

# SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

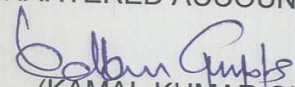
1. We have audited the attached Balance Sheet of ARAVALI SECURITIES & FINANCE LIMITED, as at 31st March, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 a 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 management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the Books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the 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;



## SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

- (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes thereon appearing in Schedule – 12 give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the 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, 2010; and
- (b) in the case of the Profit and Loss Account, of the Profit of the company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

For SALARPURIA & PARTNERS  
Firm Registration No. 302113E  
CHARTERED ACCOUNTANTS

  
(KAMAL KUMAR GUPTA)  
PARTNER  
M.No.89190

Place: Camp Gurgaon  
Date: 3rd September 2010



# SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

## ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date to the members of Aravali Securities & Finance Limited as at and for the year ended 31<sup>st</sup> March, 2010)

- i.
  - a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - b. The fixed assets of the company were physically verified by the management during the year. In our opinion, frequency of physical verification is reasonable having regard to the size of the operation of the company. On the basis of explanation received, in our opinion, no discrepancy between the book records and physical inventory have been noticed in respect of assets physically verified.
  - c. During the year, the Company has not disposed off a substantial part of its fixed assets.
- ii.
  - a. As explained to us, the inventories were physically verified during the year by the management at reasonable intervals. In our opinion, having regard to the nature of stocks, the frequency is reasonable.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. On the basis of our examination of records of inventories, in our opinion, the Company has maintained proper records of its inventories and no material discrepancy were noticed on physical verification **except to the extent of shares not registered in the name of the company as mentioned in Schedule 6.**
- iii.
  - a. The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - b. The Company has given loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 566.46 Lacs and the balance outstanding at the close of the year is Rs.546.34 Lacs.
  - c. In our opinion, the rate of interest and other terms and conditions of loans given by the company are prima facie not prejudicial to the interests of the company.



## SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

- d. The parties have repaid part of the principal amount and interest on demand.
  - e. There is no overdue amount of loans granted to the company, listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor we have been informed of any instance of major weaknesses in the aforesaid internal control systems.
- v. a. According to the information and explanations given to us, the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of five lacs rupees in respect of any party entered into during the year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. As informed, the Company has not accepted any deposits from the public.
- vii. In our Opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed maintenance of the cost records under section 209(1) (d) of the Companies Act, 1956 in respect of any of the company's activities.
- ix. a. According to the information and explanations given to us and the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and others as applicable have been regularly deposited by the Company during the year with the appropriate authorities. There were no undisputed statutory dues as at the last day of the financial year outstanding for a period of more than six months from the date they became payable.



## SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

- b. According to the records of the company, there were no dues of income tax, wealth tax, service tax, custom duty, excise duty, cess which have not been deposited on account of disputes. The particulars of dues of sales tax as at 31st March 2010 which have not been deposited on account of disputes are as under:

Name of the Statute	Period	Amount under dispute not yet deposited	Forum before whom pending
Sales Tax	Financial year 1984-85, 1985-86, 2000-01 and 2001-02	Rs. 1,60,969	Asst. Commissioner of Sales Tax (Appeals) Delhi

- x. The company does not have accumulated losses at the end of the year. The company has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
- xi. No default in repayment of dues to financial institutions or banks or debenture holders occurred during the year under review.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund, nidhi/mutual benefit fund/societies as specified under clause (xiii) of paragraph 4 of the Order are not applicable to this Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its transactions and contracts for dealing in shares, securities and other investments and has made timely entries therein. The company is holding all the shares, securities and other investments in its own name except to the **extent mentioned in Schedule 6**.
- xv. The Company has not given any guarantee for loans taken by others from bank or financial institutions except those mentioned in Schedule-5.
- xvi. The Company has not taken any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the financial statements of the company and after placing reliance on the reasonable assumptions made by the company for classification of long term and short term uses of funds, we are of the opinion, that prima facie no funds raised on short term basis have been utilised for long term purposes during the year.

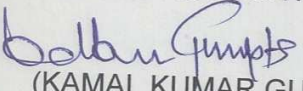


## SALARPURIA & PARTNERS CHARTERED ACCOUNTANTS

- xviii. According to the information and explanations given to us, during the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report.
- xx. During the period under report, the Company has not raised any money by public issue.
- xxi. 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 has been noticed or reported during the year.

