explanations given to us, the company has defaulted in repayment of dues to financial institution, banks and debenture holders as follows;

Sr. No.	Lenders	Period of Default	Amount of Default (Rs.)
1.	ICICI Bank Limited	Since 30.09.1998	24,14,59,300/-

The amount of default in respect of Banks and Financial Institutions does not include penal interest (amount unascertained).

In view of the scheme of arrangement with Banks and Financial Institutions (other than ICICI Bank), secured and unsecured creditors approved on 13th July, 2007 by the High Court the default in payment of interest and principal has been regularized subsequently.

- 12) We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The Company has held the aforesaid investments in its own name.
- 14) According to the information and explanation given to us the company has not given guarantees for loans taken by others from banks and financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003, are not applicable.
- 15) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied during the year by the Company for the purposes for which the loans were obtained.
- 16) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, there were no funds raised on short term basis that have, prima facie, been used during the year for long term investment.
- 17) According to the information and explanations given to us, the Company has not made any preferential allotment of shares. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003, are not applicable.
- 18) According to the information and explanations given to us and the records examined by us, securities have been created in respect of the debentures issued.
- 19) The Company has not raised monies by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003, are not applicable.
- 20) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

However, attention is invited to Note No. 8 of Schedule 17(II) regarding unreconciled balances in Current Accounts with Banks of Rs. 5,02,97,672/- (Net) which include debit balance of Rs. 5,12,29,433/- and credit balance of Rs. 9,31,761/- (previous year Rs. 17,31,29,848/-).

FOR R. PRABHU & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 18th June, 2008

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	Rs. 000's	As At 31.03.2008 Rs. 000's	As At 31.03.2007 Rs. 000's
A. SOURCES OF FUNDS				
1. Shareholders' Funds:				
a. Capital	1	443,724		443,724
b. Reserves and Surplus	2	562,616		675,101
			1,006,340	1,118,825
2. Loan Funds				
a. Secured Loans	3	319,622		1,437,567
b. Unsecured Loans	4	42,810		292,370
			362,432	1,729,937
TOTAL			1,368,772	2,848,762
B. APPLICATION OF FUNDS				
1. Fixed Assets	5			
a. Gross Block		675		3,631
b. <u>Less:</u> Depreciation		144		2,030
c. Net Block			531	1,601
2. Investments	6		117,895	130,133
3. Current Assets, Loans and Advances				
a. Current Assets:	7			
(i) Sundry Debtors		4,186		-
(ii) Cash and Bank Balances		61,531		175,726
(iii) Other Current Assets		6,050		6,419
		71,767		182,145
b. Loans and Advances	8	98,742		369,989
		170,509		552,134
<u>Less:</u> Current Liabilities and Provisions	9			
a. Liabilities		36,235		129,632
b. Provisions		14,577		129,694
		50,812		259,326
Net Current Assets			119,697	292,808
Balance Carried from Profit & Loss A/c		2,487,052		2,424,220
Adjustment made as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17 II)		1,356,403		-
TOTAL			1,130,649	2,424,220
			1,368,772	2,848,762

Notes to Accounts and Significant Accounting Policies.

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As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

RAMAKRISHNA PRABHU
Partner

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	Rs. 000's	Current Year Rs. 000's	Previous Year Rs. 000's
INCOME				
Interest	10		538	1,146
Profit on sale of Long term Investments (Net)			31,870	30,210
Other Income	11		74,546	43,586
			<u>106,954</u>	<u>74,942</u>
EXPENDITURE				
Employee Cost	12		10,227	6,425
Administrative & other expenses	13		7,165	7,446
Interest & Finance Charges	14		34,007	27,229
Provisions & Write Offs	15		2,218	24,903
Prior Period Items (Refer Note No. 8 of Schedule No. 17II)		115,600		1,950
Less: Reversal of Contingency Reserve		<u>115,600</u>		
Depreciation			<u>184</u>	<u>198</u>
			<u>53,801</u>	<u>68,151</u>
(LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS			53,153	6,791
Exceptional items (Refer Note No. 7 & 11 Schedule No. 17 II)	16		<u>(116,597)</u>	<u>-</u>
(LOSS)/PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE PROVISION FOR TAX			(63,444)	6,791
Provision for Fringe Benefit Tax			<u>197</u>	<u>103</u>
(LOSS)/PROFIT AFTER TAXES			(63,641)	6,688
Excess Provision for Taxation of Earlier Years written back			<u>809</u>	<u>-</u>
(LOSS)/PROFIT FOR THE YEAR			(62,832)	6,688
Balance Brought Forward from previous year			<u>(2,424,220)</u>	<u>(2,430,908)</u>
BALANCE CARRIED TO BALANCE SHEET			(2,487,052)	(2,424,220)
Basic EPS in Rs.			(1.58)	0.06
Diluted EPS in Rs.			(1.58)	0.06
(Face Value Rs. 10/- per Share)				
(Refer Note No. 20 of Schedule 17 II)				
Notes to Accounts and Significant Accounting Policies	17			

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

RAMAKRISHNA PRABHU
Partner

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rs. 000's 2007-2008	Rs. 000's 2006-2007
A. Cash Flow from Operating Activities		
Net (Loss)/Profit before Interest and Tax	(28,628)	34,020
Less: Interest	34,007	27,229
(Loss)/Profit before Tax	(62,635)	6,791
Adjustment for:		
Sundry Credit Balances Written Back	(18,927)	(519)
Bad Debts/Provision for Doubtful Debts Written Back	(37,463)	(7,393)
Provisions for Diminution in Value of Long Term Investment no longer required	(2,420)	(9,926)
Reversal of Contingency Reserve adjusted against Prior Period Items	(115,600)	-
Depreciation	184	198
(Profit)/Loss on sale of Investments	(31,870)	(30,210)
Share of Profit in partnership firms	-	(5,022)
Profit on sale of Fixed Assets	(44)	-
Loss on Scrapped Assets	928	-
Interest/Dividend on Investments	(1,129)	(2,480)
Unpaid Interest	-	27,143
Provisions for Leave Encashment	1,021	139
Provisions & Write offs	2,218	24,903
Excess Provision for Taxation Written Back	(809)	-
Excess Provision for interest written back and Short Term Capital Loss - Exceptional Items	(116,597)	-
	(87,314)	(3,167)
Operating (Loss)/Profit before Working Capital Changes	(149,949)	3,624
Adjustment for increase/decrease in:		
Trade Receivables	1,027	5,718
Loans and Advances	51,115	63,030
Trade Payables	781	(297)
Cash Generated from/(used in) Operations	(97,026)	72,075
Direct Taxes - Refund (Paid)/Received	(998)	(737)
Net Cash (Used In)/From Operating Activities (A)	(98,024)	71,338
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(49)	(24)
Sale of Fixed Assets	51	-
Purchase of Investments	(50,798)	(112,289)
Sale of Investments	109,372	142,814
Interest/Dividend Received	1,498	2,384
Net Cash From Investing Activities (B)	60,074	32,885
C. Cash Flow from Financing Activities		
Long Term Borrowings	(76,245)	(102,150)
Net Cash Used In Financing Activities (C)	(76,245)	(102,150)
Net (Decrease)/Increase In Cash and Cash Equivalents (A+B+C)	(114,195)	2,073
Cash and Cash Equivalents as at the commencement of the year	175,726	173,653
Cash and Cash Equivalents as at the end of the year	61,531	175,726
Net (Decrease)/Increase as Disclosed above	(114,195)	2,073
(See Notes attached)		
NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008	2007-2008	2006-2007
1. Cash and cash equivalents include:	Rs. '000	Rs. '000
Cash on hand	9	17
Bank Balances	61,522	175,709
Total	61,531	175,726
2. Bank Balances include Rs. 18,64 ('000) [Previous Year Rs. 17,63 ('000)] in escrow account for payment of fixed depositors liability.		
3. All figures in brackets are outflows.		
4. Previous years figures have been regrouped wherever necessary to conform to this year's classification.		
As per our attached Report of even date		

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

Mumbai, Dated: 18th June, 2008

N. R. DIVATE
President & CEO

K. CHANDRAMOULI
Company Secretary

R. R. PATEL
Director

A. P. MOHANTY
Director

V. J. OJHA
Director

Navi Mumbai, Dated: 18th June, 2008

SCHEDULES 1 TO 9 FORMING PART OF THE BALANCE SHEET

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 1		
SHARE CAPITAL		
AUTHORISED		
7,00,00,000 Equity shares of Rs. 10/- each	700,000	700,000
3,00,00,000 Redeemable preference shares of Rs. 10/- each.	300,000	300,000
	<u>1,00,00,000</u>	<u>1,00,00,000</u>
ISSUED, SUBSCRIBED AND PAID - UP		
3,98,81,700 Equity Shares of Rs. 10/- each fully paid (See Note 3 below)	398,817	398,817
	<u>398,817</u>	<u>398,817</u>
36,70,000 10% Redeemable Preference Shares of Rs. 10/- each fully paid. (See Notes 1 & 3 below)	36,700	36,700
SUB TOTAL	<u>435,517</u>	<u>435,517</u>
8,20,700 14.5% Redeemable Preference Shares of Rs. 10/- each fully paid. (See Note 4 below)	8,207	8,207
TOTAL	<u>443,724</u>	<u>443,724</u>

Note 1: 36,70,000 10% Redeemable Preference Shares of Rs. 10 each are Redeemable at par on 31st March, 2007. These shares have not been redeemed.

Note 2: In terms of the loan agreements, the Financial Institutions have an option to convert the amount of loan including interest accrued there on into fully paid-up equity shares at par, in the event of default by the company in the payment of their dues.

Note 3: 86,50,000 equity shares of Rs. 10 each fully paid-up and 36,70,000 10% Redeemable Preference shares of Rs. 10 each fully paid up were issued to Financial institutions and Banks on conversion of the secured loan in terms of the loan agreements.

Note 4: These were due for redemption at par on 15th July, 2002 (7,63,200 shares) and on 26th November, 2002 (57,500 shares) and are yet to be redeemed.

Schedule - 2		
RESERVES AND SURPLUS		
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	561,473	561,473
Add: Principal/Discounting Charges of T Series Deep Discount Debentures no longer payable as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17 II)	1,143	-
	<u>562,616</u>	<u>561,473</u>
CAPITAL RESERVE		
As per last Balance Sheet	3,943	3,943
Including Rs. 39,42,750/- on reissue of forfeited shares		
Add: Amount of Principal Liability of all Secured and Unsecured no longer payable as per Scheme of Compromise (Refer Note No. 7 of Sch. No. 17 II)	593,434	-
	<u>597,377</u>	<u>3,943</u>
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17 II)	597,377	-
	-	<u>3,943</u>
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	99,348	99,348
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17 II)	99,348	-
	-	<u>99,348</u>
RESERVE u/s. 45IC of RBI Act, 1934		
As per last Balance Sheet	10,337	10,337
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17II)	10,337	-
	-	<u>10,337</u>
TOTAL	<u>562,616</u>	<u>675,101</u>

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 3		
SECURED LOANS		
A. Debentures		
1 a. 355 17% Non-Convertible Debentures A Series of Rs. 1,00,000 each (Due for redem- ption on 25.09.95 and rolled over upto 29.03.99; repayable at a premium of 5% of the face value of the Debentures)	1	35,500
b. 151 17% Non-Convertible Debentures A Series of Rs. 1,00,000 each (Due for redem- ption on 26.12.95 and rolled over for further 36 months from the date of redemption; repayable at a premium of 5% of the face value of the debenture)	1	15,100
c. 17% Non-Convertible Debentures A Series as mentioned above in 'a' and 'b' - Liability reduced as per Scheme of Compromise net of payments made till 31.03.2008 (Refer Note No. 7 of Schedule No. 17 II)	8,900	-
Interest accrued and due on above		8,900
2 a. 54 14.5% Non-Convertible Debenture C4 Series of Rs. 1000 each Interest payable on Cumulative basis (Redeemable on 01.09.1999)	2	54
b. 200 Deep Discount Non-Convertible Deben- ture TI Series of Rs. 1000 each (Redeem- able on 25.05.2022 at Rs. 50000 each)	2	200
c. 100 Deep Discount Non-Convertible Deben- ture TI Series of Rs. 1000 each (Redeem- able on 07.11.2022 at Rs. 50000 each)	2	100
d. Deep Discount Non-Convertible Debentures of T Series as mentioned above in 'b' and 'c' - Liability reduced as per Scheme of Compromise (Refer Note No. 7 of Schedule No. 17 II)	128	-
e. Discount on Deep Discount Debentures (Refer Note No. 7 of Schedule No. 17 II for all series of Debentures)	2	182
B. From Banks:		
Cash Credit (Refer Note No. 7 of Sch. No. 17 II)	1	59,580
C. Term Loan From Financial Institutions (Refer Note No. 7 of Schedule No. 17 II)	1	9,500
Interest accrued and due on above		84,497
D. Term Loan From Banks (Refer Note No. 9(a) of Schedule No. 17 II)	1	101,094
Interest accrued and due on above		140,365
TOTAL	<u>319,622</u>	<u>1,437,567</u>

Notes: 1. Secured by hypothecation of relevant leased assets and stock on hire, together with relevant book debts and lease rentals/hire purchase instalments receivable and the mortgage of free hold property (office premises)
2. Secured by hypothecation by way of second charge on leased assets and stock on hire, together with book debts and lease rentals/hire purchase instalments receivable and the second charge on free hold property (Office Premises) and floating charge on all the assets of the Company.
3. The book value of the securities is Rs. 28,56,47 ('000) [Previous Year, Rs. 68,12,28 ('000)] The market/fair value of all the securities have not been ascertained accordingly the shortfall cannot be estimated.

Schedule - 4		
UNSECURED LOANS		
1. Fixed Deposits (Refer Note No. 5 of Schedule No. 17 II)		42,684
2. Inter - Corporate Deposits		247,150
3. Security Deposits from lessees and others etc. (Refer Note No. 7 of Schedule No. 17 II)		126
TOTAL	<u>42,810</u>	<u>292,370</u>

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Schedule - 5

FIXED ASSETS

(Rs. '000s)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions	Deletion	As at 31.03.2008	As at 01.04.2007	For the Year	Deletions	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
BUILDINGS	521	—	—	521	98	8	—	106	415	423
COMPUTERS	55	33	—	88	19	11	—	30	58	36
MOTOR VEHICLES	217	—	217	—	206	3	209	—	—	11
FURNITURE & FIXTURES	1,673	—	1,673	—	1,128	106	1,234	—	—	545
OFFICE EQUIPMENTS	1,165	16	1,115	66	579	56	627	8	58	586
SUB-TOTAL	3,631	49	3,005	675	2,030	184	2,070	144	531	1,601
PREVIOUS YEAR	3,607	24	—	3,631	1,832	198	—	2,030	1,601	

	As at 31.03.2008	As at 31.03.2007
Rs. 000's	Rs. 000's	Rs. 000's

Schedule - 6

INVESTMENTS AT COST (LONG TERM INVESTMENTS)

A. GOVERNMENT SECURITIES

(a) National Saving Certificate (Lodged with Government Authorities)	13	13
	13	13

B. IN FULLY PAID EQUITY SHARES OF SUBSIDIARY COMPANIES

1,00,00,000 Shares of Rs. 10 each in Mafatlal Securities Ltd.	100,000	100,000
	100,000	100,000

C. OTHER INVESTMENTS

I. IN FULLY PAID EQUITY SHARES - QUOTED

440 shares of Rs. 10 each in Cinco Birla Ltd.	114	114
1350 shares of Rs. 10 each in Hindusthan Petroleum Corporation Ltd.	462	462
350 [Previous Year 2500] shares of Rs. 2 each in Larsen & Toubro Ltd.	46	332
300000 shares of Rs. 10 each in Leisure Hotel Ltd.	3,000	3,000
24750 shares of Rs. 10 each in L. D. Textiles Industries Ltd.	3,106	3,106
441800 shares of Rs. 10 each in National Organic Chemical Industries Ltd.	25,436	25,436
2500 shares of Rs. 10 each in Onida Saka Ltd.	68	68
3000 shares of Rs. 10 each in Raymond Ltd.	687	687
Nil (Previous Year 150000) shares of Rs. 10 each in Shriram Transport Finance Co. Ltd.	-	1,500
146700 shares of Rs. 10 each in Suprapti Plastics Ltd.	1,467	1,467
140 shares of Rs. 10 each in Ultratech Cement Ltd.	37	37
5750 shares of Rs. 10 each in Via Media Ltd.	57	57
	34,480	36,266
Less: Provision for Diminution in Value	21,635	24,055
	21,635	24,055

	21,635	24,055
	12,845	12,211

II. IN FULLY PAID EQUITY SHARES - UNQUOTED WITH ASSOCIATED COMPANIES

3000 shares of Rs. 10 each in Mafatlal Trustee Company Ltd.	29	29
900000 shares of Rs. 10 each in Sunanda Capital Services Ltd.	6,000	6,000
93000 shares of Rs. 10 each in Sushmita Engineering and Trading Ltd.	930	930
24500 shares of Rs. 10 each in Mafatlal Systems Ltd.	245	245
	7,204	7,204
Less: Provision for Diminution in Value	7,204	7,204

III. IN FULLY PAID EQUITY SHARES - UNQUOTED WITH OTHERS

16000 shares of Rs. 10 each in Amitabh Bachan Corporation Ltd.	1,280	1,280
63200 shares of Rs. 10 each in Dada Chemicals Ltd. (Rs. 1/-)	-	-
49000 shares of Rs. 10 each in Mafatlal Medical Devices Ltd.	490	490
308167 shares of Rs. 10 each in Phallo Colour & Chemicals Ltd.	7,955	7,955
49000 shares of Rs. 10 each in Repos Trading Company Ltd.	490	490
Nil (Previous Year 10000) shares of Rs. 10 each in Arvi Associates Private Ltd.	-	100
Nil (Previous Year 10000) shares of Rs. 10 each in Shripad Associates Private Ltd.	-	100
	10,215	10,415
Less: Provision for Diminution in Value	10,215	10,215

IV. IN FULLY PAID PREFERENCE SHARES

52255 shares of Rs. 10 each in Pasupati Fabrics Ltd.	523	523
Less: Provision for Diminution in Value	523	523

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
V. IN FULLY PAID DEBENTURES		
375 12.5 % Non-convertible Debentures (Part B) of Rs. 200 each of Atlas Cycle Industries Ltd.	75	75
	75	75
VI. IN FULLY PAID UNITS OF MUTUAL FUNDS - UNQUOTED		
(a) 100 units of Rs. 10 each in UTI Master Gain '92	1	1
(b) 340391.704 (Previous Year 1292784.436) units in Templeton India Liquid Plus Fund (Through American Express, the Portfolio Manager)	4,942	17,614
	4,943	17,615
Less: Provision for Diminution in Value	1	1
	4,942	17,614
VII. OTHERS		
(a) 333 shares of Rs. 30 each in Bombay Mercantile Co-operative Bank Ltd.	10	10
(b) 1000 shares of Rs. 10 each in Saraswat Co-operative Bank Ltd.	10	10
	20	20
TOTAL - LONG TERM INVESTMENTS	117,895	130,133

NOTES:

	Cost Rs. 000's	Market Value Rs. 000's
1. a) Aggregate of Quoted Investments	12,845	14,136
Previous year	12,211	32,715
b) Aggregate of Unquoted Investments	105,050	
Previous year	117,922	
TOTAL	117,895	
Previous year	130,133	
c) Refer Note No. 6 of Schedule No. 17 II		

2. Details of Investments purchased and sold during the year :

Particulars	Qty No.	Value in Rs.
Units of Templeton India Liquid Plus Fund:		
- Purchases	3,620,271.655	50,798,421
- Sales	4,572,664.387	64,299,702
Shripad Associates Private Limited 0.10% Preference Shares:		
- Purchases	1,193,180	119,316,000
- Sales	1,193,160	5,965,600
Arvi Associates Private Limited 0.10% Preference Shares:		
- Purchases	1,254,000	125,400,000
- Sales	1,254,000	6,270,000

Schedule - 7
CURRENT ASSETS
1. Sundry Debtors (Unsecured)

a) Debts outstanding for a period exceeding six months

(i) Considered Good	3,940	-
(ii) Considered Doubtful	85,341	174,372
	89,281	174,372
b) Others (Considered good)	246	-
	89,527	174,372
Less: Provision for doubtful debts	85,341	174,372

(Refer Note No. 12 of Schedule No. 17 II)

4,186

2. Cash and Bank Balances

- Cash on hand	9	17
- Balances with Scheduled Banks		
a) In Current Accounts (net)	55,312	166,720
(Refer Note No. 8 of Schedule No. 17 II)		
b) In Deposit Accounts	6,210	8,989

61,531

175,726

3. Other Current assets

Interest accrued on Government Securities, Bonds and Bank Deposits	73	442
Repossessed Stock at Estimated Realisable Value (Rs.3.00)	-	-
Assets acquired in satisfaction of claims (Commercial Premises)	5,977	5,977
(Refer Note No. 10 of Schedule No. 17 II)		

6,050

8,419

TOTAL
71,767
182,145
Schedule - 8
LOANS AND ADVANCES

(Unsecured unless otherwise stated)

1. Loans to Subsidiary (Considered good)

2,740

632

2. Loans to Companies, Firms and others

(i) Considered Good	4,432	802
(ii) Considered Doubtful	78,702	103,663

	83,134	104,465
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Less: Provision for doubtful loans	78,702	103,663
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4,432

802

3. Inter Corporate Deposits

(i) Considered Good	-	-
(ii) Considered Doubtful	3,906	3,906

	3,906	3,906
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Less: Provision for doubtful deposits	3,906	3,906
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	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
4. Advances Subscription		
(i) Considered Good	-	229,694
(ii) Considered Doubtful	-	15,022
	-	244,716
Less: Provision for doubtful subscription	-	15,022
	-	229,694
5. Advances for Property (Refer Note No. 9(a) of Schedule No. 17 II)	57,495	57,495
6. Advances recoverable in cash or in kind or for value to be received		
(i) Considered Good (Refer Note No. 6 of Sch. 17 II)	29,416	74,783
(ii) Considered Doubtful	12,797	13,008
	42,213	87,771
Less: Provision for doubtful advances	12,797	13,008
	29,416	74,783
7. Advance payment of Income Tax and Tax Deducted at Source (Net)	2,388	2,640
8. Deposit with others		
(i) Considered Good	2,271	3,963
(ii) Considered Doubtful	13,961	16,461
	16,232	20,424
Less: Provision for doubtful deposit	13,961	16,461
	2,271	3,963
9. Car Booking Advances		
(i) Considered Good	-	-
(ii) Considered Doubtful	-	1,420
	-	1,420
Less: Provision for doubtful advances	-	1,420
	-	-
TOTAL	98,742	369,989
Schedule - 9		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
1. Dues to Micro, Small and Medium Enterprises (Refer Note No. 14 of Schedule No. 17 II)	-	-
2. Dues to Creditors other than Micro, Small and Medium Enterprises	36,235	60,901
3. Interest accrued but not due on loans	-	68,731
	36,235	129,632
B. PROVISIONS		
For Taxation : - Current Tax (Net)	21	50
- Fringe Benefit Tax (Net)	6	20
For Leave Encashment	2,550	1,624
For Contingencies [Refer Note. 1(i) of Sch. No. II]	12,000	128,000
	14,577	129,694
TOTAL	50,812	259,326

Note: Amount utilised towards provision for Leave Encashment Rs. 89 ('000) additional provision for Leave Encashment made Rs. 1015 ('000)
Adjustment of Contingency Reserve during the year is Rs. 116000 ('000) [Refer Note No. 8 of Schedule No. 17 II]

SCHEDULES 10 TO 16 FORMING PART OF PROFIT AND LOSS ACCOUNT

	Current Year Rs. 000's	Previous Year Rs. 000's
Schedule - 10		
INTEREST		
1. Interest on Deposits and Loans (Gross) (Tax deducted at source Rs. Nil previous year Rs. 28,772/-)	-	128
2. Interest on Fixed Deposits with Banks (Tax deducted at source Rs. 93,351/- previous year Rs. 1,35,922/-)	521	1,015
3. Other Interest	17	3
TOTAL	538	1,146
Schedule - 11		
OTHER INCOME		
1. Service Charges (Tax deducted at source Rs. 4,39,507/- previous year Rs. 2,87,060/-)	3,798	3,590
2. Dividend on Long Term Investments	608	1,568
3. Profit on sale of Fixed Assets (Net)	44	-
4. Share of Profit from Partnership Firms (Net)	-	5,022
5. Sundry Credit balances written back	18,927	519
6. Bad Debts Written Off Re-credited to the Profit & Loss A/c	729	5,592
7. Provision for Doubtful Debts/Advances written Back	37,463	7,393
8. Provision for Diminution in Value of Long Term Investment no longer required	2,420	9,926
9. Others (Tax deducted at Source Rs. 2,54,427/- (Previous year Rs. 1,45,411/-))	10,557	9,976
TOTAL	74,546	43,586
Schedule - 12		
EMPLOYEE COST		
1. Salaries & Other Allowances (Net)	8,113	5,607
2. Contribution to Provident, Gratuity and Superannuation Funds (Net)	1,083	650
3. Leave Encashment	1,031	168
TOTAL	10,227	6,425

	Current Year Rs. 000's	Previous Year Rs. 000's
Schedule - 13		
ADMINISTRATIVE AND OTHER EXPENSES		
1. Advertisement & Business promotion expenses	78	142
2. Professional fees & Service charges	1,422	1,392
3. Rates and Taxes	28	231
4. Rent and Office premises compensation	277	615
5. Insurance	15	28
6. Repairs and Office Maintenance	19	74
7. Conveyance Expenses	418	442
8. Postage Expenses	812	771
9. Loss on Scrapped Assets	928	-
10. Miscellaneous Expenses	3,168	3,753
TOTAL	7,165	7,446

Schedule - 14		
INTEREST AND OTHER FINANCE CHARGES		
1. Interest on Bank Cash Credit account etc	25,027	18,924
2. Bank charges and commission	67	53
3. Interest on Term Loans	4,900	8,123
4. Interest on Debentures	3,962	97
5. Other Interest	51	32
TOTAL	34,007	27,229

Schedule - 15		
PROVISIONS & WRITE-OFFS		
1. Bad Debts/Repossessed Stock/Investments written off	104,465	472,954
Less: Adjusted against provisions	102,636	472,261
	1,829	693
2. Provision for Non Performing Assets-Debtors/Advances	389	24,179
3. Provision for Diminution in value of Long Term Investments	-	31
TOTAL	2,218	24,903

Schedule - 16		
EXCEPTIONAL ITEMS		
Excess interest provided on Cash Credit from Banks and Term Loan from Financial Institution Written Back (Refer Note No. 7 of Schedule No. 17 II)	116,073	-
Short Term Capital Loss (Refer Note No. 11 of Schedule No. 17 II)	(232,670)	-
TOTAL	(116,597)	-

Schedule 17
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
I. SIGNIFICANT ACCOUNTING POLICIES:
a. Basis of Preparation of Financial Statements:

The financial statements are prepared on the historical cost basis in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

c. Fixed Assets:

All the Fixed Assets including assets given on lease have been stated at cost. Assets on lease are further adjusted for balance in lease terminal adjustment account.

d. Intangible Assets:

Intangible assets are stated at cost of acquisition less accumulated amortization.

e. Assets Acquired in Satisfaction of Claims:

Assets acquired in satisfaction of claim has been accounted at fair value of the assets acquired and is marked down by a subsequent reduction in the Net Realisable Value, if any.

f. Depreciation:

Depreciation on Fixed Assets is provided on straight-line method in accordance with Section 205(2)(b) of the Companies Act, 1956 as per rates specified in Schedule XIV to the Companies Act, 1956.

Capital expenditure on leased premises is depreciated on straight-line method as per the rates specified in Schedule XIV or over the lease period whichever is higher.

g. Impairment of Assets:

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

h. Investments

Long-term investments are stated at cost of acquisition. Provision is made in diminution in value, other than temporary, in the carrying amount of such investments.

Current investments are shown at lower of cost and fair market value (repurchase price in case of Mutual Fund Units).

i. Stock-in-trade

Stock-in-trade of shares is valued at average cost or market value whichever is lower.

j. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection. Prudential norms prescribed by Reserve Bank of India for revenue recognition and provisioning are followed:

j) Lease Rentals

The Company has not given assets under finance lease after 1st April, 2001. Accordingly Accounting standard 19 issued by the Institute of Chartered Accountants of India does not apply. The Company follows the recommendation of the Institute of Chartered Accountants of India contained in the Guidance note on Accounting for leases. Accordingly, lease rentals received/receivable under lease agreements have been accounted as income adjusted by creating Lease Equalisation Account to ensure recognition of Net Income at a constant periodic rate of return on the net investment outstanding in the lease. For the purpose of calculating net income for each of the periods comprising the Lease term, total finance income from the Lease is apportioned in the ratio of minimum lease payments outstanding during each of the respective periods comprising the Lease terms. Against the lease rentals a matching annual charge (which represents recovery of the net investments in the Leased Assets over the lease term) is made to the Profit and Loss Account.

ii) Bills Discounting

Discounting/rediscouinting charges are accrued on a time proportion basis taking into account the amount of bills outstanding and the rate applicable.

iii) Hire-Purchase

Income from Hire Purchase financing is recognised on a declining balance basis.

iv) Profit on Sale of Investments

Profit on Sale of Investments is accounted reckoning the average cost of the investments.

v) Underwriting Commission

Underwriting Commission is accounted on the closure of the issue underwritten.

vi) Issue Management and Loan Syndication Income

Issue Management, Loan Syndication fees and fees for the other financial services are accounted on accrual basis depending on the progress of the assignment.

vii) Other Income

Other Income is accounted on accrual basis.

- k. Premium payable on the redemption of Non Convertible Debentures will be accounted as and when paid

l. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and a reliable estimate of the amount of the obligation can be made. Contingent Liabilities are not recognised and are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

m. Retirement Benefits

The Company has various retirement benefits such as Provident Fund recognised by Income Tax Authorities and Gratuity Funds and Superannuation Fund covered by the scheme with Life Insurance Corporation of India. The Provident, Superannuation & Gratuity Funds are administered through trustees and company's contribution for the year is charged against revenue.

n. Leave Encashment

Leave Encashment is accounted on the basis of actual leave balance as at the year end.

o. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax asset and liability are measured using the tax rates that have been enacted or substantively enacted at the Balance Sheet date.

p. Borrowing Cost

Borrowing cost is charged to revenue.

II. NOTES TO ACCOUNTS:

	Current Year Rs. '000s	Previous Year Rs. '000s
1. Contingent Liability in respect of :		
a) Arrears of dividend on 14.5% and 10 % Redeemable Cumulative Preference Shares		
1997-98	817	817
1998-99	1,190	1,190
1999-00	1,190	1,190
2000-01	4,860	4,860
2001-02	4,860	4,860
2002-03	4,046	4,046
2003-04	3,670	3,670
2004-05	3,670	3,670
2005-06	3,670	3,670
2006-07	3,670	3,670
Total	31,643	31,643

- b) The company has received, on 23rd January, 2006 an ex-parte assessment order under section 144 of the Income Tax Act, 1961 for the Assessment years 1993-94 to 1998-99 with a demand of Rs. 8,14,51,111/- inclusive of interest, for transactions of lease treated as loan. The company had filed an appeal before the Commissioner (Appeals) Challenging the ex parte assessment orders. As directed, a remand report u/s 250(4) of the Income Tax Act, 1961 on verifying the claim of depreciation on leased assets a fresh, has been submitted by the Assessing Officer, to the Commissioner (Appeals). Based on the details submitted by Assessing Officer, the company is hopeful of favourable decision from the Commissioner (Appeals) and therefore no liability has been provided in the books.
- c) Interest Tax on interest earned on Debentures, Bonds and Government Securities is not exigible to interest tax as per the order of ITAT -83/M/01 dated 30th September, 2004 for the assessment year 1998-99. The department filed an appeal against this order in the Honourable Bombay High Court and accordingly the liability arising out of the said appeal inclusive of interest would be Rs. 21,07,307/- if won by the department.
- d) Claims against the Company not acknowledged as debts - Stamp duty on premises Rs. 50,00,000/- (Previous Year Rs. 50,00,000/-) (see note 9(a) below).
- e) Suit filed by employee in Labour Court at New Delhi - Amount Rs. 3,15,205/- (Previous Year Rs. 3,15,205/-).
- f) Five cases filed against the company in various civil courts for the recovery for an aggregate sum of Rs. 2,56,000/- [Previous

Year Rs. 2,56,000/-] towards refund of security deposit, non-repayment of debentures etc.

- g) The shares of the company have been suspended for trading on the NSE since September 2001 and on BSE since December 2002 on account of non-redressal of investor grievances relating to non-payment to the debenture holders. SEBI is empowered to impose a penalty of Rs. 1 lac for each day or Rs. 100 lac, whichever is less on companies who fail to redress investor grievances after having being called upon to do so.
- h) Criminal case has been filed by debenture holders in the court of the first class Judicial Magistrate at Patna and Ranchi against the Company and its erstwhile directors under section 409, 420 and 120B of the Indian penal code for non- repayment of the debentures. The complainants are since paid the amount due as per the resolutions passed in the Debenture holders meeting. The total face value of debentures covered under the above cases is Rs. 1,16,000/- (Previous Year Rs. 1,16,000/-).
- i) There is a penalty of Rs. 6,07,40,000/- (Previous Year Rs. 6,03,60,000/-) levied by Directorate of Enforcement under Foreign Exchange Management Act (FEMA), Mumbai in the year 2003-2004, for non-submission of Bill of Entry in case of imported machineries, which were leased to customers. The Company has filed an appeal against this order before the Appellate Tribunal for Foreign Exchange, New Delhi. In the year 2004-2005, the company has out of abundant precaution provided for Rs. 1,20,00,000/- as provision for contingency.
- j) Thirty-Six cases have been filed against the Company in various Consumer Forums and the total demand is aggregating to Rs. 23,45,000/- (Previous Year Rs. 26,15,000/-) approximately.
- k) Disputed Sales Tax demand aggregating to Rs. 5,39,393/- (Previous Year Rs. 5,39,393/-).
- l) In the year 2002-03 writ Petition had been filed by MS shoes in the Hon. Delhi High Court against an MRTD Order dismissing their claim of Rs. 5,00,00,000/- towards fulfilment of under writing obligation.

In the year 2003-04 Hon.Delhi High Court had dismissed the aforesaid writ petition vide its order dated 23rd October, 2003.

In the year 2006-07 the Hon.Delhi High Court vide order dated 14th March, 2007, directed that the arbitration claim be filed before the Arbitrator. The Company has received a notice of arbitration demanding an amount of Rs. 19,59,62,747/- on account of unfulfilled underwriting devolvement obligation in respect of the public issue of MS Shoes. The Company is in the process of contesting the said claim. Arbitration hearing is in progress.

2. a) Managerial Remuneration under Section 198 of the Companies Act, 1956:

	Current Year Rs. '000s	Previous Year Rs. '000s
1) Salary	2194	720
2) Contribution to Provident & other funds	573	229
3) Perquisites in cash or in kind	600	180
Total	3367	1129

- b) The Company had made an application to the Ministry of Corporate Affairs, Government of India, New Delhi on 8th November, 2007 for approval of the Central Government u/s. 269, 198/309 and 637AA of the Companies Act, 1956 for the reappointment of Mr. N. R. Divate, Manager of the Company for a

period of five years and approval of revised managerial remuneration w.e.f. 1st August, 2006. The Company received during the year a approval from Ministry of Corporate Affairs, Government of India, New Delhi dt. 27th December, 2007 and accordingly the managerial remuneration paid has been included above.

- c) Further, the Company has also received a approval from the Central Government u/s 309(5B) of the Companies Act, 1956 permitting the waiver of the recovery of excess remuneration paid to Mr. N. R. Divate, Manager of the Company during the period from 01.08.2001 to 31.07.2006. Accordingly the above managerial remuneration includes Rs. 3,93,717/- paid during the year against recovery made in the earlier years.

3. Payment to Auditors (Inclusive of service tax where applicable)

	Current Year Rs. '000s	Previous Year Rs. '000s
As auditors	225	416
As advisor or in any other capacity in Respect of -		
Certification matters		-
(Limited Review/Corporate Governance etc);	293	379
Out of Pocket Expenses	16	18
Tax audit fees	56	-
Total	590	813

4. The Company has been legally advised, that as the principal object of the company as laid down in the Memorandum of Association encompasses the business of financing industrial enterprises, the provisions of Section 372A of the Companies Act, 1956 are not applicable to it.

5. Fixed Deposits

Fixed Deposits received from public is under reconciliation, with the corresponding balances in the subsidiary registers, the balances as per books of accounts being higher by Rs. 4,16,61,000/- (Previous Year Rs. 4,16,61,000/-). Pending the reconciliation, the Company has not filed the annual return on deposits since 1999. However during the current the year, the company has identified the difference towards Fixed Deposit Interest Warrants short accounted in the earlier years and accordingly accounted the same as Prior Period Items. (For details Refer Note No. 8)

Company's application for fresh registration to Reserve Bank of India (RBI) under section 45IA of the RBI Act has been rejected by the RBI vide its order dated 22nd October, 2002. As per directions of RBI the company had intimated the Fixed Deposit holders about the rejection.

Based on confirmations received from fixed deposit holders for payment/fixed deposit receipt for payment, the company opened an escrow account with ING Vysya Bank Ltd. by depositing Rs. 20,00,000/- in fixed deposit to secure the outstanding fixed deposit of Rs. 19,01,000/-. Subsequently the company has paid Rs. 8,78,000/- to the deposit holders from Escrow Account leaving a balance of Rs. 10,23,000/- as unclaimed deposit against which the company is holding FDR with ING Vysya Bank Limited for an amount of Rs. 18,63,968/- as on 31st March, 2008.

Reserve Bank of India had also directed the company to submit the monthly return on repayment of fixed deposits and to pass a specific resolution not to carry out the business of NBFC. The company will take steps to comply with the same. Further the company is of the view that, as it has escrowed its public deposit liability, it is not required to submit the half yearly return under the NBFCs Prudential Norms

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(Reserve Bank) Directions 1998 from the half-year ended September 2002.

6. Debentures

Bank of India had filed a case against the company with Mumbai High court for Rs. 166,34,72,817/- in capacity of trustee for all series of Debentures. Order was passed on 13th April, 2003 and company was directed not to deal further in investments in National Savings Certificates and to deposit the accruals there on, dividend and other accruals on equity shareholding as detailed in Schedule 6 of the Balance Sheet as at 31st March, 2001.

The Company has passed appropriate resolution as per the order of the Honourable Bombay High Court in the above suit and revised the terms of Debentures.

The Company appointed "Garron Trading Company Private Limited" and "Sunanda Services & Trading Limited" as redemption agents for "F2/F3" Series Debentures and "K" Series Debentures respectively. As intimated by the redemption agents Rs. 83,29,800/- remains unpaid as on 31.03.2008 towards "F2/F3" series debentures and Rs. 12,16,000/- remains unpaid as on 31.03.2008 towards "K" series debentures.

The Company is in process of filing appropriate modification in the above civil suit filed by the Debenture Trustees taking into account the scheme of arrangement, with the secured creditors (including the debenture holders), under section 391 of The Companies Act, 1956 approved by the Hon. Mumbai High Court. (Refer Note No. 7 below).

Balance of Rs. 2,36,68,515/- (Previous Year Rs. 6,15,68,015/-) receivable from Garron Trading Company Private Limited [arising out of the transactions as given above] is under reconciliation with their books of accounts.

7. Scheme of Compromise and Arrangements

The Company on 22nd May, 2006 has filed a Petition under Sections 391 and 394 of The Companies Act, 1956 for Compromise, in the Hon'ble Bombay High Court with the residual banks, debenture holders and unsecured lenders. As per the directions of the Hon'ble Bombay High Court the Meetings of the Secured and Unsecured Creditors had been convened on 31st August, 2006. The secured and unsecured creditors have passed the resolution for the scheme of settlement/compromise with requisite majority. Thereafter the scheme has been sanctioned by the Hon'ble Bombay High Court vide its order dated 13th July, 2007, and is effective from 22nd August, 2007.

The Company has passed all the relevant account entries giving effect to above Scheme of Compromise in the last quarter of the current financial year as per the details given below:

a. The Reduction in principal value of Liabilities arising out of the compromise arrangement treated as Capital Reserve and set off against the accumulated losses	Rs. 59,34,34,693
b. The waiver of interest liabilities after 1 st April, 1999 set off against the accumulated losses of the company	Rs. 64,93,40,677
c. Reduction in discount value of debenture including discounting charges written back to Share Premium Account	Rs. 11,43,586
d. The aggregate of Capital Reserve, Debenture Reserve, General Reserve and the reserve under section 45(I)(c) of the RBI Act, 1934 set off against the accumulated losses including Rs. 59,34,34,693/- as mentioned in "a" above	Rs. 135,64,03,120
e. The interest provided on all the secured liabilities from 1 st April, 2006 to 30 th June, 2007 written back and shown as "Exceptional Items"	Rs. 11,60,72,708

The payments as per Scheme of Compromise are made to Secured and Unsecured Creditors as and when they are due and as per the options exercised orally.

8. Non Confirmations and Reconciliations of Banks.

In respect of Current Accounts with banks amounting to Rs. 5,02,97,672/- (net) (previous year Rs. 17,36,04,717/-) which includes book debit balance of Rs. 5,12,29,433/- and book credit balance of Rs. 9,31,761/-, statements of account were not being received; including from 2000-2001 in some cases. In the year 2004-05 the company followed up and succeeded in obtaining the statements of account barring a few cases including where request for confirmation/statement of account could not be sent as addresses were not available. Pending the reconciliation, the company has made provision for contingency in the years 2004-05 and 2005-06 aggregating to Rs. 11,60,00,000/- for two banks to cover the loss if any. During the Current year, in case of one bank the company has identified the difference of Rs. 9,30,78,412/- towards Fixed Deposit Interest Warrants short accounted and Interest on Over Draft not accounted in the earlier years. The Company has accounted the same as Prior Period Items and adjusted the same against contingency provision of Rs. 9,31,00,000/-. In case of other Bank it was very difficult to identify the difference due to non availability of complete statement from the Bank, the company has accounted Rs. 2,29,21,179/- as Prior Period Item and adjusted the same against contingency provision of Rs. 2,29,00,000/-.

In case of remaining current accounts adjustment if any would be made on receipt of statements of account, confirmations and completion of the reconciliation.

9. ICICI Bank Limited.

(a) The Company had received a property of Rs. 5,74,95,000/- in 1999-00 (of which it was in possession) in part settlement of debts. The Company had committed to transfer the property to ICICI Bank Ltd. (the company's lender which is also an associate party) against the outstanding of Rs. 24,14,59,301/-. Pending the completion of formalities, the same has been treated as advance for property.