Place: Camp Gurgaon  
Date: 3rd September 2010

For SALARPURIA & PARTNERS  
Firm Registration No. 302113E  
CHARTERED ACCOUNTANTS

  
(KAMAL KUMAR GUPTA)  
PARTNER  
M.No.89190





**BALANCE SHEET AS AT 31ST MARCH,2010**

	SCHEDULE	As at 31st March,2010 Rupees	As at 31st March,2009 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS</b>			
Share Capital	1	151538500	151538500
Reserves and Surplus	2	164773151	136779443
<b>LOAN FUNDS</b>			
Unsecured Loans	3	49072802	91214319
<b>TOTAL</b>		<b>365384453</b>	<b>379532262</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	36895232	38235320
Less : Depreciation		7836408	8324338
Net Block		29058824	29910982
<b>INVESTMENTS</b>			
	5	294307320	321579490
<b>CURRENT ASSETS,LOANS AND ADVANCES</b>			
Stocks	6	236998	2385093
Sundry Debtors		3506000	3740687
Cash & Bank Balances		3947013	8016431
Loans and Advances		59895400	30540933
		67585411	44683144
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	40681821	44907324
Provisions		6234914	1727960
		46916735	46635284
<b>NET CURRENT ASSETS</b>			
		20668676	(1952140)
<b>DEFERRED TAX ASSETS (NET)</b>			
(Refer Note No.5 Schedule 12)		21349633	24434543
<b>PROFIT AND LOSS ACCOUNT</b>			
Balance (Debit) as per account annexed		-	5559387
<b>TOTAL</b>		<b>365384453</b>	<b>379532262</b>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	12		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached.  
For SALARPURIA & PARTNERS  
Chartered Accountants  
(Registration No.302113E)

*Kamal Kumar Gupta*  
Kamal Kumar Gupta  
Partner  
Membership No.89190

*[Signature]*  
Company Secretary

*[Signature]*  
Managing Director

*[Signature]*  
Directors

*[Signature]*

Place : Camp Gurgaon  
Dated : 3rd September, 2010



**ARAVALI SECURITIES & FINANCE LIMITED**



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	SCHEDULE	For year ended 31st March, 2010 Rupees	For year ended 31st March, 2009 Rupees
<b>INCOME</b>			
Sales			
Other Income	8	7093565	1630930
		62015718	23039752
		<b>69109283</b>	<b>24670682</b>
<b>EXPENDITURE</b>			
Purchases for Sales		5119907	-
Decrease/(Increase) in Stocks	9	2148095	(591865)
Employees' Remuneration and Benefits	10	4088435	4500726
Other Expenses	11	8148471	4749885
Interest - Others		10952357	15117479
Depreciation		753308	786315
		<b>31210573</b>	<b>24562540</b>
<b>PROFIT BEFORE PROVISION FOR TAX AND NPA's</b>		<b>37898710</b>	<b>108142</b>
Add : Withdrawl for diminution in value of Investments		6374530	53398
<b>PROFIT BEFORE TAXATION</b>		<b>44273240</b>	<b>161540</b>
Less: Provision for Tax			
Current Tax		7635235	
Deferred Tax		3084910	(882911)
Fringe Benefit Tax			65500
<b>PROFIT AFTER TAXATION</b>		<b>33553095</b>	<b>978951</b>
Add : Balance brought forward from previous year		(5559387)	(6506030)
		27993708	(5527079)
Less : Amount transferred to NBFC Reserve Fund		6710619	32308
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>21283089</b>	<b>(5559387)</b>
Basic and diluted earning per equity share of Rs.10 each (Refer Note No. 7 of Schedule 12)		2.21	0.06

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

12

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date attached.  
For SALARPURIA & PARTNERS  
Chartered Accountants  
(Registration No.302113E)