(b) Though the Bank is not a party to the Scheme of Compromise and arrangement referred to in paragraph 10 the company has stopped providing interest on the aforesaid loan from the quarter ended 30th September, 2006, as the company expects to settle the account and obtain relief. The Company has stopped providing interest on aforesaid loan. The impact for the year is Rs. 2,17,35,127/- (Previous Year Rs. 1,63,16,232/-). The aggregate amount unprovided is Rs. 3,80,51,359/- (Previous Year Rs. 1,63,16,232/-).

(c) For the same reason mentioned in (b) above, no provision has been made for penal interest (amount unascertained).

(d) The above loan has not been confirmed and reconciled from 1999-2000. The Statement of account has also not been received.

10. During the year 2004-2005 the company has accounted for the immovable properties acquired in satisfaction of claims valued at Rs. 59,76,429/-. Though the company is in possession of the vacant property, completion of documentation is pending.

11. The Company had long term investments of Rs. 22,98,94,313/- (net) being investments in two partnership firms, which have significant investments in equity shares of National Organic Chemical Industries Limited (NOCIL). During the last year the firms have been converted into Private Limited Companies namely Shripad Associates Private Limited and Arvi Associates Private Limited; the company was allotted equity shares aggregating to Rs. 2,00,000/- in the previous year and preference shares aggregating to Rs. 24,47,16,000/- in the current year. Both the equity shares and preference shares were sold at a total loss of Rs. 23,26,70,200/- in the current year itself and the same is accounted as "Short Term Capital Loss" under "Exceptional Items".

12. Most of the company's debtors are fully provided/written off and have been suit filed for recovery. The Company has circulated confirmation letters to debtors on selective basis and wherever the addresses of these debtors are available. Accordingly, these accounts are subject to adjustments if any, on receipt of the confirmations/statements of account. The company has not circularised confirmations for sundry creditor balances.

13. In view of the negative net worth, the Company has not achieved a capital adequacy ratio required to be maintained as per regulation 10 of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

14. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

15. As of the balance sheet date total liabilities exceed total assets by Rs. 12,43,08,443/- (Previous Year Rs. 130,53,94,526/-) after giving the effect of the substantial relief as per the "Scheme of Arrangement and Compromise" under section 391/394 of the Companies Act, 1956. (Refer Note 7 supra) sanctioned by the Hon'ble Bombay High Court. The accounts of the company have been prepared on Going Concern Basis.

Successful implementation of the scheme is contingent on the company timely realising the value of investments and recovering the unprovided loans and advances as well as substantially expanding non fund base activity. The company will take steps to have the proceedings initiated against the company for recovery of debts/ winding up petition, terminated.

The company was also able to recover Rs. 13,34,65,085/- (Rs.14,95,000/- for the year) from its written off/fully provided debtors and is continuing the recovery effort. Further the business of its wholly owned stock-broking subsidiary is profitable.

The 3 years limit for disposing off financial assets, allowed by Reserve Bank of India in its order of October 2002 rejecting application for registration as Non Banking Finance Company has expired in October 2005.

16. The company is operating in a single segment namely Non-banking financial services.

17. As required by Accounting Standard - 18 issued by The Institute of Chartered Accountants of India, Related Party Disclosures are as follows:

A. Subsidiary Company

Mafatlal Securities Limited

B. Associate Companies

Mafatlal Industries Limited

Mafatlal Trustee Company Limited

Mafatlal Systems Limited

(formerly known as Mafatlal Consumer

Finance Company Limited)

Sunanda Capital Services Limited

Sushmita Engineering & Trading Limited

ICICI Bank Limited

C. Key Management Personnel

Mr. N. R. Divate

Transactions with Related Parties:

Particulars	Subsidiary Company		Associate Companies		Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Outstanding Receivables	27,39,878	6,31,654				
(b) Margin Deposit given outstanding as on 31.03.2008	5,00,000	5,00,000				
(c) Loans given						
Opening Balance - Total			4,88,462	13,71,926		
- Sunanda Capital Services Limited			4,12,118	12,93,792		
Addition during the year -Total			75,000	13,100		
- Sunanda Capital Services Limited			73,500	1,800		
- Mafatlal Systems Limited			-	300		
- Sushmita Engineering & Trading Limited			1,500	11,000		
Repaid during the year			-	-		
Mafatlal Trustee Co. Ltd.			-	-		
Written off during the year			-	8,96,564		
- Sunanda Capital Services Limited			-	8,83,474		
- Mafatlal Systems Limited			-	13,090		
Closing Balance - Total			5,63,462	4,88,462		
- Sunanda Capital Services Limited			4,85,618	4,12,118		
Provision for Non Performing Assets on Loans and Advances - Sunanda Capital Services Limited.			4,85,618	4,12,118		
Provision made for NPA during the year - Sunanda Capital Services Ltd.			73,500	-		

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Particulars	Subsidiary Company		Associate Companies		Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(d) Loan Taken from ICICI Bank Ltd.						
Opening Balance			24,14,59,301	23,60,40,406		
Interest Provision for the year and previous year.			-	54,18,895		
Closing Balance			24,14,59,301	24,14,59,301		
(e) Advance for Subscription						
Opening Balance - Total			11,94,16,569	-		
Addition During the Year			11,94,16,569			
- Shripad Associates			-	11,94,16,569		
Deletion during the Year			11,94,16,569	-		
- Shripad Associates			11,94,16,569			
Closing Balance - Total			-	11,94,16,569		
- Shripad Associates			-	11,94,16,569		
(f) Investment In Subsidiary						
Opening Balance	10,00,00,000	10,00,00,000				
Closing Balance	10,00,00,000	10,00,00,000				
(g) Rental Income	6,48,000	6,48,000				
(h) Reimbursement of Employee Cost	22,02,343	24,10,259				
(i) Service Charges	37,97,657	35,90,196				
(j) Other Expenses Charged to them - Total			-	-		
(k) Other Expenses Charged by them	15,721	1,44,179				
(l) Managerial Remuneration					33,66,255	11,29,015
(m) Brokerage Paid	1,41,968	1,36,983				

18. The Company has complied with AS-22 "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India; accordingly, the opening deferred tax asset and as well as for the year has not been accounted on the grounds of prudence.

19. The company has taken Office premises on Operating Lease and Lease Rent amounting to Rs. 1,34,000/- (Previous Year Rs. 6,14,900/-) was paid during the year has been debited to Profit and Loss account. The future minimum lease payment is as under:

Particulars	2007-08 Rs.	2006-07 Rs.
Not later than 1 year	1,08,000	1,34,000
Later than 1 year and Not later than 5 years	Nil	1,08,000
Later than 5 years	Nil	Nil
TOTAL	1,08,000	2,42,000

20. Earning per Share:

	Current Year Rs. '000s	Previous Year Rs. '000s
i) Basic Earning per share		
Profit/(Loss) for the year as per Profit & Loss Account	(628,32)	66,88
Less: Preference dividend	-	(41,85)
	(628,32)	25,03

	Current Year Rs. '000s	Previous Year Rs. '000s
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year.	3,98,81,700	3,98,81,700
Basic Earning per Share. (Rupees)	(1.58)	0.06
ii) Diluted Earning per share		
Profit/(Loss) for the year as per Profit & Loss Account	(628,32)	66,88
Less: Preference dividend	-	(41,85)
Add: Interest forgone on account of Potential Equity shares	-	81,23
	(628,32)	1,06,26
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year.	3,98,81,700	3,98,81,700
Add: Shares issuable under Loan Contract upon default of payment of principal and interest	-	2,41,45,930
Total Weighted average number of Equity Shares.	3,98,81,700	6,40,27,630
Diluted Earning per Share. (Rupees)	(1.58)	0.06
Nominal value of shares (Rupees)	10.00	10.00

21. Schedule to the Balance Sheet of a Non-Banking Financial Company
(as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998)

(Rs. in Lakhs)

Particulars	Amount outstanding	Amount overdue
Liabilities Side:		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures: Secured	89.00	—
Unsecured (other than falling Within the meaning of Public deposits)	—	—
(b) Deferred Credits	—	—
(c) Term Loans	2509.60	2414.60
(d) Cash Credits	595.80	203.00
(e) Inter-Corporate loans and borrowings	—	—
(f) Commercial Paper	—	—
(g) Public Deposits *	426.84	—
(h) Other Loans (Security Deposits from lessees and others etc.)	1.26	—
(2) Break-up of (1)(g) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured Debentures	—	—
(b) In the form of partly secured debentures where there is a shortfall in the value of security	—	—
(c) Other Public Deposits *	426.84	—
*Refer Note No. 5 of Schedule 16(II)		

Particulars	Amount outstanding
Assets Side:	
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below:] (net of provision)	
(a) Secured	—
(b) Unsecured	963.54
(4) Break up of Leased Assets and Stock on Hire and Hypothecation loans counting towards EL/HP activities:	
(i) Lease Assets including lease rentals under Sundry Debtors (Net of Provisions):	
(a) Financial Lease	—
(b) Operating Lease	—
Assets acquired in satisfaction of claim	59.77
(ii) Stock on Hire including hire charges under Sundry Debtors (Net of Provisions):	
(a) Asset on Hire	—
(b) Repossessed Assets	—
* The Company is having Three Repossessed Vehicles which have been valued at Rs. 1 each.	
(iii) Hypothecation loans counting towards EL/HP activities (Net of Provisions):	
(a) Loans where assets have been Repossessed	—
(b) Loans other than (a) above	—

Particulars	Amount outstanding
-------------	--------------------

(5) Break-up of Investments:

Current Investments:

1. Quoted:

- (i) Shares: (a) Equity —
- (b) Preference —
- (ii) Debentures and Bonds —
- (iii) Units of Mutual Funds —
- (iv) Government Securities —
- (v) Others —

2. Unquoted:

- (i) Shares: (a) Equity —
- (b) Preference —
- (ii) Debentures and Bonds —
- (iii) Units of Mutual Funds —
- (iv) Government Securities —
- (v) Others —

Long Term Investments:

1. Quoted:

- (i) Shares: (a) Equity (Net of Provisions) 128.45
- (b) Preference —
- (ii) Debentures and Bonds —
- (iii) Units of Mutual Funds —
- (iv) Government Securities —
- (v) Others —

2. Unquoted:

- (i) Shares: (a) Equity 1000.20
- (b) Preference (Net of Provisions) —
- (ii) Debentures and Bonds 0.75
- (iii) Units of Mutual Funds 49.42
- (iv) Government Securities 0.13
- (v) Others-(Investment In Partnership Firms) —

(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	—	27.40	27.40
(b) Companies in the same group	—	—	—
(c) Other related Parties (Net of Provisions)	—	—	—
2. Other than related Parties (Net of Provisions)	—	936.14	936.14
TOTAL	—	963.54	963.54

(7) Investor group-wise classification of all Investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	1653.17	1000.00
(b) Companies in the same group	—	—
(c) Other related parties	—	—
2. Other than related Parties	191.86	178.95

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(B) Other information

Particulars	Amount
(i) Gross Non-Performing Assets (other than investments)	
(a) Related Parties	5.64
(b) Other than related Parties	1941.43
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	59.77

22. Disclosure pursuant to Clause 32 and 41 of the Listing Agreement

Rs. in Lacs

Loans and Advances	Amount outstanding as at 31.03.2008	Maximum Amount outstanding during the year
(A) To Subsidiaries		
Mafatlal Securities Limited	27.40	27.40
(B) To Associate		
Mafatlal Systems Ltd. (formerly known as Consumer Finance Company Ltd.)	0.10	0.10
Mafatlal Trustee Company Ltd.	Nil	Nil
Sunanda Capital Services Ltd.	4.86	4.86
Sushmita Engineering & Trading Ltd.	0.68	0.68

Loans and Advances	Amount outstanding as at 31.03.2008	Maximum Amount outstanding during the year
(C) To Firms/Companies in which directors are interested other than (A) and (B) above.	Nil	Nil
(D) Where there is		
no repayment schedule	236.69	615.98
repayment beyond seven years (representing housing loans to staff)	-	-
interest below the rate as specified in Section 372A of the Companies Act	236.69	615.98

Investments by the loanee in the shares of parent company and subsidiary company - Nil

23. Comparative financial information (i.e. the amounts and other disclosures for the previous year presented above as corresponding figures), is included as an integral part of the current year's Financial Statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/reclassified wherever necessary to correspond to figures of the current year.

24. Figures have been rounded off to the nearest rupee and expressed in thousands.

Signatures to Schedules 1 to 17

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

RAMAKRISHNA PRABHU
Partner

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. REGISTRATION DETAILS

Registration No.

			4	1	2	7	7
--	--	--	---	---	---	---	---

State Code

						1	1
--	--	--	--	--	--	---	---

Balance Sheet

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

Date

Month

Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities

1	4	1	9	5	8	4
---	---	---	---	---	---	---

Total Assets

1	4	1	9	5	8	4
---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital

		4	4	3	7	2	4
--	--	---	---	---	---	---	---

Reserves and Surplus

		5	6	2	6	1	6
--	--	---	---	---	---	---	---

Secured Loans

		3	1	9	6	2	2
--	--	---	---	---	---	---	---

Unsecured Loans

			4	2	8	1	0
--	--	--	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

					5	3	1
--	--	--	--	--	---	---	---

Investments

		1	1	7	8	9	5
--	--	---	---	---	---	---	---

Net Current Assets

		1	1	9	6	9	7
--	--	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

	1	1	3	0	6	4	9
--	---	---	---	---	---	---	---

IV. PERFORMANCE OF THE COMPANY (AMOUNT RS. IN THOUSANDS)

Turnover

		1	0	7	7	6	3
--	--	---	---	---	---	---	---

Total Expenditure

			5	3	8	0	1
--	--	--	---	---	---	---	---

Exceptional Items

(1	1	6	5	9	7)
---	---	---	---	---	---	---	---

Loss Before Tax

(6	2	6	3	5)
---	---	---	---	---	---	---

Loss After Tax

(6	2	8	3	2)
---	---	---	---	---	---	---

Earning Per Share (Rs.)

	(1	5	8)
--	---	---	---	---	---

Dividend Rate %

					N	I	L
--	--	--	--	--	---	---	---

**V. GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES
OF THE COMPANY (AS PER MONETARY TERMS)**

N.A.

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

 Navi Mumbai, Dated: 18th June, 2008

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING
TO SUBSIDIARY COMPANY**

	NAME OF THE SUBSIDIARY	MAFATLAL SECURITIES LIMITED
1.	The Financial Year of the Subsidiary Company ended on	March 31, 2008
2.	a) No. of Equity Shares held by Mafatlal Finance Company Limited and its nominees in the subsidiary as on 31 st March, 2008. b) Extent of interest of Mafatlal Finance Company Limited in the Capital of the subsidiary	1,00,00,000 Equity Shares of Rs. 10 each fully paid-up 100%
3.	Net aggregate amount of profits of the subsidiary so far as it concerns the members of Mafatlal Finance Company Limited and is not dealt within the Company's Accounts: (a) Profit/(Loss) for the year ended on 31 st March, 2008 of the subsidiary (b) Profits/(Losses) for the previous financial years of the subsidiary since it became subsidiary of Mafatlal Finance Company Limited	Rs. 3,41,16,388 Rs. 77,77,075
4.	Net aggregate amount of Profits/(Losses) of the subsidiary so far as dealt with or provision is made for those losses in the accounts of Mafatlal Finance Company Limited: a) For the subsidiary's Financial Year ended on 31 st March, 2008. b) For its previous year's since it became the subsidiary of Mafatlal Finance Company Limited	Not Applicable Not Applicable

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

Navi Mumbai, Dated: 18th June, 2008

DIRECTORS' REPORT

To,
The Members
Mafatlal Securities Limited

Your Directors present the Fourteenth Annual Report with the Audited Statement of Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

The Financial results of the company for the year under review as compared to the previous year are summarized below for your consideration:

	Year ended 31.03.2008 (Rs. In lacs)	Year ended 31.03.2007 (Rs. In lacs)
Gross Sales & Other Income	717.43	317.17
Gross Purchases, Interest, Depreciation and other charges	328.37	244.30
Profit before Tax	389.06	72.87
Profit after Tax	341.17	49.83
Add: Amount brought forward from previous year	77.77	27.94
Amortisation of BSE membership Card adjusted against surplus in the earlier year brought back	234.23	-
Profit carried forward to Balance Sheet	653.17	77.77

OPERATION

The Company had earned brokerage income of Rs. 262.81 lacs as compared to Rs. 204.58 lacs during the previous year. The income from depository segment was Rs. 48.08 lacs as compared to Rs. 41.07 lacs during the previous year. The Company had also earned a profit of Rs. 236.86 lacs on sale of 9123 Shares of Bombay Stock Exchange Limited during the year. After writing off the bad debts to the extent of Rs. 0.11 lacs the Company ended the financial year with a pretax profit of Rs. 341.17 lacs as compared to Rs. 83.48 lacs during the previous year.

HOLDING COMPANY

The entire share capital of the Company is held by Mafatlal Finance Company Ltd. the holding company of the Company.

COMMENTS ON AUDITOR'S QUALIFICATIONS AND MANAGEMENT'S RESPONSES:

Note No. 6 regarding non appointment of Company Secretary.

We are in the process of recruiting Company Secretary and are waiting for a suitable candidate. During the year, we have sought the help of "The Institute of Company Secretaries of India" and also a placement agency for selection of a candidate. We have also obtained compliance certificate from a practicing Company Secretary.

Note No. 8 regarding compliance of the requirement of Section 269 read with Schedule XIII of the Companies Act, 1956. We are unable to express an opinion whether the constitution of Remuneration Committee meets the criteria specified in Schedule XIII of the Companies Act, 1956.

The Company has obtained a legal opinion confirming that the constitution of the Remuneration Committee and the appointment of the Whole Time Directors is in conformity with the provisions of the Section 269 read with Schedule XIII of The Companies Act, 1956.

Note No. 9 regarding write back of the provision for amortisation of BSE card and the resultant increase in net worth of Rs. 26,02,600/-. As per the accounting treatment adopted by the company, the write back of amortisation credited to profit and loss account during the year has not been considered for provision for tax. We are unable to express our opinion on the same.

When the Company provided amortization in the year 2004-2005 the same was disallowed by the Income Tax Department including the depreciation on BSE Card. Therefore the write back of amortization has not been considered for provision for tax.

PUBLIC FIXED DEPOSITS

The Company has not accepted any deposits from the public as on 31st March, 2008 and therefore particulars stipulated in respect thereof are nil.

OUTLOOK

The performance for the current year is adversely impacted due to the drop in trading volumes on the stock exchanges. The Stock indices are reflecting a number of parameters, significant amongst them being, the economics slow down and the sharp rise in inflation. The outlook for the company in the futures is likely to be weak till there is a reversal in the slowing trend of the economy.

PARTICULARS OF EMPLOYEES

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

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217(2A) of the Companies Act, 1956, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been following alongwith proper explanation relating to material departures ;
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

The Company's Auditors M/s R. Prabhu & Associates, Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible have given their consent to act as Auditors of the Company if reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign Exchange earnings : Nil
Foreign Exchange outgoings : Nil

ACKNOWLEDGEMENTS

Your Directors wish to thank and place on record their appreciation of the valuable support given by Clients, Financial institutions, FIs, Banks and Mutual Funds. Your Directors also record the appreciation for the services rendered by the employees of the Company.

For and on behalf of the Board

Place : Mumbai
Dated : 21st May, 2008

N. R. DIVATE
Director

AUDITORS' REPORT

To,

The Members,

MAFATLAL SECURITIES LIMITED

1. We have audited the attached balance sheet of **MAFATLAL SECURITIES LIMITED**, as at 31st March, 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards accepted in India. Those standards required that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the said order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - a. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far, as appears from our examination of those books.
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956,
 - e. On the basis of written confirmation received from the directors of the company as on 31st March, 2008 and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

f. Attention is invited to the following notes in Schedule no. 14:

- i) **Note No. 6 regarding non appointment of Company Secretary.** This had caused the previous auditors to qualify their audit opinion on financial statements for the previous year ended 31st March, 2007.
 - ii) **Note No. 8 regarding compliance of the requirement of Sec 269 read with Schedule XIII of the Companies Act, 1956 as per the legal advice sought by the Company.** We are unable to express an opinion whether the constitution of Remuneration Committee meets the criteria specified in Schedule XIII of the Companies Act, 1956 though as per the legal advice the same is in order. This had caused the previous auditors to qualify their audit opinion on financial statements for the previous year ended 31st March, 2007.
 - iii) **Note No. 9 regarding write back of the provision for amortisation of BSE card and the resultant increase in net worth of Rs. 26,02,600/-.** As per the accounting treatment adopted by the company, the write back of amortisation credited to profit and loss account during the year has not been considered for provision for tax. We are unable to express our opinion on the same.
 - iv) **The effect of the items mentioned in paragraph f (i) to (iii) above, could not be determined.**
5. Subject to the foregoing, in our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008,
 - b. In the case of the Profit and Loss Account of the Profit for the year ended on that date; and
 - c. In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

FOR R. PRABHU & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 21st May, 2008

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph 3 of our report of even date on the accounts of **MAFATLAL SECURITIES LIMITED** for the year ended 31st March, 2008).

- 1) The nature of the Company's activities during the year is such that the requirements of Clause (ii), (vi), (viii) and (xiii) of paragraph 4 of the order are not applicable to the Company.
- 2) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) According to the information and explanation given to us, the fixed assets were not physically verified during the year by the management.
(c) During the year the company has not disposed off major part of the fixed assets. Accordingly the provisions of sub-clause [c] of Clause 4(i) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 3) According to information and explanation given to us, the company has neither granted/nor taken any loan to/from Companies, firms or other parties referred to in Section 301 of the Companies Act 1956. Accordingly the provisions of Clause 4(iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. We have not observed any continuing failure to correct major weakness in internal control system. There is no purchase of inventory and sale of goods.
- 5) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956; accordingly the provisions of Clause 4 (v) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- 6) In our opinion, the Company's internal audit system needs to be strengthened to be commensurate with the size and nature of its business.
- 7) In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education Protection Fund, Custom duty, Excise duty, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, no undisputed dues of Sales-tax, Income-tax, Wealth Tax, Service Tax, Customs duty, Excise duty and Cess were in arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no disputed Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited as on 31st March, 2008 on account of any dispute.
- 8) The company does not have accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 9) As the company has no dues to banks, financial institutions and debenture holders the question of default in repayment of dues does not arise.
- 10) In our opinion and according to the information and explanations given to us, the company has not granted loans and advances on the basis of pledge of shares, debentures and other securities. Accordingly the provisions of Clause 4 (xii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 11) Based on our examination of the records and evaluation of the related internal control system, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The Company has held the aforesaid securities in its own name.
- 12) In our opinion and according to the information and explanation given to us, the Company has not given any guarantee for loan taken by others from banks and financial institutions. Accordingly the provisions of Clause 4 (xv) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 13) To the best of our knowledge and belief and according to the information and explanations given to us, there were no borrowings by way of term loans. Accordingly the provisions of Clause 4 (xvi) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 14) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used during the year for long-term investment.
- 15) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties referred to in section 301 of the Companies Act 1956. Accordingly the provisions of Clause 4 (xviii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 16) According to the information and explanations given to us, the Company has not issued any debentures. Accordingly the provisions of Clause 4 (xix) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 17) According to the information and explanations given to us, the Company has not raised money through public issues. Accordingly the provisions of Clause 4 (xx) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 18) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

FOR R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

Place : Mumbai
Date : 21st May, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	Rs. 000's	As At 31.03.2008 Rs. 000's	As At 31.03.2007 Rs. 000's
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
Capital	1	100,000		100,000
Reserves and Surplus	2	65,317		7,777
			165,317	107,777
2. Loan Funds				
Unsecured Loans	3	2,740		632
			2,740	632
Net Deferred Tax Liability			391	543
TOTAL			168,448	108,952
II. APPLICATION OF FUNDS				
1. Fixed Assets	4			
a. Gross Block		18,310		44,153
b. <u>Less:</u> Depreciation/Impairment		10,722		35,405
c. Net Block			7,588	8,748
2. Investments	5		16,062	13,789
3. Current Assets, Loans and Advances				
a. Current Assets	6	160,422		83,514
b. Loans and Advances	7	22,862		22,684
		183,284		106,198
<u>Less:</u> Current Liabilities and Provisions	8			
a. Current Liabilities		35,593		18,730
b. Provisions		2,893		1,053
		38,486		19,783
Net Current Assets			144,798	86,415
TOTAL			168,448	108,952
Notes on Accounts and Significant Accounting Policies	14			

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

Mumbai, Dated: 21st May, 2008

H. A. MAFATLAL
Chairman

P. KARUNAKAR RAO
Wholetime Director

VINOD J. OJHA
Director

MEGHA J. VAZKAR
Wholetime Director

N. R. DIVATE
Director

Mumbai, Dated: 21st May, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	Rs. 000's	Current Year Rs. 000's	Previous Year Rs. 000's
INCOME				
Brokerage Income			26,281	20,458
Interest Income	9		11,120	3,860
Income from Trading in Securities	10		-	374
Dividend:				
Long term Investments		1,802		1,224
Stock in Trade		1		12
			1,803	1,236
Income from Depository Services			4,808	4,107
Profit on Sale of Long Term Investments			23,686	-
Financial Products Marketing Fees			1,302	1,035
{Tax Deducted at Source Rs. Nil (Previous Year Rs. 138)}				
Other Income	11		2,743	647
			71,743	31,717
EXPENDITURE				
Administrative and other expenses	12		31,202	22,851
Interest and Finance charges	13		119	237
Loss from Trading in Securities	10		102	-
Depreciation/Amortisation			1,414	1,342
			32,837	24,430
Profit before taxes			38,906	7,287
Tax Expense:				
(i) Current Tax		4,075		2,247
(ii) Tax Provisions for the Earlier Years		538		-
(iii) Deferred Tax		(152)		(248)
(iv) Fringe Benefit Tax		328		305
			4,789	2,304
Profit for the year after taxes			34,117	4,983
Profit/(Loss) brought forward from previous year		7,777		2,794
Add: Amortisation of BSE Card adjusted against surplus in the earlier year brought back		23,423		-
			31,200	7,777
Profit carried to Balance Sheet			65,317	7,777
Basic/Diluted EPS				
(Face value of equity share of Rs. 10/-each) (in Rs.)			3.41	0.50
Notes on Accounts and Significant Accounting Policies				
	14			

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

H. A. MAFATLAL
Chairman

VINOD J. OJHA
Director

N. R. DIVATE
Director

RAMAKRISHNA PRABHU
Partner

P. KARUNAKAR RAO
Wholtime Director

MEGHA J. VAZKAR
Wholtime Director

Mumbai, Dated: 21st May, 2008

Mumbai, Dated: 21st May, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rs. 000's 2007-2008	Rs. 000's 2006-2007
A. Cash Flow from Operating Activities		
Net Profit Before Tax	38,906	7,287
Adjustment for:		
Depreciation/Amortisation/Impairment	1,414	1,342
Excess Provision/Credit Balances Written Back	(2,616)	(113)
Provision for Doubtful Debts Written back	(34)	-
Loss/(Profit) on sale of Investments	(23,686)	-
Dividend on Long Term Investments	(1,803)	(1,224)
Bad Debts Written Off	11	6
Provision for Doubtful Debts	-	14
Provision for Gratuity	63	232
Provision for Leave Encashment	32	245
Interest and Finance Charges	119	237
	(26,500)	739
Operating Profit before Working Capital Changes	12,406	8,026
Adjustment for:		
Trade and Other Receivables	(3,079)	15,214
Trade Payables	16,869	(683)
Cash Generated from Operations	26,196	22,557
Gratuity Paid	-	-
Leave Encashment Paid	(11)	(9)
Direct Taxes Paid	(2,899)	(4,374)
Fringe Benefit Tax Paid	(349)	(374)
Net Cash from Operating Activities (A)	22,937	17,800
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(254)	(1,333)
Sale of Fixed Assets	-	-
Purchase of Investments	-	(5,000)
Sale of Investments	47,439	-
Dividend Received on Long Term Investment	1,803	1,224
Net Cash From/(Used in) Investing Activities (B)	48,988	(5,109)
C. Cash Flow from Financing Activities		
Short Term Borrowings	2,108	205
Interest and Finance Charges	(119)	(237)
Net Cash Used in Financing Activities (C)	1,989	(32)
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	73,914	12,659
Cash and Cash Equivalents as at the commencement of the year	79,171	66,512
Cash and Cash Equivalents as at the end of the year	153,085	79,171
Net (Decrease)/Increase as Disclosed above	73,914	12,659
(See Notes attached)		
NOTES TO THE CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008	2007-2008	2006-2007
1. Cash and cash equivalents include :	Rs.000's	Rs.000's
Cash on hand	19	30
Bank Balances including Fixed Deposit Pledged with Banks	153,066	79,141
amounting to Rs. 56,000 ('000) [Previous Year Rs. 66,520 ('000)]		
TOTAL	153,085	79,171
2. All figures in brackets are outflows.		
3. Previous years figures have been regrouped wherever necessary to confirm to this year's classification.		

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

Mumbai, Dated: 21st May, 2008

H. A. MAFATLAL
Chairman

P. KARUNAKAR RAO
Wholetime Director

VINOD J. OJHA
Director

MEGHA J. VAZKAR
Wholetime Director

N. R. DIVATE
Director

Mumbai, Dated: 21st May, 2008

SCHEDULES 1 TO 14 FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 1		
SHARE CAPITAL		
AUTHORISED		
10,000,000 Equity Shares of Rs. 10/- each	100,000	100,000
ISSUED, SUBSCRIBED AND PAID UP		
10,000,000 Equity shares of Rs. 10/- each fully paid-up (All the above shares are held by Mafatlal Finance Company Ltd., the holding Company with its nominees)	100,000	100,000
TOTAL	100,000	100,000

Schedule - 2		
RESERVES AND SURPLUS		
Profit carried from Profit and Loss Account	65,317	7,777
TOTAL	65,317	7,777

Schedule - 3		
UNSECURED LOANS		
Short Term Loan from Holding Company	2,740	632
TOTAL	2,740	632

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 5		
INVESTMENTS (At Cost)-Long Term Investments		
TRADE INVESTMENTS		
IN FULLY PAID UP EQUITY SHARES (UNQUOTED)		
877 (Previous Year 10,000) Shares of Rupee. 1 each in Bombay Stock Exchange Ltd. (Refer Note No. 9 of Schedule No. 14)	2,283	10
	2,283	10
OTHER INVESTMENTS		
IN FULLY PAID UP EQUITY SHARES (QUOTED)		
299,600 Shares of Rs. 10 each in Associated Transrail Structures Ltd.	4,194	4,194
507 Shares of Rs. 10 each in Oil & Natural Gas Corporation Ltd.	254	254
20,000 Shares of Rs. 2 each in Uniphos Enterprises Ltd.	149	149
	4,597	4,597
IN FULLY PAID UNITS OF MUTUAL FUNDS (QUOTED)		
5213 Units of Rs. 100 each in Gold Exchange Traded Fund of Unit Trust of India	5,000	5,000
	5,000	5,000
	9,597	9,597
IN FULLY PAID UNITS OF MUTUAL FUNDS (UNQUOTED)		
90,090.09 units of Rs. 10 each in Growth Sector Fund - Petro of Unit Trust of India	982	982
318,407.96 units of Rs. 10 each in Dividend Yield Fund of Unit Trust of India	3,200	3,200
	4,182	4,182
TOTAL	16,062	13,789

NOTES:

Aggregate of Quoted Investments
Previous Year

Cost Rupees	Market Value Rupees
9,597	12,840
9,597	11,526

Schedule - 4
FIXED ASSETS

(Rs. '000s)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION / AMORTISATION -				IMPAIRMENT	NET BLOCK	
	As at 01.04.2007	Additions	Deletions / Adjustments	As at 31.03.2008	Up to 31.03.2007	Additions	Deletions / Adjustments	As at 31.03.2008	Up to 31.03.2008	As at 31.03.2008	As at 31.03.2007
Tangible Assets											
Computers	1,712	119	71	1,760	866	285	71	1,080	-	680	846
Furniture	11,114	-	-	11,114	5,976	701	-	6,677	-	4,437	5,138
Motor Vehicles	2,006	-	-	2,006	707	190	-	897	-	1,109	1,299
Office Equipments	2,573	63	-	2,636	1,011	139	-	1,150	226	1,260	1,336
Intangible Assets											
Computer Software	722	72	-	794	593	99	-	692	-	102	129
BSE Membership Card (Refer to Note No. 9 of Schedule No. 14)	26,026	-	26,026	-	26,026	-	26,026	-	-	-	-
TOTAL	44,153	254	26,097	18,310	35,179	1,414	26,097	10,496	226	7,588	8,748
PREVIOUS YEAR	43,553	1,333	733	44,153	34,570	1,342	733	35,179	226	8,748	

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	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 6		
CURRENT ASSETS		
Interest Accrued on Investments	5,306	1,755
Stock-in-trade		
EQUITY SHARES (Quoted) (At Cost or Net Realisable Value whichever is lower)		
40 Shares of Agri-Tech India Ltd. of Rs. 10 each fully paid-up	1	1
20 Shares of Carol Info Services Ltd. of Rs. 10 each fully paid-up	6	8
50 (Previous Year Nil) Shares of GMR Infra-structures Ltd. of Rs. 2 each fully paid-up	11	-
1000 (Previous Year Nil) Shares of JP Hydropower Ltd. of Rs. 10 each fully paid-up	89	-
100 (Previous Year Nil) Shares of K.E.C. International Ltd. of Rs. 10 each fully paid-up	3	-
44 Shares of Nath Bio-Genes (India) Ltd. of Rs. 10 each fully paid-up	1	1
116 Shares of Nath Seeds Ltd. of Rs. 10 each fully paid-up	2	2
10 Shares of NEPC Agro Foods Ltd. of Rs. 10 each fully paid-up	1	1
150 Shares of Oswal Chemicals & Fertilizers Ltd. of Rs. 10 each fully paid-up	1	1
45 Shares of Oswal Agro Mills Ltd. of Rs. 10 each fully paid-up	1	1
75 (Previous Year Nil) Shares of PTC India Ltd. of Rs. 10 each fully paid-up	11	-
200 Shares of Roofit Industries Ltd. of Rs. 10 each fully paid-up	34	34
15 Shares of S & S Power Switchgear Ltd. of Rs. 10 each fully paid-up	1	1
IN FULLY PAID GOVERNMENT SECURITIES (Quoted)		
10 11.50% Government of India Loan Rs. 100 each fully paid-up	1	1
	165	51
Less: Fall in Market Value	(92)	(48)
	73	3
Sundry Debtors (Unsecured)		
Debits outstanding for a period exceeding six months:		
- Considered Good	873	987
- Considered Doubtful	227	261
	1,100	1,248
Other Debts - Considered Good	1,085	1,598
	2,185	2,846
Less: Provision for Doubtful Debts	227	261
	1,958	2,585
Cash on hand	19	30
Balances with Scheduled Banks		
In Fixed Deposit Accounts	133,104	67,123
In Current Accounts	19,962	12,018
	153,066	79,141
TOTAL	160,422	83,514

	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
Schedule - 7		
LOANS AND ADVANCES (Unsecured and considered good)		
Loans and Advances	-	5
Deposits with Stock Exchanges and Others	20,789	20,816
Advances recoverable in cash or in kind or for value to be received	602	462
Advance Payment of Taxes (Net of Provision for Tax)	1,471	1,401
TOTAL	22,862	22,684
Schedule - 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors - Other than Small Scale Industries (Refer Note No. 18 on SME of Schedule 14)	29,769	12,792
Client Deposits towards Margin	5,824	5,938
	35,593	18,730
B. PROVISIONS		
For Taxation		
- Current Tax (Net of Advance Tax)	2,000	219
- Fringe Benefit Tax (Net of Advance Tax)	-	18
For Gratuity	397	341
For Leave Encashment	496	475
	2,893	1,053
TOTAL	38,486	19,783
Schedule - 9		
INTEREST INCOME		
Interest on Deposits with Banks (Gross) (Tax Deducted at source Rs. 20,80,734 (Previous Year Rs. 7,83,481))	11,119	3,859
Interest Others	1	1
TOTAL	11,120	3,860
Schedule - 10		
(LOSS) INCOME FROM TRADING IN SECURITIES		
Sales	6,360	15,918
Less: Cost of Sales		
Opening Stock at Cost	3	930
Add: Purchases	6,532	14,617
	6,535	15,547
Less: Closing Stock	73	3
SUB-TOTAL	6,462	15,544
(Loss) Income	(102)	374

	Current Year Rs. 000's	Previous Year Rs. 000's
Schedule - 11		
OTHER INCOME		
Excess Provision Written Back -		
- Amortisation (Refer Note No. 9 of Schedule No. 14)	2,603	-
- Others	44	18
	<u>2,647</u>	<u>18</u>
Credit Balances no longer payable written back	3	85
Service Tax input credit of earlier year	62	412
Bad Debts Recovered	-	44
Others	31	78
TOTAL	<u>2,743</u>	<u>647</u>

Schedule - 12		
ADMINISTRATIVE AND OTHER EXPENSES		
1. Salaries and Allowances:		
a. Salaries & other allowances	2,768	1,901
b. Contribution to Provident and Superannuation Funds	321	206
c. Gratuity	63	232
d. Leave Encashment	35	245
e. Staff Welfare Expenses	391	411
f. Reimbursement of Salaries	4,056	3,794
	<u>7,634</u>	<u>6,789</u>
2. Audit Fees and Other Services	390	741
3. Membership and Subscription	237	223
4. Rent	1,077	936
5. Legal and Professional Fees	728	819
6. Stamp Duty Charges	1,234	914
7. Travelling Expenses	182	212
8. Conveyance Expenses	491	587
9. Printing and Stationery	624	702
10. Telephone Expenses	750	759
11. Electricity Expenses	879	583
12. Insurance Expenses	294	165
13. Shared Service Expenses	5,192	4,068
14. Service Tax	1,404	1,250
15. Office Maintenance	471	489
16. SEBI Registration and Turnover Fees	75	55
17. Motor Car Expenses	499	457
18. Newspaper, Books and Periodicals	39	32
19. Computer Maintenance	158	120
20. Transaction Charges	327	274
21. Business Development and Entertainment Expenses	1,168	1,008
22. Postage and Courier Charges	329	314
23. Expenses on Depository Services	534	624
24. Clearing House Expenses	406	216
25. Compliance Expenses	3,510	-
26. OTC/CI Admission Fee and Other Charges	1,710	-
27. Bad Debts Written Off	11	6
28. Provision for Doubtful Debts	-	14
29. Vsat Charges	775	308
30. Miscellaneous Expenses	74	208
TOTAL	<u>31,202</u>	<u>22,851</u>

Schedule - 13		
INTEREST AND OTHER FINANCE CHARGES		
Bank Charges and commission	42	40
Interest on Bank Overdraft	20	17
Other Interest Paid	57	180
TOTAL	<u>119</u>	<u>237</u>

Schedule - 14
NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES
1) SIGNIFICANT ACCOUNTING POLICIES
a. Basis of Preparation of Financial Statements

Financial Statements have been prepared using the historical cost convention in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the company.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

c. Fixed Assets
i) Tangible Assets

Assets are stated at historical cost less accumulated depreciation and impairment loss, if any.

ii) Intangible Assets (non Internally generated)

Assets are stated at cost of acquisition less accumulated amortization and impairment loss, if any.

d. Depreciation / Amortisation on Fixed Assets

Depreciation on Fixed Assets is provided on straight-line method in accordance with Section 205[2] (b) of the Companies Act, 1956 as per the rates specified in Schedule XIV to the Companies Act, 1956. Expenses towards repairs and renovations of enduring benefit to the interiors of the office premises not owned by the company are apportioned over the period of the agreement with the owners. Individual assets acquired for less than five thousand rupees are fully depreciated in the year of acquisition.

Amortisation

Expenses incurred on Computer Software are amortized on straight line basis over a period of three years.

e. Impairment of Assets

An asset is treated as impaired when carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

f. Investment

Long-term investments are stated at the cost of acquisition. Permanent diminutions in value of investments are provided for. Current investments are valued at lower of the cost and fair value.

g. Stock in Trade / Securities for Sale

Stock in trade is valued at weighted average cost or net realisable value whichever is lower.

h. Revenue Recognition

Revenue is recognized when there is reasonable certainty of its ultimate realization/collection. Revenue is net of service tax where recovered.

1. Profits on Sale of Investments

Profit on Sale of Investments is accounted reckoning the average cost of the investments.

2. Brokerage Income

Brokerage income is recognized on transactions on which "Settlements" are completed during the year except in the case of "Spot" transaction where it is recognized on the date of transaction.

3. Other Income

Other Income is accounted on accrual basis.

i. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j. Retirement Benefits

The Company's Annual Contributions to Provident Fund which is administered through Trustees and Super Annuation Fund covered by the scheme with Life Insurance Corporation of India, are charged to the Profit & Loss A/c. The Company also provides for gratuity on the basis of half month's salary for each completed year of service.

k. Leave Encashment

Provision is made for Leave Encashment on the basis of actual leave to the credit of the employee.

l. Taxes on Income

Current tax is determined on the basis of the amount of tax payable in respect of taxable income for the year.

Deferred tax is calculated at tax rates that have been enacted or substantively enacted at the Balance Sheet date and is recognized on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

m. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

n. Leased Assets

Rentals in respect of assets taken on operating lease by the company are expensed with reference to the lease and other considerations.

2) DEFERRED TAXES

Particulars	2007-2008 Rs. in 000s	2006-2007 Rs. in 000s
Deferred Tax Assets		
Timing Difference on account of Provision for Gratuity, Leave Encashment and Doubtful Debts.	424	410
Deferred Tax Liabilities		
Timing Difference on account of Accumulated Depreciation of Fixed Assets	[815]	[953]
Net Deferred Tax Asset/[Liability]	[391]	[543]

3) Fixed Deposit with Bank of Rs. 5,60,00,000/- (Previous year Rs. 6,65,20,133/-) is pledged for overdraft facility, base capital and guarantees given to National Securities Clearing Corporation Ltd./ Bombay Stock Exchange Limited.

4) The Company is holding some securities not claimed by the clients of Rs. 24,62,174/- (Previous Year Rs. 1,05,55,508/-) in the company's beneficiary depository account. The reconciliation of this beneficiary account is complete till 31.03.2008 and the company has sent letters as well as further reminders to all the identified clients for their confirmations prior to effecting transfer of these securities to their account. Sundry Creditors include Rs. 17,30,534/- (Previous Year Rs. 15,76,173/-) being the dividends received on these shares and the company is making efforts to settle these receipts. Sundry Creditors also include Rs. 1,64,52,391/- being the value of securities sold that were held in the company's beneficiary depository account which the company is expecting to settle as and when confirmations are received from clients.