*Kamal Kumar Gupta*  
Kamal Kumar Gupta  
Partner  
Membership No.89190

*[Signature]*  
Company Secretary

*[Signature]*  
Managing Director

*Jayashish Podden*  
Directors

Place : Camp Gurgaon  
Dated : 3rd September, 2010





**ARAVALI SECURITIES & FINANCE LIMITED**

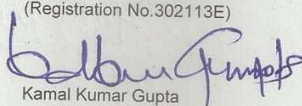


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

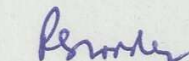
	2009 - 2010		2008 - 2009	
	Rupees	Rupees	Rupees	Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before tax and extraordinary items		37898710		108142
Adjustment for				
Depreciation	753308		786315	
Interest/Dividend on investments	(7093752)		(16555805)	
Loss on fixed assets sold/ discarded (Net)	287301		147216	
Profit on sale of investment	(49283800)			
Interest	10952357		15117479	
Employee's Leave Encashment	(440364)	(44824950)	449619	(55176)
Operating Profit before Working Capital Changes		(6926240)		52966
Adjustment for				
Trade & Other Receivables	(31160493)		(21416096)	
Inventories	2148095		(591865)	
Trade & Other Payables	(1491961)	(30504359)	(578671)	(22586632)
Cash generated from Operations		(37430599)		(22533666)
Interest paid	(14078785)		(16844620)	
Taxes paid	(647204)	(14725989)	(1241901)	(18086521)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		(52156588)		(40620187)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(360231)		(691169)	
Sale of fixed assets	171780		390000	
Dividend received on investments	7093752		16554948	
Interest received on investments			2571	
Purchase of investments	(1500)			
Sale of investments	82932000		37800	
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		89835801		16294150
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) in other borrowings	(41748631)		5420693	
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		(41748631)		5420693
<b>D. NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(4069418)		(18905344)
CASH AND CASH EQUIVALENT AS AT 31-03-2009		8016431		26921775
CASH AND CASH EQUIVALENT AS AT 31-03-2010		3947013		8016431

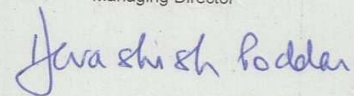
Note :- Figures in bracket represents outflow.

As per our report of even date attached.  
For SALARPURIA & PARTNERS  
Chartered Accountants  
(Registration No.302113E)

  
Kamal Kumar Gupta  
Partner  
Membership No.89190

  
Company Secretary

  
Managing Director

  
Directors

Place : Camp Gurgaon  
Dated : 3rd September, 2010



**ARAVALI SECURITIES & FINANCE LIMITED**



**SCHEDULE 1 : SHARE CAPITAL**

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>AUTHORISED</b> 20000000(20000000) Equity Shares of Rs. 10 each	<u>200000000</u>	<u>200000000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b> 15153850(15153850) Equity Shares of Rs.10 each fully paid up	<u>151538500</u>	<u>151538500</u>

Note : Of the above 1494500 Equity Shares were allotted as fully paid-up Bonus Shares by capitalisation of Reserves and Surplus in Profit and Loss Account in earlier years.

**SCHEDULE 2 : RESERVES AND SURPLUS**

	Balance as at 31st March, 2009 Rupees	Addition during the Year Rupees	Balance As at 31st March, 2010 Rupees
Share Premium	127062200	-	127062200
NBFC Reserve Fund	9717243	6710619	16427862
Profit and Loss Account	-	-	21283089
	<u>136779443</u>		<u>164773151</u>

**SCHEDULE 3 : UNSECURED LOANS**

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
12.5% Fully Convertible Debentures 2272(2272) Debentures of Rs.125 each	<u>284000</u>	
Less: Allotment money in arrears	<u>142000</u>	
	142000	142000
From Companies	47050000	88798631
Interest Accrued & Due	1880802	2273688
	<u>49072802</u>	<u>91214319</u>

Note: Fully Convertible Debentures of Rs. 125 each were allotted on 25.01.1993 which were convertible into 5 fully paid Equity Shares of Rs.10 each at a premium of Rs. 15 per Equity Share after six months of allotment.



*Handwritten signatures and initials in blue ink.*

## SCHEDULE 4 : FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31st March,2009 Rupees	Additions during the year Rupees	Sold during the year Rupees	As at 31st March,2010 Rupees	As at 31st March,2009 Rupees	During the year Rupees	Adjustments on sales Rupees	Upto 31st March,2010 Rupees	As at 31st March,2010 Rupees	As at 31st March,2009 Rupees
Land	3425098	-	-	3425098	-	-	-	-	3425098	3425098
Building	28865465	-	-	28865465	4905704	469223	-	5374927	23490538	23959761
Vehicles	967252	-	690	966562	285444	68579	590	353433	613129	681808
Furniture & Office Equipments	4520268	14400	1534329	3000339	2761796	146504	1075748	1832552	1167787	1758472
Computers	457237	345831	165300	637768	371394	69002	164900	275496	362272	85843
<b>TOTAL</b>	<b>38235320</b>	<b>360231</b>	<b>1700319</b>	<b>36895232</b>	<b>8324338</b>	<b>753308</b>	<b>1241238</b>	<b>7836408</b>	<b>29058824</b>	<b>29910982</b>
	(38598627)	(691169)	(1054476)	(38235320)	(8055283)	(786315)	(517260)	(8324338)	(29910982)	(30543344)

Page 5





SCHEDULE 5 : INVESTMENTS

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>NON - TRADE (AT COST)</b>		
<b>LONG TERM INVESTMENTS</b>		
<b>Shares and Debentures :</b>		
<b>(I) (Unquoted)</b>		
7200 (7200) Equity Shares of Rs.10 each fully paid of Carma Arts & Crafts Private Limited.	478800	478800
Nil (2700000) Equity Shares of Rs.10 each fully paid of Boutique Hotels India Private Limited	-	27089000
Nil (480) Equity Shares of Rs.10 each fully paid of GMMCO Limited	-	6559200
<b>TOTAL (I)</b>	<b>478800</b>	<b>34127000</b>
<b>(II) Quoted</b>		
3750 (3750) Equity Shares of Rs.10 each fully paid of Hindustan Commercial Investment Trust Limited	25000	25000
140 (110) Equity Shares of Rs.10 each fully paid of Andhra Pradesh Paper Mills Limited	14671	13171
4729131 (4729131) Ordinary Shares of Rs.10 each fully paid of The Sirpur Paper Mills Limited	293778990	293778990
384 (384) 6.75% Tax Free US 64 Bonds of Rs.100 each fully paid of Unit Trust of India	38400	38400
<b>TOTAL (II)</b>	<b>293857061</b>	<b>293855561</b>
<b>TOTAL A (I + II)</b>	<b>294335861</b>	<b>327982561</b>
Less : Diminution in value of Investments	28541	6403071
	<b>294307320</b>	<b>321579490</b>

*Handwritten signatures and initials in blue ink.*



**ARAVALI SECURITIES & FINANCE LIMITED**



**NOTES**

1. Aggregate value of Quoted Investments  
Aggregate value of Unquoted Investments

293857061	293855561
478800	34127000
<u>294335861</u>	<u>327982561</u>

Market value of Quoted Investments

235560254	144517692
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2. Undertaking for non disposal of 4729131 Ordinary Shares of Rs.10 each of The Sirpur Paper Mills Limited has been given to financial institution against sanction of term loan to the said company.

3. Sales/redemption of investments during the year

Description	Purchase		Sales / Redemption	
	No. of Shares/Units	Amount Rs.	No. of Shares/Units	Amount Rs.
Equity Shares of Andhra paper Mills Limited	30	1500		
Equity Shares of Boutique Hotels India Private Limited			2700000	82692000
Equity Shares of GMMCO Limited			480	240000

*Handwritten signatures and initials in blue ink.*





**SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>A. CURRENT ASSETS</b>		
Stocks (As per inventories taken, valued at cost or net realisable value, which ever is lower and certified by the management)		
* Shares & Securities	236998	2385093
	<u>236998</u>	<u>2385093</u>
Sundry Debtors (Unsecured, considered good) Debts outstanding for a period exceeding six months	3506000	3740687
	<u>3506000</u>	<u>3740687</u>
Cash and Bank Balances Cheques and Cash in hand (As per books & certified) Balances with Scheduled Banks: In Current Accounts	2299427	2816
	1647586	8013615
	<u>3947013</u>	<u>8016431</u>
<b>TOTAL (A)</b>	<u>7690011</u>	<u>14142211</u>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Loans	57104573	23713425
Interest accrued on loans	2284847	1821495
Advances recoverable in cash or in kind or for value to be received	419192	2601011
Income tax payments and tax deducted at source (net of provisions)	-	2040713
Security and Other Deposits	86788	364289
	<u>59895400</u>	<u>30540933</u>
<b>TOTAL (B)</b>	<u>59895400</u>	<u>30540933</u>
<b>TOTAL (A+B)</b>	<u>67585411</u>	<u>44683144</u>