5) Contingent Liabilities:

Income Tax pertaining to Assessment Year 2005 - 2006 amounting to Rs. 1,89,598/- [Previous Year Rs. 77,951/-], Assessment Year 2003 - 2004 amounting to Rs. 4,96,768/- [Previous Year Rs. 6,66,441/-] and Assessment Year 2002 - 2003 amounting to Rs. 7,92,055/- [Previous Year Rs. 8,40,042/-] are under dispute as the Company has gone for an appeal against these orders of the authorities. However, the Company has paid these disputed liabilities under protest.

6) The company has not appointed a Company Secretary as required under Section 383A of the Companies Act, 1956.

7) The company has been legally advised that the provision of Section 297 of the Companies Act, 1956 are not applicable for the broking and depository business.

8) (a) Managerial Remuneration under Section 198 of the Companies Act, 1956.

Particulars	Current Year Rs. '000s	Previous Year Rs. '000s
a. Remuneration	1676	1227
b. Contribution to Provident & Other funds	325	440
c. Perquisites in cash or in kind	414	349
Total	2415	2016

(b) The Managerial Remuneration has been approved by a resolution passed by the remuneration committee; the Company is of the view based on legal advice obtained by it that the requirement of Section 269 read with Schedule XIII of the Companies Act, 1956 is complied with.

9) During the Financial Year 1995-96 the company had acquired Membership Card of Bombay Stock Exchange Limited (BSE) at the cost of Rs. 2,60,26,000/-. Though the BSE card constituted an intangible asset, the company did not claim depreciation under income-tax Act, 1961 till the year 31.03.2004. During the assessment year 2005-06 the company had claimed income-tax depreciation on this asset with retrospective effect i.e., from the Assessment Year 1996-97 to 2005-06 which assessment order was completed on 27.03.2007 disallowing the entire claim of income-tax depreciation on the basis that it is not an "Intangible Asset" allowable u/s 32 of the Income Tax Act, 1961.

The company had amortised the value of membership card during the Financial Year 2004-05. Consequent upon the order of Income Tax not allowing the depreciation, the company has now reinstated the value of the membership card by reversing the amortisation in the books during

the year and transferred the entire value towards cost of shares (No. of shares allotted 10000) of BSE Ltd., which was allotted in lieu of BSE Membership.

Profit on sale of 9123 shares during the year has been worked out after appropriating proportionate cost as cost of acquisition of the said shares and the balance value of 877 shares has been reflected in the Investment Schedule.

Consequent to the above the net-worth of the company stands increased by Rs. 26,02,600/-.

10) RELATED PARTY DISCLOSURES

Name of the Related Party and its relationship

- (i) 100% Holding Company : Mafatlal Finance Company Limited
(ii) Associate : Mafatlal Industries Limited
(iii) Key personnel : Mr. P. Karunakar Rao and
Mrs. Megha J. Vazkar
(Whole time Directors)

Transactions with Related Parties:

Sr. No.	Nature of Transactions	With Holding Company (Rs. In 000s)	With Mafatlal Industries Ltd. (Rs. In 000s)	With Key personnel (Rs. In 000s)
1.	Brokerage Charged to them (Previous Year)	142 (137)	-	-
2.	Providing of Services by them (Previous Year)	6,000 (6,000)	-	-
3.	Rent paid to them (Previous Year)	648 (648)	-	-
4.	Other Expenses Charged by them (Previous Year)	Nil (Nil)	-	-
5.	Other Expenses Charged to them (Previous Year)	16 (144)	-	-
6.	Margin Deposit received outstanding as on 31.03.2008 (Previous Year)	500 (500)	-	-
7.	Outstanding payable as on 31.03.2008 (Previous Year)	2740 (632)	5 (5)	- (-)
8.	Remuneration and perquisites (Previous Year)	-	-	2415 (2016)

11) EARNING PER SHARE

	Current Year	Previous Year
a) Weighted average number of shares at the end of the year.	100,00,000	100,00,000
b) Net profit after tax available for Equity shareholders (Rs.' 000)	34,117	4,983
c) Basic and diluted EPS (Rs.)	3.41	0.50

12) PAYMENT TO AUDITORS

Particulars	Current Year Rs. '000s	Previous Year Rs. '000s
As Statutory Auditor	250	350
Tax Audit fees	50	100
Taxation and Company Law Matters	-	-
Other Services including Statutory Certification etc.	47	208
Out of Pocket Expenses	-	2
Service Tax	43	81
Total	390	741

13) Particulars in respect of Opening Stock, Purchases, Sales & Closing Stock:

Particulars of Shares	Current year		Previous year	
	Qty No.	Value In 000	Qty No.	Value In 000
Opening Stock	650	3	13,786	830
Purchases	42,310	6,532	46,780	14,617
Sales/Adjustments	41,085	6,360	59,916	16,366
Closing Stock	1,875	73	650	3

14) Annexure to Schedule 6

DURING THE YEAR THE FOLLOWING SHARES AND SECURITIES WERE ACQUIRED AND SOLD

Sr. No.	Name of the Securities	Face Value	Qty	Purchase Value In Rs.'000	Sale Value In Rs.'000
1.	ABB Ltd.	2	2	3	3
2.	Aegis Logistics Ltd.	10	500	88	87
3.	Alstom Projects India Ltd.	10	10	10	10
4.	Anant Raj Industries Ltd.	2	500	193	192
5.	Arvind Mills Ltd.	10	1000	81	77
6.	Atlanta Ltd.	10	50	13	13
7.	Autolite India Ltd.	10	100	15	15
8.	Aventis Pharma Ltd.	10	15	14	14
9.	Axis Bank Ltd.	10	10	12	13
10.	Bajaj Auto Finance Ltd.	10	50	19	19
11.	Bank of Baroda	10	85	24	23
12.	Berger Paints India Ltd.	2	50	3	3
13.	Bharat Petroleum Corpn. Ltd.	10	632	248	248
14.	Bombay Baroda Roadways (India) Ltd.	10	50	16	14
15.	Cambridge Solutions Ltd.	10	4	1	1
16.	Centurion Bank of Punjab Ltd.	1	178	8	8
17.	Crest Animation Studios Ltd.	10	50	8	8
18.	Deccan Aviation Ltd.	10	100	13	13
19.	Divis Laboratories Ltd.	2	2	3	3
20.	DLF Ltd.	2	40	27	26
21.	Enkei Castalloy Ltd.	5	210	32	31
22.	Essar Oil Ltd.	10	50	10	10
23.	Essar Shipping Ltd.	10	3180	201	190
24.	Essar Steel Ltd.	10	20	1	1
25.	Excel Crop Care Ltd.	5	25	3	3
26.	Exide Industries Ltd.	1	200	14	14
27.	GMR Industries Ltd.	10	125	21	20
28.	GMR Infrastructure Ltd.	2	275	189	189
29.	GTL Infrastructure Ltd.	10	2300	134	133
30.	G. V. Films Ltd.	10	280	3	1
31.	HCL Technologies Ltd.	2	100	33	33
32.	HDFC Bank Ltd.	10	29	35	35
33.	Housing Development Finance Corpn. Ltd.	10	3	8	8
34.	Housing Development & Infrastructure Ltd.	10	100	54	54
35.	HEG Ltd.	10	50	9	9
36.	Himachal Futuristic Communications Ltd.	10	200	5	5
37.	Hindalco Industries Ltd.	1	120	16	26
38.	Hindustan Unilever Ltd.	1	80	17	17
39.	Hindustan Motors Ltd.	10	100	8	8
40.	Hindustan Petroleum Corpn. Ltd.	10	734	212	211

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Sr. No.	Name of the Securities	Face Value	Qty	Purchase Value in Rs.'000	Sale Value in Rs.'000
41.	Hotel Leelaventure Ltd.	2	50	2	2
42.	Industrial Development Bank of India Ltd.	10	10000	1265	1261
43.	Infrastructure Development Finance Co.Ltd.	10	150	20	20
44.	Indraprastha Gas Ltd.	10	1200	120	120
45.	India Infoline Ltd.	10	1	1	1
46.	Indian Oil Corporation Ltd.	10	185	94	94
47.	Infosys Technologies Ltd.	5	32	56	56
48.	IL&FS Investsmart Ltd.	10	100	22	22
49.	Ispat Industries Ltd.	10	1900	103	91
50.	J. K. Cement Ltd.	10	100	15	15
51.	Jaiprakash Hydro Power Ltd.	10	100	12	12
52.	KEC Infrastructure Ltd.	10	200	6	11
53.	Khaitan India Ltd.	10	200	10	9
54.	Kpit Cummins Infosystems Ltd.	2	100	15	15
55.	Larsen & Toubro Ltd.	2	50	171	171
56.	Lloyd Electric & Engineering Ltd.	10	200	31	30
57.	Mahanagar Telephone Nigam Ltd.	10	80	12	12
58.	Mangalore Chemicals & Fertilisers Ltd.	10	350	12	12
59.	Mangalore Refinery & Petrochemicals Ltd.	10	100	9	9
60.	Mindtree Consulting Ltd.	10	20	18	17
61.	Morariji Gokuldas Sgg. & Wvg. Co. Ltd.	10	310	147	146
62.	Mukund Ltd.	10	50	5	5
63.	Mundra Port & Special Economic Zone Ltd.	10	5	5	5
64.	National Thermal Power Corporation Ltd.	10	100	22	22
65.	Nelcast Ltd.	10	500	46	45
66.	Neyveli Lignite Corporation Ltd.	10	350	55	54
67.	Nitin Fire & Protection Industries Ltd.	10	450	210	198
68.	OCL India Ltd.	2	100	14	14
69.	On Mobile Global Ltd.	10	188	104	101
70.	Patel Engineering Ltd.	1	94	33	33
71.	Patel Integrated Logistics Ltd.	10	50	3	3
72.	Power Finance Corporation Ltd.	10	60	11	11
73.	Powersoft Global Solutions Ltd.	10	500	14	13
74.	Pratapapur Sugar & Industries Ltd.	10	1800	85	85
75.	Proctor & Gamble Hygiene & Healthcare Ltd.	10	50	37	37
76.	Provogue India Ltd.	10	1	1	1
77.	Ramsarup Industries Ltd.	10	1200	240	238
78.	Rana Sugars Ltd.	10	2500	49	49
79.	Ranbaxy Laboratories Ltd.	5	75	26	26

Sr. No.	Name of the Securities	Face Value	Qty	Purchase Value in Rs.'000	Sale Value in Rs.'000
80.	Rassoya Proteins Ltd.	10	60	8	7
81.	Reliance Capital Ltd.	10	245	288	288
82.	Reliance Communications Ltd.	5	25	19	19
83.	Reliance Industries Ltd.	10	3	6	6
84.	Reliance Power Ltd.	10	50	18	18
85.	Reliance Petroleum Ltd.	10	1070	226	227
86.	Royale Manor Hotels & Inds. Ltd.	10	1000	21	21
87.	Sah Petroleums Ltd.	5	600	8	8
88.	Sangam India Ltd.	10	50	2	2
89.	Sasken Communication Technologies Ltd.	10	50	27	27
90.	Shaw Wallace & Co.Ltd.	10	100	35	34
91.	Shree Rama Multi-tech Ltd.	5	500	8	6
92.	Siemens Ltd.	2	290	401	398
93.	Sobha Developers Ltd.	10	10	10	10
94.	SRF Ltd.	10	13	2	2
95.	Steel Authority of India Ltd.	10	45	11	11
96.	Sujana Metal Products Ltd.	5	100	5	5
97.	Tata Tea Ltd.	10	25	20	20
98.	Tata Consultancy Services Ltd.	1	5	6	5
99.	Tata Steel Ltd.	10	500	278	278
100.	Torrent Pharmaceuticals Ltd.	5	44	9	9
101.	Triton Valves Ltd.	10	18	19	20
102.	UB Engineering Ltd.	10	500	42	42
103.	Vaibhav Gems Ltd.	10	32	7	7
104.	Vishesh Infotechnics Ltd.	10	400	12	12
105.	Western India Shipyard Ltd.	10	100	2	2
106.	Wire & Wireless India Ltd.	1	40	3	3
107.	Yes Bank Ltd.	10	100	19	19

15) The company is operating in a single business segment viz share broking & allied activities and in one geographical segment; accordingly no segment reporting is required in accordance with the Accounting Standard (AS) 17 on segment reporting, issued by The Institute of Chartered Accountants of India.

16) The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, required under the said Act have not been made.

17) Comparative financial information (i.e. the amounts and other disclosures for the previous year presented above as corresponding figures), is included as an integral part of the current year's Financial Statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/reclassified wherever necessary to correspond to figures of the current year.

18) Figures have been rounded off to the nearest rupees and expressed in thousands.

Signature to Schedules 1 to 14

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

Mumbai, Dated: 21st May, 2008

H. A. MAFATLAL
Chairman

P. KARUNAKAR RAO
Wholetime Director

VINOD J. OJHA
Director

MEGHA J. VAZKAR
Wholetime Director

N. R. DIVATE
Director

Mumbai, Dated: 21st May, 2008

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

			7	6	7	5	8
--	--	--	---	---	---	---	---

State Code

						1	1
--	--	--	--	--	--	---	---

Balance Sheet

3	1		0	3		2	0	0	8
---	---	--	---	---	--	---	---	---	---

Date

Month

Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities

		2	0	6	9	3	4
--	--	---	---	---	---	---	---

Total Assets

		2	0	6	9	3	4
--	--	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital

		1	0	0	0	0	0
--	--	---	---	---	---	---	---

Reserves and Surplus

			6	5	3	1	7
--	--	--	---	---	---	---	---

Secured Loans

					N	I	L
--	--	--	--	--	---	---	---

Unsecured Loans

				2	7	4	0
--	--	--	--	---	---	---	---

Deferred Tax Liability (Net)

					3	9	1
--	--	--	--	--	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

				7	5	8	8
--	--	--	--	---	---	---	---

Investments

			1	6	0	6	2
--	--	--	---	---	---	---	---

Net Current Assets

		1	4	4	7	9	8
--	--	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

IV. PERFORMANCE OF THE COMPANY (AMOUNT RS. IN THOUSANDS)

Turnover

			7	1	7	4	3
--	--	--	---	---	---	---	---

Total Expenditure

			3	2	8	3	7
--	--	--	---	---	---	---	---

Profit Before Tax

			3	8	9	0	6
--	--	--	---	---	---	---	---

Profit After Tax

			3	4	1	1	7
--	--	--	---	---	---	---	---

Earning Per Share (Rs.)

			3	.	4	1
--	--	--	---	---	---	---

Dividend Rate %

					N	I	L
--	--	--	--	--	---	---	---

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)
N.A.
H. A. MAFATLAL
Chairman

VINOD J. OJHA
Director

N. R. DIVATE
Director

P. KARUNAKAR RAO
Wholtime Director

MEGHA J. VAZKAR
Wholtime Director

Mumbai, Dated: 21st May, 2008

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MAFATLAL FINANCE COMPANY LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS.

1. We have audited the attached Consolidated Balance Sheet of MAFATLAL FINANCE COMPANY LIMITED Group as at 31st March, 2008, and also the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Mafatlal Finance Company Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of three associates. The carrying value of these investments in the Consolidated Financial Statements is Rs. 71,75,000/- (Previous Year Rs. 71,75,000/-) as at year end (the same is fully provided for) and the share of the company in the profit/loss for the year is Rs. Nil (Previous Year Rs. Nil). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors. *Financial statements in respect of the other associate have not been audited; however we have been informed that the same is not a material associate. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.*
4. We report that the consolidated financial statements have been prepared by the Mafatlal Finance Company Limited's management in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.
5. Attention is invited to the following notes in Schedule No. 18(II):
 - i. Note no. 1(b) regarding income tax demand of Rs. 8,14,51,111/-. At this stage we are unable to express an opinion on the outcome of this matter. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - ii. Note no. 2(d) regarding compliance of the requirement of Sec. 269 read with Schedule XIII of the Companies Act, 1956 as per the legal advice sought by the Subsidiary Company. We are unable to express an opinion whether the constitution of Remuneration Committee meets the criteria specified in Schedule XIII of the Companies Act, 1956 though as per the legal advice the same is in order. This had caused the previous auditors to qualify their audit opinion on financial statements for the previous year ended 31st March, 2007.
 - iii. Note no. 4 regarding the unreconciled difference of Rs. 4,16,61,000/- between public deposit as per general ledger and as per subsidiary register. The impact of the reconciliation on the accounts is not ascertainable at present. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - iv. Note no. 4 regarding depositing of fixed depositors' balances in an escrow account on the basis of subsidiary register, which is unreconciled with the general ledger. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - v. Note no. 4 regarding non - submission of certain returns to the Reserve Bank of India (RBI) and other non compliances as required by Reserve Bank vide its letter dated 24th October, 2002 rejecting application for registration as NBFC, as well as under NBFC Directions as explained in the note. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - vi. Note no. 5 regarding non reconciliation of the company's account with Garron Trading Company Private Limited balance due Rs. 2,36,68,515/- (Previous Year Rs. 6,15,68,015/-). We are unable to express our opinion on the impact of adjustments, if any, pending reconciliation. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - vii. Note no. 6 regarding written consent not obtained from secured and unsecured creditors for exercise of option for one time payment/payment in instalments with interest. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - viii. Note no. 7 regarding the statement of accounts/confirmations not received for balances in current account with banks and reconciliation pending for the other current accounts including in some cases for past several years. Necessary adjustments if any would be effected on reconciliation of these balances. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
 - ix. Note no. 8(a) regarding non adjustment of advance for property against borrowings from ICICI Bank and the consequent non settlement of the account with ICICI Bank for several years. We are unable to express our opinion on the ultimate outcome of the matter. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.

- x. Note no. 8(b) regarding non-providing of interest expense on the aforesaid loan. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year. As a result, interest and finance charges for the year ended 31.03.2008 is lower and loss for the year is lower by Rs. 2,17,35,127/-; debit balance in the profit and loss account as at 31.03.2008 is lower by Rs. 3,80,51,359/-; the loan funds as at 31.03.2008 are lower by Rs. 3,80,51,359/-.
- xi. Note no. 8(c) the non-provision for penal interest (amount unascertained) on the aforesaid loan. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
- xii. Note no. 12 regarding non-compliance with the capital adequacy ratio requirements prescribed as per regulation 10 of the Non-Banking Financial Companies Prudential norms (Reserve Bank) Directions, 1998 as amended from time to time. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
- xiii. Note no. 16 regarding non appointment of Company Secretary. This had caused the previous auditors to qualify their audit opinion on financial statements for the previous year ended 31st March, 2007.
- xiv. Note no. 18 regarding write back of the provision for amortisation of BSE card and the resultant increase in net worth of Rs. 26,02,600/-. As per the accounting treatment adopted by the subsidiary company, the write back of amortization credited to profit and loss account during the year has not been considered for provision for tax. We are unable to express our opinion on the same.
- xv. Note no. 20 regarding accounts being prepared on going concern basis. Net worth of the company would remain eroded even after considering the impact of the reliefs obtained under the scheme of arrangement. Successful implementation of the scheme itself is contingent on timely realisation/recovery of substantial investments and unprovided loans and advances and actively developing non fund based activity. These factors raise substantial doubts as to whether the company will be able to continue as a going concern; we are therefore unable to express our opinion on whether it is appropriate to use the going concern assumption in preparation of the financial statements. This had also caused the previous auditors to qualify their audit opinion on the financial statements for the previous year.
- xvi. We further report that, without considering the items mentioned in paragraphs i), ii), iii), iv), v), vi), vii), viii), ix), x), xii), xiii), xiv), and xv) above the effect of which could not be determined, had the observations made by us in para x) above been considered, the loss for the year ended 31.03.2008 would have been Rs. 5,04,51,612/- and the loss for the previous year ended 31.03.2007 would have been Rs. 46,44,978/-. [against the reported loss for the year ended 31.03.2008 of Rs. 2,87,16,485/- and reported profit for the previous year ended 31.03.2007 of Rs. 1,16,71,254/-],
- the accumulated losses as at 31.03.2008 would have been Rs. 110,33,83,285/- and the accumulated losses as at the end of the previous year 31.03.2007 would have been Rs. 243,27,58,194/- [against the reported accumulated losses as at 31.03.08 of Rs. 106,53,31,926/- and as at the end of the previous year 31.03.07 Rs. 241,64,41,962/-],
- the Secured loan funds as at 31.03.2008 would have been Rs. 35,76,72,521/- and Secured loan funds as at the end of the previous year 31.03.2007 would have been Rs. 145,38,83,069/- [against the reported Secured loan funds as at 31.03.2008 of Rs. 31,96,21,162/- and as at the end of the previous year 31.03.2007 of Rs. 143,75,66,837/-]
6. Subject to our observations in Para 5 above and more particularly para xvi) of Para 5 regarding effect on the loss for the year and the accumulated losses as on 31.03.2008 had our qualifications been considered, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the other notes thereon, gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view (in the case of previous year, auditors have qualified the report that the financial statement do not give a true and fair view), in conformity with the accounting principles generally accepted in India.
- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- (ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
- (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

FOR R. PRABHU & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 18th June, 2008