*Handwritten signatures and initials in blue ink.*



**ARAVALI SECURITIES & FINANCE LIMITED**

**SCHEDULE 6 : CONTINUED**

\* Details of Shares &amp; Securities held :-

Name of the Company	Face	Paid up	As at 31st March, 2010		As at 31st March, 2009	
	Value	Value	No. of shares	Rupees	No. of shares	Rupees
	Rupees	Rupees				
<b>QUOTED</b>						
<b>Equity Shares</b>						
Ace Laboratories Ltd.	10	10	-	-	40	487
Asian Securities Ltd.	10	10	-	-	300	10005
Atul Glass Products Ltd.	10	10	1600	72960	1600	72960
Carrier Aircon Ltd.	10	10	-	-	300	26176
Chambal Fertilizers & Chemicals Ltd.	10	10	-	-	100	3000
Daewoo Motors (India) Ltd.	10	10	-	-	1000	4650
Divya Chemicals Ltd.	10	10	10000	22960	10000	22960
G.E. Capital Transportation Financial Service Ltd.	10	10	-	-	18600	1568590
Haryana Petrochemicals Ltd.	10	10	-	-	50	50
Haryana Suraj Malting Ltd.	10	10	300	449	300	449
Indian Petrochemicals Corporation Ltd.	10	10	5 @	651	100	13028
Kings Inter.Aqua Marine Export Ltd	10	10	41300	20614	41800	20864
Mansarovar Paper & Industries Ltd.	10	10	8000	11979	8000	11979
Modern Insulators Ltd.	10	10	4400	10103	4550	10447
Nagarjuna Fertilisers & Chemicals Ltd.	10	10	-	-	500	8873
Norplex Oak India Ltd.	10	10	700	8358	700	8358
Orkay Industries Ltd.	10	10	350	646	350	646
OTIS Elevator Co.(India) Ltd.	10	10	56	13575	56	13575
Punjab Fibre Ltd.	10	10	7600	45522	7600	45522
Salem Textiles & Ind. Ltd.	10	10	2000	23959	2000	23959
Shri Chamundeshwari Sugar Ltd.	10	10	100	995	100	995
State Bank of India Ltd.	10	10	-	-	200	65400
The Bank of Rajasthan Ltd.	10	10	13 +	706	11	415
UTI Equity Fund	10	10	-	-	9000	94475
UTI Master Plus	10	10	100 @	1561	22600	352801
Vatsa Finance Corporation Ltd.	10	10	200 @	270	200	270
Volex Leasing & Electronics Ltd.	10	10	340	1690	340	1690
Wimco Ltd.	10	10	-	-	342	2469
<b>TOTAL</b>			<b>77064</b>	<b>236998</b>	<b>130739</b>	<b>2385093</b>
Market Value of quoted Shares				Rs. <b>237000</b>		Rs. <b>3011736</b>
(Where market value is not available, carrying amount has been taken as market value)						

+ Includes 2 (2) Shares received as Bonus during the year.

@ Not registered in the name of the company.

NOTES : Advances recoverable includes Rs. 51250 (Rs. Nil) due from Secretary of the company. Maximum amount outstanding at any time during the year Rs. 71250 (Rs.8000).





**SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS**

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>(A) CURRENT LIABILITIES</b>		
Sundry Creditors *	2172819	1323121
Deposits	35000000	35000000
Income for unexpired period	447581	72581
Interest accrued but not due	2645013	6546791
Tax deducted at source	416408	1964831
<b>TOTAL (A)</b>	<b>40681821</b>	<b>44907324</b>
<b>(B) PROVISIONS</b>		
For Employees' Leave Encashment	1287596	1727960
For Taxation (net of payments)	4947318	
<b>TOTAL (B)</b>	<b>6234914</b>	<b>1727960</b>
<b>TOTAL (A+B)</b>	<b>46916735</b>	<b>46635284</b>

note : \* None of the Creditors is a micro and small enterprise.

**SCHEDULE 8 : OTHER INCOME**

	For year ended 31st March, 2010 Rupees	For year ended 31st March, 2009 Rupees
Interest(Tax deducted at source Rs. 327254 (Rs.766111 ))	3293529 *	3725731
Dividend	7097774 **	16560810
Rent(Tax deducted at source Rs.319950 (Rs.404790))	2100000	1800000
Miscellaneous Income	134102	948947
Profit on Sale of Investments	49283800	-
Excess Provision for Earlier Years Written Back	106513	-
Sundry Balances Written Back	-	4264
	<b>62015718</b>	<b>23039752</b>

\* Includes Rs.Nil (Rs.857) from long-term investments.

\*\* Includes Rs.7093752 (Rs.16554948) from long-term investments.