RAMAKRISHNA PRABHU
Partner
Membership No. 38959

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	Rs. 000's	As at 31.03.2008 Rs. 000's	As At 31.03.2007 Rs. 000's
A. SOURCES OF FUNDS				
1. Shareholders' Funds:				
a. Capital	1	443,724		443,724
b. Reserves and Surplus	2	562,616		675,101
			1,006,340	1,118,825
2. Loan Funds				
a. Secured Loans	3	319,622		1,437,567
b. Unsecured Loans	4	42,810		292,370
			362,432	1,729,937
3. Net Deferred Tax Liability			391	543
TOTAL			1,369,163	2,849,305
B. APPLICATION OF FUNDS				
1. Fixed Assets	5			
a. Gross Block		18,985		47,784
b. Less: Depreciation		10,866		37,435
c. Net Block			8,119	10,349
2. Investments	6		33,957	43,922
3. Current Assets, Loans and Advances				
a. Current Assets:	7			
(i) Stock In Trade		73		3
(ii) Sundry Debtors		6,144		2,585
(iii) Cash and Bank Balances		214,616		254,897
(iv) Other Current Assets		11,356		8,174
		232,189		265,659
b. Loans and Advances	8	118,864		392,041
		351,053		657,700
Less: Current Liabilities and Provisions	9			
a. Liabilities		71,828		148,362
b. Provision		17,470		130,747
		89,298		279,109
Net Current Assets			261,755	378,591
Profit and Loss Account		2,421,735		2,416,443
Adjustment made as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)		1,356,403		-
TOTAL			1,065,332	2,416,443
			1,369,163	2,849,305
Notes to Accounts and Significant Accounting Policies				
	18			

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

N. R. DIVATE
President & CEO

K. CHANDRAMOULI
Company Secretary

R. R. PATEL
Director

A. P. MOHANTY
Director

V. J. OJHA
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	Rs. 000's	Current Year Rs. 000's	Previous Year Rs. 000's
INCOME				
Interest	10		11,658	5,006
Brokerage Income (Net)			26,139	20,321
Income from Trading in Shares	11		—	374
Profit on Sale of Long Term Investments (Net)			55,698	30,347
Other Income	12		78,538	43,944
			<u>172,033</u>	<u>99,992</u>
EXPENDITURE				
Employee Cost	13		15,659	10,804
Administrative & other expenses	14		26,260	19,231
Interest & Finance Charges	15		34,126	27,466
Loss from Trading in Securities	11		102	—
Provisions & Write Offs	16		2,229	24,923
Prior Period Items (Refer Note No. 7 of Schedule No. 18 II)		115,600		1,950
Less: Reversal of Contingency Reserve		<u>115,600</u>		<u>—</u>
				1,950
Depreciation			<u>1,598</u>	<u>1,540</u>
			<u>79,974</u>	<u>85,914</u>
(LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS				
Exceptional items (Refer Note No. 6 & 10 Schedule 18 II)	17		<u>(116,597)</u>	<u>14,078</u>
			<u>(24,538)</u>	<u>14,078</u>
(LOSS)/PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE PROVISION FOR TAX				
Tax Expense:				
(i) Current Tax		4,075		2,247
(ii) Tax Provisions for the Earlier Years		538		—
(iii) Deferred Tax		(152)		(248)
(iv) Fringe Benefit Tax		<u>525</u>		<u>408</u>
			<u>4,986</u>	<u>2,407</u>
(LOSS)/PROFIT FOR THE YEAR AFTER TAXES				
Provision for tax of earlier years written back			<u>(29,524)</u>	<u>11,671</u>
			<u>809</u>	<u>—</u>
(LOSS)/PROFIT FOR THE YEAR				
Consolidated Loss brought forward from earlier years		(2,416,443)	<u>(28,715)</u>	<u>11,671</u>
Add: Amortisation of BSE Card adjusted against surplus in the earlier year brought back		<u>23,423</u>		<u>(2,428,114)</u>
			<u>(2,393,020)</u>	<u>(2,416,443)</u>
BALANCE CARRIED TO BALANCE SHEET				
			<u>(2,421,735)</u>	<u>(2,416,443)</u>
Basic EPS				
			<u>(0.72)</u>	<u>0.19</u>
Diluted EPS				
			<u>(0.72)</u>	<u>0.19</u>
(Face Value Rs. 10/- per Share) (Refer Note No. 26 of Schedule 18 II)				
Notes to Accounts and Significant Accounting Policies				
	18			

As per our attached Report of even date

For **R. PRABHU & ASSOCIATES**
Chartered Accountants

N. R. DIVATE
President & CEO

R. R. PATEL
Director

V. J. OJHA
Director

RAMAKRISHNA PRABHU
Partner

K. CHANDRAMOULI
Company Secretary

A. P. MOHANTY
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2008

	Rs. 000's 2007-2008	Rs. 000's 2006-2007
A. Cash Flow from Operating Activities		
Net Profit before Interest and Tax	10,397	41,544
Less: Interest	34,128	27,466
(Loss)/Profit before Tax	(23,729)	14,078
Adjustment for:		
Sundry Credit Balances Written Back	(21,577)	(632)
Bad Debts/Provision for Doubtful Debts Written Back	(37,463)	(7,393)
Provisions for Diminution in Value of Long Term Investment no longer required	(2,420)	(9,926)
Reversal of Contingency Reserve adjusted against Prior Period Items	(115,600)	-
Depreciation	1,598	1,540
Profit on sale of Investments	(55,698)	(30,347)
Share of (Profit)/Loss in partnership firms	-	(5,022)
(Profit)/Loss on Sale of Fixed Assets	(44)	-
Loss on Scraped Assets	928	-
Interest/Dividend on Investments	(14,051)	(7,806)
Unpaid Interest	-	27,143
Provision for Gratuity	63	232
Provision for Leave Encashment	1,053	384
Provisions & Write Offs	2,229	24,923
Excess Provision for Taxation Written Back	(809)	-
Excess Provision for interest written back and Short Term Capital Loss - Exceptional Items	(116,597)	-
	(125,194)	(6,904)
Operating (Loss)/Profit before Working Capital Changes	(148,923)	7,174
Adjustment for increase/decrease in:		
Current Assets and Trade Receivables	1,607	7,944
Loans and Advances	53,115	77,692
Trade Payables	17,739	(849)
Cash Generated from Operations	(76,462)	91,961
Leave Encashment Paid	(100)	(140)
Direct Taxes - Refund Received/(Paid)	(4,246)	(5,485)
Net Cash (Used In)/From Operating Activities (A)	(80,808)	86,336
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(303)	(1,357)
Sale of Fixed Assets	51	-
Purchase of Investments	(50,798)	(117,289)
Sale of Investments	156,953	142,951
Interest/Dividend Received	10,869	6,241
Net Cash From Investing Activities (B)	116,772	30,546
C. Cash Flow from Financing Activities		
Long Term Borrowings	(76,245)	(102,150)
Net Cash Used In Financing Activities (C)	(76,245)	(102,150)
Net (Decrease)/Increase In Cash and Cash Equivalents (A+B+C)	(40,281)	14,732
Cash and Cash Equivalents as at the commencement of the year	254,897	240,165
Cash and Cash Equivalents as at the end of the year	214,616	254,897
Net (Decrease)/Increase as Disclosed above	(40,281)	14,732
(See Notes attached)		

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	2007-2008 Rs. '000	2006-2007 Rs. '000
1. Cash and cash equivalents include :		
Cash on hand	28	47
Bank Balances including Fixed Deposit Pledged with Banks amounting to Rs. 56,000 ('000) [Previous Year Rs. 66,520 ('000)]	214,588	254,850
Total	214,616	254,897

2. Bank Balances include Rs. 18,64 ('000) [Previous Year Rs. 17,63 ('000)] in escrow account for payment of fixed depositors liability.
3. All figures in brackets are outflows. 4. Previous years figures have been regrouped wherever necessary to confirm to this year's classification.

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

Mumbai, Dated: 18th June, 2008

N. R. DIVATE
President & CEO
K. CHANDRAMOULI
Company Secretary

R. R. PATEL
Director
A. P. MOHANTY
Director

V. J. OJHA
Director

Navi Mumbai, Dated: 18th June, 2008

SCHEDULES 1 TO 9 FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2008	As at 31.03.2007
	Rs. 000's	Rs. 000's
Schedule - 1		
SHARE CAPITAL		
AUTHORISED		
7,00,00,000 Equity shares of Rs.10/- each	700,000	700,000
3,00,00,000 Redeemable preference shares of Rs. 10/- each	300,000	300,000
	<u>1,000,000</u>	<u>1,000,000</u>
ISSUED, SUBSCRIBED AND PAID - UP		
3,98,81,700 Equity Shares of Rs. 10/- each fully paid (See Note 3 below)	398,817	398,817
	<u>398,817</u>	<u>398,817</u>
36,70,000 10% Redeemable Preference Shares of Rs. 10/- each fully paid. (See Notes 1 & 3 below)	36,700	36,700
SUB TOTAL	<u>435,517</u>	<u>435,517</u>
8,20,700 14.5% Redeemable Preference Shares of Rs. 10 each fully paid. (See Note 4 below)	8,207	8,207
TOTAL	<u>443,724</u>	<u>443,724</u>

Note 1: 36,70,000 10% Redeemable Preference Shares of Rs. 10 each are Redeemable at par on 31st March, 2007. Those shares have not been redeemed.

Note 2: In terms of the loan agreements, the Financial Institutions have an option to convert the amount of loan including interest accrued there on into fully paid-up equity shares at par, in the event of default by the company in the payment of their dues.

Note 3: 86,50,000 equity shares of Rs. 10 each fully paid-up and 36,70,000 10% Redeemable Preference Shares of Rs. 10 each fully paid up were issued to Financial institutions and Banks on conversion of the secured loan in terms of the loan agreement.

Note 4: These were due for redemption at par on 15th July, 2002 (7,63,200 shares) and on 26th November, 2002 (57,500 Shares) and are yet to be redeemed.

Schedule - 2		
RESERVES AND SURPLUS		
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	561,473	561,473
Add: Principal/Discounting Charges of T Series Deep Discount Debentures no longer payable as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)	1,143	-
	<u>562,616</u>	<u>561,473</u>
CAPITAL RESERVE		
As per last Balance Sheet		
Including Rs. 39,42,750/- on reissue of forfeited shares	3,943	3,943
Add: Amount of Principal Liability of all Secured and Unsecured no longer payable as per Scheme of Compromise (Refer Note No. 6 of Sch. No. 18 II)	593,434	-
	<u>597,377</u>	<u>3,943</u>
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)	597,377	-
	-	<u>3,943</u>
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	99,348	99,348
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)	99,348	-
	-	<u>99,348</u>
RESERVE u/s. 45IC of RBI Act, 1934		
As per last Balance Sheet	10,337	10,337
Less: Set off against the accumulated losses as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)	10,337	-
	-	<u>10,337</u>
TOTAL	<u>562,616</u>	<u>675,101</u>

	As at 31.03.2008	As at 31.03.2007
	Rs. 000's	Rs. 000's
Schedule - 3		
SECURED LOANS		
A. Debentures		
1 a. 355 17% Non-Convertible Debentures A Series of Rs. 1,00,000 each (Due for redem- ption on 25.09.95 and rolled over upto 29.03.99; repayable at a premium of 5% of the face value of the Debentures.)	1	35,500
b. 151 17% Non-Convertible Debentures A Series of Rs. 1,00,000 each (Due for redem- ption on 26.12.95 and rolled over for further 36 months from the date of redemption; repayable at a premium of 5% of the face value of the Debentures)	1	15,100
c. 17% Non-Convertible Debentures A Series as mentioned above in 'a' and 'b' - Liability reduced as per Scheme of Compromise net of payments made till 31 st March, 2008 (Refer Note No. 6 of Schedule No. 18 II)	1	8,900
		<u>8,900</u>
Interest accrued and due on above		50,600
2 a. 54 14.5% Non-Convertible Debenture C4 Series of Rs. 1000 each Interest payable on Cumulative basis. (Redeemable on 1.9.1999)	2	54
b. 200 Deep Discount Non-Convertible Deben- tures T1 Series of Rs. 1000 each (Redeem- able on 25.05.2022 at Rs. 50000 each)	2	200
c. 100 Deep Discount Non-Convertible Deben- tures T1 Series of Rs. 1000 each (Redeem- able on 07.11.2022 at Rs. 50000 each)	2	100
d. Deep Discount Non-Convertible Debentures of T Series as mentioned above in 'b' and 'c' - Liability reduced as per Scheme of Compromise (Refer Note No. 6 of Schedule No. 18 II)	2	128
		<u>182</u>
e. Discount on Deep Discount Debentures (Refer Note No. 6 of Schedule No. 18 II for all series of debentures)	2	972
B. From Banks:		
Cash Credit (Refer Note No. 6 of Sch. No. 18 II)		59,580
C. Term Loan From Financial Institutions (Refer Note No. 6 of Schedule No. 18 II)	1	9,500
Interest accrued and due on above		84,497
		<u>9,500</u>
D. Term Loan From Banks (Refer Note No. 8 of Schedule No. 18 II)	1	101,094
Interest accrued and due on above		140,366
		<u>140,366</u>
TOTAL		<u>241,460</u>
		<u>319,622</u>

Notes: 1. Secured by hypothecation of relevant leased assets and stock on hire, together with relevant book debts and lease rentals/hire purchase instalments receivable and the mortgage of free hold property (office premises).
2. Secured by hypothecation by way of second charge on leased assets and stock on hire, together with the book debts and lease rentals/hire purchase instalments receivable and the second charge on free hold property (Office Premises) and floating charge on all the assets of the Company.
3. The book value of the securities is Rs. 28,56,47 ('000) [Previous Year: Rs. 68,12,28 ('000)] The market/fair value of all the securities have not been ascertained accordingly the shortfall cannot be estimated.

Schedule - 4		
UNSECURED LOANS		
1. Fixed Deposits (Refer Note No. 4 of Schedule No. 18 II)		42,684
2. Inter - Corporate Deposits		247,150
3. Security Deposits from lessees and others etc. (Refer Note No. 8 of Schedule No. 18 II)		126
TOTAL		<u>42,810</u>
		<u>292,370</u>

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Schedule - 5 FIXED ASSETS

(Rs. 000's)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION				IMPAIRMENT	NET BLOCK	
	As at 01.04.2007	Additions	Deletions	As at 31.03.2008	As at 01.04.2007	For the Year	Deletions	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
TANGIBLE ASSETS											
BUILDINGS	521	-	-	521	98	8	-	106	-	415	423
COMPUTERS	1,767	152	71	1,848	885	296	71	1,110	-	738	882
MOTOR VEHICLES	2,223	-	217	2,006	913	193	209	897	-	1,109	1,310
FURNITURE & FIXTURES	12,787	-	1,873	11,114	7,104	807	1,234	6,677	-	4,437	5,683
OFFICE EQUIPMENTS	3,738	79	1,115	2,702	1,590	195	627	1,158	226	1,318	1,922
INTANGIBLE ASSETS											
COMPUTER SOFTWARE	722	72	-	794	593	99	-	692	-	102	129
BSE MEMBERSHIP CARD (Refer to Note No. 18 of Schedule No. 18 II)	26,026	-	26,026	-	26,026	-	26,026	-	-	-	-
SUB-TOTAL	47,784	303	29,102	18,985	37,209	1,598	28,167	10,640	226	8,119	10,349
PREVIOUS YEAR	47,160	1,357	733	47,784	36,402	1,540	733	37,209	228	10,349	

	As at 31.03.2008	As at 31.03.2007
Rs. 000's	Rs. 000's	Rs. 000's

Schedule - 8

INVESTMENTS AT COST

LONG TERM INVESTMENTS

A. GOVERNMENT SECURITIES

(a) National Saving Certificate (Lodged with Government Authorities)	13	13
		13

B. OTHER INVESTMENTS

I. IN FULLY PAID EQUITY SHARES - QUOTED

299800 shares of Rs. 10 each in Associated Transrail Structures Ltd.	4,194	4,194
440 shares of Rs. 10 each in Cimco Birla Ltd.	114	114
1350 shares of Rs. 10 each in Hindusthan Petroleum Corporation Ltd.	482	482
350 (Previous Year 2500) shares of Rs. 2 each in Larsen & Toubro Ltd.	48	332
300000 shares of Rs. 10 each in Laisure Hotel Ltd.	3,000	3,000
24750 shares of Rs. 10 each in L.D. Textiles Industries Ltd.	3,106	3,106
441800 shares of Rs. 10 each in National Organic Chemical Industries Ltd.	25,436	25,436
507 Shares of Rs. 10 each in Oil & Natural Gas Corporation Ltd.	254	254
2500 shares of Rs. 10 each in Onida Saka Ltd.	68	68
3000 shares of Rs. 10 each in Raymond Woollen Mills Ltd.	687	687
Nil (Previous Year 150000) shares of Rs. 10 each in Shriram Transport Finance Co. Ltd.	-	1,500
146700 shares of Rs. 10 each in Suprapti Plastics Ltd.	1,467	1,467

	As at 31.03.2008	As at 31.03.2007
Rs. 000's	Rs. 000's	Rs. 000's

140 shares of Rs. 10 each in Ultratech Cement Ltd.	37	37
20000 shares of Rs. 2 each in Uniphos Enterprises Ltd.	149	149
5750 shares of Rs. 10 each in Via Media Ltd.	57	57
	39,077	40,863
Less: Provision for Diminution in Value	21,635	24,055
	17,442	16,808

II. IN FULLY PAID UNITS OF MUTUAL FUNDS - QUOTED

5213 (Previous Year Nil) Units of Rs. 100 each in Gold exchange Traded Fund of Unit Trust of India	5,000	5,000
		5,000

III. IN FULLY PAID EQUITY SHARES - UNQUOTED WITH ASSOCIATED COMPANIES

3000 shares of Rs. 10 each in Mafatal Trustee Co. Ltd.	29	29
900000 shares of Rs. 10 each in Sunanda Capital Services Limited	6,000	6,000
93000 shares of Rs. 10 each in Sushmita Engineering and Trading Limited	930	930
24500 shares of Rs. 10 each in Mafatal Systems Ltd.	245	245
	7,204	7,204
Less: Provision for Diminution in Value	7,204	7,204

IV. IN FULLY PAID EQUITY SHARES - UNQUOTED WITH OTHERS

877 (Previous Year 10,000) Shares of Rupee. 1 each in Borthay Stock Exchange Ltd. (Refer Note No. 8 of Schedule No. 18 II)	2,283	10
49000 shares of Rs. 10 each in Mafatal Medical Devices Limited	490	490

	As at 31.03.2008	As at 31.03.2007
	Rs. 000's	Rs. 000's
16000 shares of Rs. 10 each in Amitabh Bachan Corporation Ltd.	1,280	1,280
308167 shares of Rs. 10 each in Pithalo Colour & Chemicals Ltd.	7,955	7,955
49000 shares of Rs. 10 each in Repos Trading Co. Ltd.	490	490
NII (Previous Year 10000) shares of Rs. 10 each in Arvi Associates Private Ltd.	-	100
Nii (Previous Year 10000) shares of Rs. 10 each in Shripad Associates Private Ltd.	-	100
	12,498	10,425
Less: Provision for Diminution in Value	10,215	10,215
	2,283	210

IV. IN FULLY PAID PREFERENCE SHARES

52255 shares of Rs. 10 each in Pasupati Fabrics Ltd.	523	523
Less: Provision for Diminution in Value	523	523

V. IN FULLY PAID DEBENTURES

375 12.5% Non - Convertible Debentures (Part B) of Rs. 100 each of Atlas Cycle Industries Ltd.	75	75
	75	75

VI. IN FULLY PAID UNITS OF MUTUAL FUNDS- UNQUOTED

(a) 100 units of Rs. 10 each in UTI Master Gain '92	1	1
(b) 90090.90 units of Rs. 10 each in Growth Sector Fund - Petro of Unit Trust of India	982	982
(c) 318,407.96 units of Rs. 10 each in Dividend Yield Fund of Unit Trust of India	3,200	3,200
(d) 340391.704 (Previous Year 1292784.436) units in Templeton India Liquid Plus Fund (Through American Express, the Portfolio Manager)	4,942	17,614
	9,125	21,797
Less: Provision for Diminution in Value	1	1
	9,124	21,796

VII. OTHERS

(a) 333 shares of Rs. 30 each in Bombay Mercantile Co-operative Bank Ltd.	10	10
(b) 1000 shares of Rs. 30 each in Saraswat Co-operative Bank Ltd.	10	10
	20	20

TOTAL - LONG TERM INVESTMENTS

33,957	43,922
---------------	---------------

NOTES:

	Cost Rs. 000's	Market Value Rs. 000's
1. a) Aggregate of Quoted Investments	22,442	25,976
Previous year	21,808	44,241
b) Aggregate of Unquoted Investments	1,515	
Previous year	22,114	
TOTAL	33,957	
Previous year	43,922	

c) Refer Note No. 5 of Schedule No. 18 II

2. Details of Investments purchased and sold during the year :

Particulars	Qty No.	Value in Rs.
Units of Templeton India Liquid Plus Fund:		
- Purchases	3,620,271.655	50,798,421
- Sales	4,572,664.387	64,299,702
Shripad Associates Private Limited 0.10% Preference Shares:		
- Purchases	1,193,160	119,316,000
- Sales	1,193,160	5,965,800
Arvi Associates Private Limited 0.10% Preference Shares:		
- Purchases	1,254,000	125,400,000
- Sales	1,254,000	6,270,000

Schedule - 7
CURRENT ASSETS
1: Stock-in-trade

	As at 31.03.2008	As at 31.03.2007
	Rs. 000's	Rs. 000's
EQUITY SHARES (Quoted) (At Cost or Market Value whichever is lower)		
40 Shares of Agri-Tech India Ltd. of Rs. 10 each fully paid-up	1	1
20 Shares of Carol Info Services Ltd. of Rs. 10 each fully paid-up	8	8
50 (Previous Year Nil) Shares of GMR Infra-structures Ltd. of Rs. 2 each fully paid-up	11	-
1000 (Previous Year Nil) Shares of JP Hydropower Ltd. of Rs. 10 each fully paid-up	89	-
100 (Previous Year Nil) Shares of K.E.C. International Ltd. of Rs. 10 each fully paid-up	3	-
44 Shares of Nath Bio-Genes (India) Ltd. of Rs. 10 each fully paid-up	1	1
116 Shares of Nath Seeds Ltd. of Rs. 10 each fully paid-up	2	2
10 Shares of NEPC Agro Foods Ltd. of Rs. 10 each fully paid-up	1	1
150 Shares of Oswal Chemicals & Fertilizers Ltd. of Rs. 10 each fully paid-up	1	1
45 Shares of Oswal Agro Mills Ltd. of Rs. 10 each fully paid-up	1	1
75 (Previous Year Nil) Shares of PTC India Ltd. of Rs. 10 each fully paid-up	11	-
200 Shares of Roofit Industries Ltd. of Rs. 10 each fully paid-up	34	34
15 Shares of S & S Power Switchgear Ltd. of Rs. 10 each fully paid-up	1	1
IN FULLY PAID GOVERNMENT SECURITIES (Quoted)		
10 11.50% Government of India Loan of Rs. 100 each fully paid up	1	1
	165	51
Less: Fall in Market Value	(92)	(48)
	73	3

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	As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's		As at 31.03.2008 Rs. 000's	As at 31.03.2007 Rs. 000's
2. Sundry Debtors (Unsecured)			4. Advances for Property		
a) Debts outstanding for a period exceeding six months			(Refer Note No. 8 of Schedule No. 18 II)	57,495	57,495
(i) Considered Good	4,813	987	5. Advances recoverable in cash or in kind or for value to be received		
(ii) Considered Doubtful	85,568	174,633	(i) Considered Good	30,069	75,281
	90,381	175,620	(Refer Note No. 5 of Schedule No. 18 II)		
b) Others (Considered good)	1,331	1,598	(ii) Considered Doubtful	12,797	13,008
	91,712	177,218		42,866	88,289
Less: Provision for doubtful debts	85,568	174,633	Less: Provision for doubtful advances	12,797	13,008
(Refer Note No. 11 of Schedule 18 II)				30,069	75,281
	6,144	2,585	6. Advance payment of Income Tax and Tax Deducted at Source (Net)	3,808	3,990
3. Cash and Bank Balances			7. Deposit with others		
- Cash on hand	28	47	(i) Considered Good	23,060	24,779
- Balances with Scheduled Banks			(ii) Considered Doubtful	13,961	16,461
a) In Current Accounts (net) [Refer Note No. 7 of Schedule No. 18 II]	75,274	178,738		37,021	41,240
b) In Deposit Accounts (Refer Note No. 14 of Schedule No. 18 II)	139,314	76,112	Less: Provision for doubtful deposits	13,961	16,461
	214,516	254,897		23,060	24,779
4. Other Current assets			8. Car Booking Advances		
Interest accrued on Government Securities, Bonds and Bank Deposits	5,379	2,197	(i) Considered Good	-	-
Repossessed Stock at Estimated Realisable Value (Rs. 3.00)	-	-	(ii) Considered Doubtful	-	1,420
Assets acquired in satisfaction of claims (Commercial Premises)	5,977	5,977	Less: Provision for doubtful advances	-	1,420
(Refer Note No. 9 of Schedule No. 18 II)				-	1,420
	11,356	8,174	TOTAL	118,864	392,041
TOTAL	232,189	265,659			
Schedule - 8			Schedule - 9		
LOANS AND ADVANCES			CURRENT LIABILITIES AND PROVISIONS		
(Unsecured unless otherwise stated)			A. CURRENT LIABILITIES		
1. Loans to Companies, Firms and others			1. Dues to Micro, Small and Medium Enterprises (Refer Note No. 13 of Schedule No. 18 II)	-	-
(i) Considered Good	4,432	802	2. Dues to Creditors other than Micro, Small and Medium Enterprises	86,004	73,693
(ii) Considered Doubtful	78,702	103,663	3. Interest accrued but not due on loans	-	68,731
	83,134	104,465	4. Client Deposits	5,824	5,938
Less: Provision for doubtful loans	78,702	103,663		71,828	148,362
	4,432	802	B. PROVISIONS		
2. Inter Corporate Deposits			For Taxation		
(i) Considered Good	-	-	- Current Tax (Net)	2,021	269
(ii) Considered Doubtful	3,906	3,906	- Fringe Benefit Tax (Net)	6	38
	3,906	3,906	For Gratuity	397	341
Less: Provision for doubtful deposits	3,906	3,906	For Leave Encashment	3,046	2,099
	-	-	For Contingencies [Refer Note. 1(i) of Schedule 18 II]	12,000	128,000
3. Advances Subscription				17,470	130,747
(i) Considered Good	-	229,694	TOTAL	89,298	279,109
(ii) Considered Doubtful	-	15,022			
	-	244,716	Note: Amount utilised towards provision for Leave Encashment Rs. 100 ('000) additional provision for Leave Encashment made Rs. 1047 ('000)		
Less: Provision for doubtful subscription	-	15,022	Adjustment of Contingency Reserve during the year is Rs. 116000 ('000) [Refer Note No. 7 of Schedule No. 18 II]		
	-	229,694			

SCHEDULES 10 TO 17 FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Current Year Rs. 000's	Previous Year Rs. 000's
Schedule - 10		
INTEREST		
1. Interest on Deposits and Loans (Tax deducted at source Nil (Previous year Rs. 28,772/-))	-	128
2. Interest on Fixed Deposits with Banks (Tax deducted at source Rs. 21,74,085/- (Previous year Rs. 9,19,403/-))	11,640	4,874
3. Other Interest	18	4
TOTAL	11,658	5,006

Schedule - 11		
(LOSS)/INCOME FROM TRADING IN SECURITIES		
Sales	6,360	15,918
Less: Cost of Sales		
Opening Stock at Cost	3	930
Add: Purchases	6,532	14,617
	6,535	15,547
Less: Closing Stock	73	3
SUB-TOTAL	6,462	15,544
(Loss)/Income	(102)	374

Schedule - 12		
OTHER INCOME		
1. Dividend on Investments:		
- Long term Investments	2,410	2,792
- Stock In Trade	1	12
	2,411	2,804
2. Profit on sale of Fixed Assets (Net)	44	-
3. Share of Profit from partnership firms (Net)	-	5,022
4. Income from Depository Services	4,792	4,088
5. Financial Products Marketing Fees (Tax Deducted at Source Rs. Nil (Previous Year Rs. 138))	1,302	1,035
6. Sundry Credit Balances/Excess Provision written back (Including write back of amortisation of BSE Card of Subsidiary Company Rs. 26,03 ('000) (Previous Year Nil))	21,577	632
7. Bad Debts Written Off Re-credited to the Profit & Loss A/c	729	5,636
8. Provisions for Doubtful Debts/Advances written back	37,463	7,393
9. Provisions for Diminution in Value of Investment no longer required	2,420	9,926
10. Service Tax input credit of earlier year	62	412
11. Others	7,738	6,996
TOTAL	78,538	43,944

Schedule - 13		
EMPLOYEE COST		
1. Salaries & other allowances	10,881	7,508
2. Contribution to Provident, Gratuity and Superannuation Funds	1,467	1,088
3. Staff Welfare Expenses	391	411
4. Leave Encashment	1,066	413
5. Reimbursement of Salaries	1,854	1,384
TOTAL	15,659	10,804

	Current Year Rs. 000's	Previous Year Rs. 000's
Schedule - 14		
ADMINISTRATIVE AND OTHER EXPENSES		
1. Advertisement & Business promotion expenses	1,246	1,150
2. Clearing House Expenses	406	216
3. Electricity Expenses	944	677
4. Expenses on Depository Services	534	624
5. Membership & Subscription Fees	239	223
6. Professional Fees & Service charges	2,150	2,211
7. Shared Service Expenses	1,394	476
8. Rates and Taxes	28	231
9. Rent and Office Premises Compensation	706	903
10. Insurance	309	191
11. Repairs and Office Maintenance	490	563
12. Service Tax	1,404	1,250
13. SEBI Registration & Turnover Fees	75	55
14. Stamp Duty Charges	1,234	914
15. Telephone Expenses	945	931
16. Transaction Charges	327	274
17. Travelling & Conveyance Expenses	1,485	1,819
18. Postage and Courier Expenses	1,141	1,085
19. Printing & Stationery	1,059	1,124
20. Compliance Expenses	3,510	308
21. OTCEI Admission Fee and Other Charges	1,710	-
22. Vsat Expenses	775	-
23. Loss on Scrapped Assets (Net)	928	-
24. Miscellaneous Expenses	3,221	4,006
TOTAL	26,260	19,231

Schedule - 15		
INTEREST AND OTHER FINANCE CHARGES		
1. Interest on Bank Cash Credit Accounts etc	25,047	18,941
2. Bank Charges and Commission	109	93
3. Interest on Term Loans	4,900	8,123
4. Interest on Debentures	3,982	97
5. Other Interest	108	212
TOTAL	34,126	27,466

Schedule - 16		
PROVISIONS & WRITE-OFFS		
1. Bad Debts/Investments written off	104,476	472,960
Less: Adjusted against provisions	102,536	472,261
	1,840	699
2. Provision for Non Performing Assets-Debtors/Advances	389	24,193
3. Provision for Diminution in value of Investments	-	31
TOTAL	2,229	24,923

Schedule - 17		
EXCEPTIONAL ITEMS		
Excess interest provided on Cash Credit from Banks and Term Loan from Financial Institution Written Back (Refer Note No. 6 of Schedule No. 18 II)	116,073	-
Short Term Capital Loss (Refer Note No. 10 of Schedule No. 18 II)	(232,670)	-
TOTAL	(116,597)	-

Schedule 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation of Financial Statements:

The financial statements are prepared on the historical cost basis in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b. Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

c. Principles of Consolidation:

The consolidated financial statements relate to Mafatlal Finance Company Limited (the Company), and its wholly owned Subsidiary and Associates incorporated in India. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary have been prepared based on a line-by-line consolidation by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transaction.

Investments in associate companies, where the company has significant influence by virtue of holding 20% or more of the voting power, has been consolidated as per AS-23 Accounting for Investment in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

The carrying cost of the investment in associates is adjusted for post acquisition change in the net assets of the associates. The consolidated statement of profit and loss reflects the share of the results of operations of the associates.

The difference between the cost of acquisition and the share of equity of the subsidiary/associates, on acquisition is treated as goodwill/capital reserve as the case may be.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's individual financial statements.

d. Fixed Assets:

All the Fixed Assets including assets given on lease have been stated at cost. Assets on lease are further adjusted for balance in lease terminal adjustment account.

e. Intangible Assets:

Intangible assets are stated at cost of acquisition less accumulated amortization.

f. Assets Acquired In Satisfaction of Claims:

Assets acquired in satisfaction of claim has been accounted at fair value of the assets acquired and is marked down by a subsequent reduction in the Net Realisable Value if any.

g. Depreciation:

Depreciation on Fixed Assets is provided on straight-line method in accordance with Section 205(2)(b) of the Companies Act, 1956 as per rates specified in Schedule XIV to the Companies Act, 1956.

Capital expenditure on leased premises is depreciated on straight-line method as per the rates specified in Schedule XIV or over the lease period whichever is higher.

Individual assets acquired for less than five thousand rupees are fully depreciated in the year of acquisition.

In case of the subsidiary company, expenses towards repairs and renovations of enduring benefit to the interiors of the office premises not owned by the company are apportioned over the period of the agreement with the owners.

Amortisation

Expenses incurred on Computer Software are amortized on straight line basis over a period of three years.

h. Impairment of Assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

i. Investments

Long-term investments are stated at cost of acquisition. Provision is made in diminution in value, other than temporary, in the carrying amount of such investments.

Current investments are shown at lower of cost and fair market value (repurchase price in case of Mutual Fund Units).

j. Stock-in-trade

Stock-in-trade of shares is valued at average cost or net realisable value whichever is lower.

k. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection. Prudential norms prescribed by Reserve Bank of India for revenue recognition and provisioning are followed in case of the holding company:

i) Lease Rentals

The Company has not given assets under finance lease after 01.04.2001. Accordingly Accounting standard 19 issued by the Institute of Chartered Accountants of India does not apply. The Company follows the recommendation of the Institute of Chartered Accountants of India contained in the Guidance note on Accounting for leases. Accordingly, lease rentals received/receivable under lease agreements have been accounted as income adjusted by creating Lease Equalisation Account to ensure recognition of Net Income at a constant periodic rate of return on the net investment outstanding in the lease. For the purpose of calculating net income for each of the periods comprising the Lease term, total finance income from the Lease is apportioned in the ratio of minimum lease payments outstanding during each of the respective periods comprising the Lease terms. Against the lease rentals a matching annual charge (which represents recovery of the net investments in the Leased Assets over the lease term) is made to the Profit and Loss Account.

In case of the subsidiary company, rentals in respect of assets taken on operating lease by the company are expensed with reference to the lease and other considerations

ii) Bills Discounting

Discounting/rediscouinting charges are accrued on a time proportion basis taking into account the amount of bills outstanding and the rate applicable.

iii) Hire-Purchase

Income from Hire Purchase financing is recognised on a declining balance basis.

iv) Profit on Sale of Investments

Profit on Sale of Investments is accounted reckoning the average cost of the investments.

v) Underwriting Commission

Underwriting Commission is accounted on the closure of the issue underwritten.

vi) Issue Management and Loan Syndication Income

Issue Management, Loan Syndication fees and fees for the other financial services are accounted on accrual basis depending on the progress of the assignment.

vii) Other Income

Other Income is accounted on accrual basis.

viii) Brokerage Income

In case of the subsidiary company, brokerage income is recognized on transactions on which "Settlements" are completed during the year except in the case of "Spot" transaction where it is recognized on the date of transaction.

- l. Premium payable on the redemption of Non Convertible Debentures will be accounted as and when paid

m. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of part events, it is probable that there will be an outflow of resources and a reliable estimate of the amount of the obligation can be made. Contingent Liabilities are not recognised and are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

n. Retirement Benefits

The Company has various retirement benefits such as Provident Fund recognised by Income Tax Authorities and Gratuity Funds and Superannuation Fund covered by the scheme with Life Insurance Corporation of India. The Provident, Superannuation & Gratuity Funds are administered through trustees and company's contribution for the year is charged against revenue.

In case of the subsidiary company, the gratuity is provided on the basis of half month's salary for each completed year of service.

o. Leave Encashment

Leave Encashment is accounted on the basis of actual leave balance as at the year end.

p. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax asset and liability are measured using the tax rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

q. Borrowing Cost

Borrowing cost is charged to revenue.

II. NOTES TO ACCOUNTS:

	Current Year Rs. '000s	Previous Year Rs. '000s
1. Contingent Liability In respect of :		
a) Arrears of dividend on 14.5% and 10 % Redeemable Cumulative Preference Shares		
1997-98	817	817
1998-99	1,190	1,190
1999-00	1,190	1,190
2000-01	4,860	4,860
2001-02	4,860	4,860
2002-03	4,046	4,046
2003-04	3,670	3,670
2004-05	3,670	3,670
2005-06	3,670	3,670
2006-07	3,670	3,670
Total	31,643	31,643

- b) The company has received, on 23rd January, 2006 an ex-parte assessment order under section 144 of the Income Tax Act, 1961 for the Assessment years 1993-94 to 1998-99 with a demand of Rs. 8,14,51,111/- inclusive of interest, for transactions of lease treated as loan. The company had filed an appeal before the Commissioner (Appeals) Challenging the ex parte assessment orders. As directed, a remand report u/s 250(4) of the Income Tax Act, 1961 on verifying the claim of depreciation on leased assets a fresh, has been submitted by the Assessing Officer, to the Commissioner (Appeals). Based on the details submitted by Assessing Officer, the company is hopeful of favourable decision from the Commissioner (Appeals) and therefore no liability has been provided in the books.
- c) Interest Tax on interest earned on Debentures, Bonds and Government Securities is not exigible to interest tax as per the order of ITAT -83/M/01 dated 30th September, 2004 for the assessment year 1998-99. The department filed an appeal against this order in the Honourable Bombay High Court and accordingly the liability arising out of the said appeal inclusive of interest would be Rs. 21,07,307/- if won by the department.
- d) Claims against the Company not acknowledged as debts - Stamp duty on premises Rs. 50,00,000/- (Previous year Rs. 50,00,000/-) (see note 8(a) below).
- e) Suit filed by employee in Labour Court at New Delhi - Amount Rs. 3,15,205/- (Previous Year Rs. 3,15,205/-)
- f) Five cases filed against the company in various civil courts for the recovery for an aggregate sum of Rs. 2,56,000/- (Previous Year Rs. 2,56,000/-) towards refund of security deposit, non-repayment of debentures etc.
- g) The shares of the company have been suspended for trading on the NSE since September 2001 and on BSE since December 2002 on account of non-redressal of investor grievances relating to non-payment to the debenture holders. SEBI is empowered to impose a penalty of Rs. 1 lac for each day or Rs. 100 lac, whichever is less on companies who fail to redress investor grievances after having being called upon to do so.

- h) Criminal case has been filed by debenture holders in the court of the first class Judicial Magistrate at Patna and Ranchi against the Company and its erstwhile directors under section 409, 420 and 120B of the Indian penal code for non- repayment of the debentures. The complainants are since paid the amount due as per the resolutions passed in the Debenture holders meeting. The total face value of debentures covered under the above cases is Rs. 1,16,000/- (Previous Year Rs. 1,16,000/-).
- i) There is a penalty of Rs. 6,07,40,000/- (Previous Year Rs. 6,03,60,000/-) levied by Directorate of Enforcement under Foreign Exchange Management Act (FEMA), Mumbai in the year 2003-2004, for non-submission of Bill of Entry in case of Imported machineries, which were leased to customers. The Company has filed an appeal against this order before the Appellate Tribunal for Foreign Exchange, New Delhi. In the year 2004-2005, the company has out of abundant precaution provided for Rs. 1,20,00,000/- as provision for contingency.
- j) Thirty-Six cases have been filed against the Company in various Consumer Forums and the total demand is aggregating to Rs. 23,45,000/- (Previous Year Rs. 26,15,000/-) approximately.
- k) Disputed Sales Tax demand aggregating to Rs. 5,39,393/- (Previous Year Rs. 5,39,393/-).
- l) In the year 2002-03 writ Petition had been filed by MS shoes in the Hon. Delhi High Court against an MRTD Order dismissing their claim of Rs. 500,00,000/- towards fulfilment of under writing obligation.

In the year 2003-04 Hon. Delhi High Court had dismissed the aforesaid writ petition vide its order dated 23rd October, 2003.

In the year 2006-07 the Hon. Delhi High Court vide order dated 14th March, 2007, directed that the arbitration claim be filed before the Arbitrator. The Company has received a notice of arbitration demanding an amount of Rs. 19,59,62,747/- on account of unfulfilled underwriting devolvement obligation in respect of the public issue of MS Shoes. The Company is in the process of contesting the said claim.

- m) Income Tax pertaining to Assessment Year 2005 - 2006 amounting to Rs. 1,89,598/- [Previous Year Rs. 77,951/-], Assessment Year 2003 - 2004 amounting to Rs. 4,96,768/- [Previous Year Rs. 6,66,441/-] and Assessment Year 2002 - 2003 amounting to Rs. 7,92,055/- [Previous Year Rs. 8,40,042/-] are under dispute as the Company has gone for an appeal against these orders of the authorities. However, the Company has paid these disputed liabilities under protest.

2. a) Managerial Remuneration under Section 198 of the Companies Act, 1956:

	Current Year Rs. '000s	Previous Year Rs. '000s
1) Salary	3,870	1,947
2) Contribution to Provident & other funds	898	669
3) Perquisites in cash or in kind	1,014	529
Total	5,782	3,145

- b) The Company had made an application to the Ministry of Corporate Affairs, Government of India, New Delhi on 8th November, 2007 for approval of the Central Government u/s. 269, 198/309 and 637AA of the Companies Act, 1956 for the reappointment of Mr. N. R. Divarte, Manager of the Company for a

period of five years and approval of revised managerial remuneration w.e.f. 1st August, 2006. The Company received during the year a approval from Ministry of Corporate Affairs, Government of India, New Delhi dt. 27th December, 2007 and accordingly the managerial remuneration paid has been included above.

- c) Further, the Company has also received a approval from the Central Government u/s 309(5B) of the Companies Act, 1956 permitting the waiver of the recovery of excess remuneration paid to Mr. N. R. Divarte, Manager of the Company during the period from 01.08.2001 to 31.07.2006. Accordingly the above managerial remuneration includes Rs. 3,93,717/- paid during the year against recovery made in the earlier years.
- d) In case of Subsidiary Company, The Managerial Remuneration has been approved by a resolution passed by the remuneration committee; the Company is of the view based on legal advice obtained by it that the requirement of Section 269 read with Schedule XIII of the Companies Act, 1956 is complied with.

3. The Company has been legally advised, that as the principal object of the company as laid down in the Memorandum of Association encompasses the business of financing industrial enterprises, the provisions of Section 372A of the Companies Act, 1956 are not applicable to it.

4. Fixed Deposits

Fixed Deposits received from public is under reconciliation, with the corresponding balances in the subsidiary registers, the balances as per books of accounts being higher by Rs. 4,16,61,000/- (Previous Year Rs. 4,16,61,000/-). Pending the reconciliation, the Company has not filed the annual return on deposits since 1999. However during the current the year, the company has identified the difference towards Fixed Deposit Interest Warrants short accounted in the earlier years and accordingly accounted the same as Prior Period Items. (For details Refer Note No. 7)

Company's application for fresh registration to Reserve Bank of India (RBI) under section 45IA of the RBI Act has been rejected by the RBI vide its order dated 22nd October, 2002. As per directions of RBI the company had intimated the Fixed Deposit holders about the rejection.

Based on confirmations received from fixed deposit holders for payment/fixed deposit receipt for payment, the company opened an escrow account with ING Vysya Bank Ltd. by depositing Rs. 20,00,000/- in fixed deposit to secure the outstanding fixed deposit of Rs. 19,01,000/-. Subsequently the company has paid Rs. 8,78,000/- to the deposit holders from Escrow Account leaving a balance of Rs. 10,23,000/- as unclaimed deposit against which the company is holding FDR with ING Vysya Bank Limited for an amount of Rs.18,63,968/- as on 31st March, 2008.

Reserve Bank of India had also directed the company to submit the monthly return on repayment of fixed deposits and to pass a specific resolution not to carry out the business of NBFC. The company will take steps to comply with the same. Further the company is of the view that, as it has escrowed its public deposit liability, it is not required to submit the half yearly return under the NBFCs Prudential Norms (Reserve Bank) Directions 1998 from the half-year ended September 2002.

5. Debentures

Bank of India had filed a case against the company with Mumbai High court for Rs. 166,34,72,817/- in capacity of trustee for all series of Debentures. Order was passed on 13th April, 2003 and company was directed not to deal further in investments in National Savings Certificates and to deposit the accruals there on, dividend and other

accruals on equity shareholding as detailed in Schedule 6 of the Balance Sheet as at 31st March, 2001.

The Company has passed appropriate resolution as per the order of the Honourable Bombay High Court in the above suit and revised the terms of Debentures.

The Company appointed "Garron Trading Company Private Limited" and "Sunanda Services & Trading Limited" as redemption agents for "F2/F3" Series Debentures and "K" Series Debentures respectively. As intimated by the redemption agents Rs. 83,29,800/- remains unpaid as on 31.03.2008 towards "F2/F3" series debentures and Rs. 12,16,000/- remains unpaid as on 31.03.2008 towards "K" series debentures.

The Company is in process of filing appropriate modification in the above civil suit filed by the Debenture Trustees taking into account the scheme of arrangement, with the secured creditors (including the debenture holders), under section 391 of The Companies Act, 1956 approved by the Hon. Mumbai High Court. (Refer Note No. 6 below).

Balance of Rs. 2,36,68,515/- (Previous Year Rs. 6,15,68,015/-) receivable from Garron Trading Company Private Limited [arising out of the transactions as given above] is under reconciliation with their books of accounts.

6. Scheme of Compromise and Arrangements

The Company on 22nd May, 2006 has filed a Petition under Sections 391 and 394 of The Companies Act, 1956 for Compromise, in the Hon'ble Bombay High Court with the residual banks, debenture holders and unsecured lenders. As per the directions of the Hon'ble Bombay High Court the Meetings of the Secured and Unsecured Creditors had been convened on 31 August 2006. The secured and unsecured creditors have passed the resolution for the scheme of settlement/ compromise with requisite majority. Thereafter the scheme has been sanctioned by the Hon'ble Bombay High Court vide its order dated 13th July, 2007, and is effective from 22nd August, 2007.

The Company has passed all the relevant account entries giving effect to above Scheme of Compromise in the last quarter of the current financial year as per the details given below:

a. The Reduction in principal value of Liabilities arising out of the compromise arrangement treated as Capital Reserve and set off against the accumulated losses	Rs. 59,34,34,693
b. The waiver of interest liabilities after 1 st April, 1999 set off against the accumulated losses of the company	Rs. 64,93,40,677
c. Reduction in discount value of debenture including discounting charges written back to Share Premium Account	Rs. 11,43,586
d. The aggregate of Capital Reserve, Debenture Reserve, General Reserve and the reserve under section 45(I) (c) of the RBI Act, 1934 set off against the accumulated losses including Rs. 59,34,34,693 as mentioned in "a" above	Rs. 135,64,03,120
e. The interest provided on all the secured liabilities from 1 st April, 2006 to 30 th June, 2007 written back and shown as "Exceptional Items"	Rs. 11,60,72,708

The payments as per Scheme of Compromise are made to Secured and Unsecured Creditors as and when they are due and as per the options exercised orally.

7. Non Confirmations and Reconciliations of Banks.

In respect of Current Accounts with banks amounting to Rs. 5,02,97,672/- (net) (previous year Rs. 17,36,04,717/-) which includes book debit balance of Rs. 5,12,29,433/- and book credit balance of Rs. 9,31,761/-, statements of account were not being received; including from 2000-2001 in some cases. In the year 2004-05 the company followed up and succeeded in obtaining the statements of account barring a few cases including where request for confirmation/statement of account could not be sent as addresses were not available. Pending the reconciliation, the company has made provision for contingency in the years 2004-05 and 2005-06 aggregating to Rs. 11,60,00,000/- for two banks to cover the loss if any. During the Current year, in case of one bank the company has identified the difference of Rs. 9,30,78,412/- towards Fixed Deposit Interest Warrants short accounted and Interest on Over Draft not accounted in the earlier years. The Company has accounted the same as Prior Period Items and adjusted the same against contingency provision of Rs. 9,31,00,000/-. In case of other Bank it was very difficult to identify the difference due to non availability of complete statement from the Bank, the company has accounted Rs. 2,29,21,179/- as Prior Period Item and adjusted the same against contingency provision of Rs. 2,29,00,000/-.

In case of remaining current accounts adjustment if any would be made on receipt of statements of account, confirmations and completion of the reconciliation.

8. ICICI Bank Limited

- The Company had received a property of Rs. 5,74,95,000/- In 1999-00 (of which it was in possession) in part settlement of debts. The Company had committed to transfer the property to ICICI Bank Ltd. (the company's lender which is also an associate party) against the outstanding of Rs. 24,14,59,301/-. Pending the completion of formalities, the same has been treated as advance for property.
- Though the Bank is not a party to the Scheme of Compromise and arrangement referred to in paragraph 10 the company has stopped providing interest on the aforesaid loan from the quarter ended 30th September, 2006, as the company expects to settle the account and obtain relief. The Company has stopped providing interest on aforesaid loan. The impact for the year is Rs. 2,17,35,127/- (Previous Year Rs. 1,63,16,232/-). The aggregate amount unprovided is Rs. 3,80,51,359/- (Previous Year Rs. 1,63,16,232/-).
- For the same reason mentioned in (b) above, no provision has been made for penal interest (amount unascertained).
- The above loan has not been confirmed and reconciled from 1999-2000. The Statement of account has also not been received.

- During the year 2004-05 the company has accounted for the immovable properties acquired in satisfaction of claims valued at Rs. 59,76,429/- Though the company is in possession of the vacant property, completion of documentation is pending.

- The Company had long term investments of Rs. 22,98,94,313/- (net) being investments in two partnership firms, which have significant investments in equity shares of National Organic Chemical Industries Limited (NOCIL). During the last year the firms have been converted into Private Limited Companies namely Shripad Associates Private Limited and Arvi Associates Private Limited; the company was allotted equity shares aggregating to Rs. 2,00,000/- in the previous year and preference shares aggregating to Rs. 24,47,16,000/- in the current year. Both the equity shares and preference shares were sold at a total loss of Rs. 23,26,70,200/- in the current year itself and the same is accounted as "Short Term Capital Loss" under "Exceptional Items".

- Most of the company's debtors are fully provided/written off and have been suit filed for recovery. The Company has circulated confirmation

letters to debtors on selective basis and wherever the addresses of these debtors are available. Accordingly, these accounts are subject to adjustments if any, on receipt of the confirmations/statements of account. The company has not circularised confirmations for sundry creditor balances.

12. In view of the negative net worth, the Company has not achieved a capital adequacy ratio required to be maintained as per regulation 10 of the Non-Banking Financial Companies Prudential norms (Reserve Bank) Directions, 1998.
13. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.
14. Fixed Deposit with Bank of Rs. 5,60,00,000/- (Previous year Rs. 6,65,20,133/-) is pledged by subsidiary company for overdraft facility, base capital and guarantees given to National Securities Clearing Corporation Ltd./Bombay Stock Exchange Limited.
15. The Subsidiary Company is holding some securities not claimed by the clients of Rs. 24,62,174/- (Previous Year Rs. 1,05,55,508/-) in the company's beneficiary depository account. The reconciliation of this beneficiary account is complete till 31.03.2008 and the company has sent letters as well as further reminders to all the identified clients for their confirmations prior to effecting transfer of these securities to their account. Sundry Creditors include Rs. 17,30,534/- (Previous Year Rs. 15,76,173/-) being the dividends received on these shares and the company is making efforts to settle these receipts. Sundry Creditors also include Rs. 1,64,52,391/- being the value of securities sold that were held in the company's beneficiary depository account which the company is expecting to settle as and when confirmations are received from clients.
16. The subsidiary company has not appointed a Company Secretary as required under Section 383A of the Companies Act, 1956.
17. The subsidiary company has been legally advised that the provision of Section 297 of the Companies Act, 1956 are not applicable for the broking and depository business.
18. During the Financial Year 1995-96 the subsidiary company had acquired Membership Card of Bombay Stock Exchange Limited (BSE) at the cost of Rs. 2,60,26,000/-. Though the BSE card constituted an intangible asset, the company did not claim depreciation under income-tax Act, 1961 till the year 31.03.2004. During the assessment year 2005-06 the company had claimed income-tax depreciation on this asset with retrospective effect i.e., from the Assessment Year 1996-97 to 2005-06 which assessment order was completed on 27.03.2007 disallowing the entire claim of income-tax depreciation on the basis that it is not an "Intangible Asset" allowable u/s. 32 of the Income Tax Act, 1961.

The company had amortised the value of membership card during the Financial Year 2004-05. Consequent upon the order of Income Tax not allowing the depreciation, the company has now reinstated the value of the membership card by reversing the amortisation in the books during the year and transferred the entire value towards cost of shares (No. of shares allotted 10000) of BSE Ltd., which was allotted in lieu of BSE Membership.

Profit on sale of 9123 shares during the year has been worked out after appropriating proportionate cost as cost of acquisition of the said shares and the balance value of 877 shares has been reflected in the Investment Schedule.

Consequent to the above the net-worth of the company stands increased by Rs. 26,02,600/-.

19. Particulars in respect of Opening Stock, Purchases, Sales & Closing Stock:

Particulars of Shares	Current year		Previous year	
	Qty No.	Value In 000	Qty No.	Value In 000
Opening Stock	650	3	13,786	930
Purchases	42,310	6,532	46,780	14,617
Sales/Adjustments	41,085	6,360	59,916	16,366
Closing Stock	1,875	73	650	3

20. As of the balance sheet date its total consolidated liabilities exceed total consolidated assets by Rs. 5,89,91,580/- (Previous Year Rs. 129,76,17,452/-) after giving the effect of the substantial relief as per the "Scheme of Arrangement and Compromise" under section 391/394 of the Companies Act, 1956. (Refer Note 6 supra) sanctioned by the Hon'ble Bombay High Court. The accounts of the company have been prepared on Going Concern Basis.

Successful implementation of the scheme is contingent on the company timely realising the value of investments and recovering the unprovided loans and advances as well as substantially expanding non fund base activity. The company will take steps to have the proceedings initiated against the company for recovery of debts/winding up petition, terminated.

The company was also able to recover Rs. 13,34,65,085/- (Rs.14,95,000/- for the year) from its written off/fully provided debtors and is continuing the recovery effort. Further the business of its wholly owned stock-broking subsidiary is profitable.

The 3 years limit for disposing off financial assets, allowed by Reserve Bank of India in its order of October 2002 rejecting application for registration as Non Banking Finance Company has expired in October 2005.

21. As required by Accounting Standard - 18 Issued by The Institute of Chartered Accountants of India, Related Party Disclosures are as follows:

A. Associate Companies

Mafatlal Industries Limited
Mafatlal Trustee Company Limited
Mafatlal Systems Limited
(formerly known as Mafatlal Consumer Finance Company Limited)
Sunanda Capital Services Limited
Sushmita Engineering & Trading Limited
ICICI Bank Limited

B. Key Management Personnel

Mr. N. R. Divate
Mr. P. Karunakar Rao
Mrs. Megha J. Vazkar

C. Transactions with Related Parties:

Particulars	Associate Companies		Key Management Personnel	
	2007-08 Rs.	2006-07 Rs.	2007-08 Rs.	2006-07 Rs.
(a) Outstanding Receivables	-	-	-	-
(b) Margin Deposit given outstanding as on 31.03.2008	-	-	-	-
(c) Loans given				
Opening Balance - Total	4,88,462	13,71,926		
- Sunanda Capital Services Limited	4,12,118	12,93,792		

Particulars	Associate Companies		Key Management Personnel	
	2007-08 Rs.	2006-07 Rs.	2007-08 Rs.	2006-07 Rs.
Addition during the year -Total	75,000	13,100		
- Sunanda Capital Services Limited	73,500	1,800		
- Mafatlal Systems Limited	-	300		
- Sushmita Engineering & Trading Ltd.	1,500	11,000		
Repaid during the year	-	-		
Mafatlal Trustee Co. Ltd.	-	-		
Written off during the year	-	8,96,564		
- Sunanda Capital Services Limited	-	8,83,474		
- Mafatlal Systems Limited	-	13,090		
Closing Balance - Total	5,63,462	4,88,462		
- Sunanda Capital Services Limited	4,85,618	4,12,118		
Provision for Non Performing Assets on Loans and Advances - Sunanda Capital Services Limited.	4,85,618	4,12,118		
Provision made for NPA during the year - Sunanda Capital Services Ltd.	73,500	-		

(d) Loan Taken from ICICI Bank Ltd.

Opening Balance	24,14,59,301	23,60,40,406
Interest Provision for the year and previous year.	-	54,18,895
Closing Balance	24,14,59,301	24,14,59,301

(e) Advance for Subscription

Opening Balance - Total	11,94,16,569	-
Addition During the Year	11,94,16,569	
- Shripad Associates	-	11,94,16,569
Deletion during the Year	11,94,16,569	-
- Shripad Associates	11,94,16,569	
Closing Balance - Total	-	11,94,16,569
- Shripad Associates	-	11,94,16,569

(f) Managerial Remuneration 33,66,255 11,29,015

22. Consolidated Segment Information for the year ended 31st March, 2008.

(Rs. 000)

Particulars	Non Banking Financial Services		Broking/ Income from Capital Market Operations		Consolidated Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE						
External	10,69,54	7,49,42	7,17,43	3,17,17	17,86,97	10,66,59
Inter Segment Revenue	(65,06)	(65,11)	(1,58)	(1,58)	(66,64)	(66,67)
Net Revenue	10,04,48	6,84,31	7,15,85	3,15,61	17,20,33	9,99,92
RESULTS						
Segment Results	(6,99,34)	2,99	4,53,96	1,37,79	(2,45,36)	1,40,78

Particulars	Non Banking Financial Services		Broking/ Income from Capital Market Operations		Consolidated Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Income Tax					(49,86)	(24,07)
Net Profit/Loss after Tax					(2,95,24)	1,16,71
Other Information						
Segment Assets	18,38,07	58,05,96	20,55,14	12,73,85	38,93,21	70,79,81
Unallocated Assets					38,08	39,90
TOTAL ASSETS					39,31,29	71,19,71
Segment Liabilities	41,32,17	198,91,93	3,64,86	1,95,46	44,97,03	200,87,39
Unallocated Liabilities					24,18	8,50
TOTAL LIABILITIES					45,21,21	200,95,89
Capital Expenditure	49	24	2,54	13,33	3,03	13,57
Depreciation	1,84	1,98	14,14	13,42	15,98	15,40
Other Non Cash Expenditure.	2,218	24,903	11	20	22,29	2,49,23

23. Listing of Subsidiary and Associates:

Name	Proportion of Ownership Interest and Voting Power	
	As at 31.03.2008	As at 31.03.2007
A) Subsidiary		
Mafatlal Securities Limited (Incorporated in India)	100%	100%
B) Associates		
Mafatlal Trustee Company Ltd.	29%	29 %
Sunanda Capital Services Ltd.	45%	45 %
Sushmita Engineering Trading Ltd.	30%	30 %
Mafatlal Systems Limited (Earlier known as Mafatlal Consumer Finance Limited)	49%	49 %

24. Break up of Deferred Tax Assets/Liabilities for subsidiary company as at 31st March, 2008 is as under:

Particulars	2007-2008 Rs. in 000s	2006-2007 Rs. in 000s
Deferred Tax Assets		
Timing Difference on account of Provision for Gratuity, Leave Encashment and Doubtful Debts.	424	410
Deferred Tax Liabilities		
Timing Difference on account of Accumulated Depreciation of Fixed Assets	[815]	[953]
Net Deferred Tax Asset/(Liability)	[391]	[543]

Deferred tax Asset in case of parent company has not been recognised on the grounds of prudence.

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25. The company has taken Office premises on Operating Lease and Lease Rent amounting to Rs. 1,34,000/- net (Previous Year Rs. 6,14,900/- net) has been debited to Profit and Loss account. The future minimum lease payment is as under:

Particulars	2007-08 Rs.	2006-07 Rs.
Not later than 1 year	1,08,000	1,34,000
Later than 1 year and Not later than 5 years	Nil	1,08,000
Later than 5 years	Nil	Nil
TOTAL	1,08,000	2,42,000

26. Earning per Share:

	Current Year Rs. '000s	Previous Year Rs. '000s
I) Basic Earning per share		
Profit for the year as per Profit & Loss Account	(28,715)	11,671
Less: Preference dividend	-	(41,85)
	(28,715)	74,86
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year.	3,98,81,700	3,98,81,700
Basic Earning per Share (Rupees)	(0.72)	0.19
II) Diluted Earning per share		
Profit for the year as per Profit & Loss A/c	(28,715)	11,671

	Current Year Rs. '000s	Previous Year Rs. '000s
Less: Preference dividend	-	(41,85)
Add: Interest forgone on account of Potential Equity shares	-	81,23
	(28,715)	15,609
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year.	3,98,81,700	3,98,81,700
Add: Shares issuable under Loan Contract upon default of payment of principal and interest	-	2,41,45,930
Total Weighted average number of Equity Shares.	3,98,81,700	6,40,27,630
Diluted Earning per Share (Rupees)	(0.72)	0.19
Nominal value of shares (Rupees)	10.00	10.00

27. Comparative financial information (i.e. the amounts and other disclosures for the previous year presented above as corresponding figures), is included as an integral part of the current year's Financial Statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/reclassified wherever necessary to correspond to figures of the current year.

28. Figures have been rounded off to the nearest rupee and expressed in thousands.

Signatures to Schedules 1 to 18

As per our attached Report of even date

For R. PRABHU & ASSOCIATES
Chartered Accountants

RAMAKRISHNA PRABHU
Partner

N. R. DIVATE
President & CEO

K. CHANDRAMOULI
Company Secretary

R. R. PATEL
Director

A. P. MOHANTY
Director

V. J. OJHA
Director

Mumbai, Dated: 18th June, 2008

Navi Mumbai, Dated: 18th June, 2008

MAFATLAL FINANCE COMPANY LIMITED

Regd. Office : Flat No. K-3/4, Second Floor, Shopping Centre,
Sector 15/16, Vashi, Navi Mumbai - 400 703.

FORM OF PROXY

I / We
of
being member(s) of the above mentioned Company, hereby appoint
..... of
or failing him
of

as my / our Proxy to vote for me / us on my / our behalf at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held at 10.30 a.m. on **FRIDAY** the 26th September, 2008 at Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703 and at any adjournment thereof.

Signed at (place) this day of 2008.

Membership Folio No. :

No. of Shares held :

**Affix 1
Rupee
Revenue
Stamp**

Important :

- Revenue Stamp of One Rupee is to be affixed on this form.
- The Form should be signed across the stamp as per specimen signature registered with Company Registered Office of the Company, not less than **FORTY-EIGHT HOURS** before the time fixed for holding the Meeting.
- A Proxy need not be a Member.

MAFATLAL FINANCE COMPANY LIMITED

Regd. Office : Flat No. K-3/4, Second Floor, Shopping Centre,
Sector 15/16, Vashi, Navi Mumbai - 400 703.

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall.

Name of the attending Member (in Block Letters)	Membership Folio Number
Name of Proxy (in Block Letter) (To be filled in if the Proxy attends instead of the Member)	Number of Shares held

I hereby record my presence at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held at 10.30 a.m. on **FRIDAY** the 26th September, 2008 Indian Women Scientists Association, Plot No. 20, Sector 10-A, Opp. Balaji Temple, Near Sainath High School, Vashi, Navi Mumbai - 400 703 and at any adjournment thereof.

Member's / Proxy's Signature
(to be signed at the time of handing over the slip)

BOOK-POST

If undelivered, please return :

BIG SHARE SERVICES PRIVATE LTD.

Unit : Mafatlal Finance Company Ltd.

E-2, Ansa Industrial Estate,

Saki Vihar Road, Sakinaka,

Andheri (East), Mumbai - 400 072.

RIVERA SYSTEMS

☎ 2216 5034 - 2216 5035