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**SCHEDULE 9 : DECREASE/(INCREASE) IN STOCKS**

	For year ended 31st March, 2010	For year ended 31st March, 2009
	Rupees	Rupees
<b>Opening Stocks</b>		
Shares & Securities	2385093	1793228
	<u>2385093</u>	<u>1793228</u>
<b>Less: Closing Stocks</b>		
Shares & Securities	236998	2385093
	<u>236998</u>	<u>2385093</u>
<b>Decrease/(Increase) in Stocks</b>	<u>2148095</u>	<u>(591865)</u>

**SCHEDULE 10 : EMPLOYEES' REMUNERATION AND BENEFITS**

	For year ended 31st March, 2010	For year ended 31st March, 2009
	Rupees	Rupees
Salary, Bonus & Allowances	3532296	3962371
Contribution to Provident & Allied Funds (including Administration Charges)	197821	224202
Contribution to Gratuity Fund	50000	103865
Welfare Expenses	308318	210288
	<u>4088435</u>	<u>4500726</u>

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**SCHEDULE 11 : OTHER EXPENSES**

	For year ended 31st March, 2010	For year ended 31st March, 2009
	Rupees	Rupees
Rent & Storage Charges	989616	1907427
Rates & Taxes	50963	960
Insurance	23039	38263
Directors' Meeting Fee	30000	24000
Travelling & Conveyance	157380	178800
Vehicles' Expenses	221521	256486
Printing & Stationery	209583	209731
Postage & Telephone Expenses	270369	403389
Electricity & Water Expenses	48757	164521
Legal & Professional Charges	506564	678603
Advertisement Expenses	47605	94516
Miscellaneous Expenses	626789	515238
Auditors' Remuneration :		
As Audit Fee	27575	27575
For Tax Audit	5515	5515
For Certification	7723	8426
Repairs and Maintenance :	40813	
On Others	40522	89219
Loss on Sale of Fixed Assets	287301	147216
Bad Debts Written Off	4597649	-
	<u>8148471</u>	<u>4749885</u>

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**SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**1. ACCOUNTING POLICIES**

**i) Accounting Concepts**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by (Accounting Standards) Rules, 2006.

**ii) Uses of Estimates**

The preparation of financial statements 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 revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

**iii) Revenue Recognition**

- a) All income is accounted on accrual basis.
- b) Dividend declared within close of the accounting year are accounted for in respect of shares & securities held by the company.

**iv) Expenses**

All expenses are accounted on accrual basis.

- v) In accordance with guidelines for Prudential Norms issued by the Reserve Bank of India to Non-Banking Financial Companies, provision is made for non - performing assets in respect of income and debts/assets.

**vi) Depreciation**

Depreciation is provided :

- a) On assets acquired upto 30th June, 1987 on straight line method at the rates corresponding to the rates applicable under the Income Tax Rules, 1962 in force at the time of acquisition/purchase of respective assets.
- b) On assets acquired on and from 1st July, 1987 on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 applicable at the time of acquisition/purchase of respective assets.

**vii) Fixed Assets**

Fixed assets are stated at cost less depreciation.

**viii) Investments**

Long term investments are stated at cost plus incidental expenses thereto. Provision for diminution in value of investments is made by the company to recognise permanent decline, if any, in the value of each investment. Current investments are valued at lower of cost and market value.

**ix) Inventories**

Shares & Securities - At cost or net realisable value, whichever is lower, script wise

**x) Deferred Tax**

Deferred tax is recognised on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods. Deferred tax assets on unabsorbed depreciation and carry forward of losses are recognised only to the extent there is a virtual certainty of its realisation.

**xi) Employee Benefits**

Liability for employee benefits, both short term and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) - 15 "Employees Benefits" as notified by Companies (Accounting Standards) Rules, 2006.

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- a. Gratuity  
The company makes annual contribution to an approved gratuity fund covered by a policy with Life Insurance Corporation of India. The plan assets are sufficient to cover liability for gratuity fully.
- b. Contribution to Provident & Other Funds  
Contribution to Provident Fund and Employees State Insurance are recognised and expensed on accrual basis.
- c. Compensated Absences  
Liability for leave is treated as a short term liability and is accounted for on accrual basis

**xii) Contingent Liabilities**

Disputed liabilities and claims are treated as contingent liabilities. Claims against the Company are reduced by amounts payable by lessees/ hirers or insurance companies and counter claims of the company in order to determine contingent liability.

2. 2272 12.5% fully convertible debentures of Rs.125 each allotted on 25th January, 1993 have not been converted into fully paid equity shares since allotment money has not been received. Additions to subscribed and paid up share capital will be made as and when allotment money is received.
3. Accounts relating to allotment money in arrears of Fully Convertible Debentures are not reconciled.

**4. Disclosures as required under Accounting Standard (AS) 15 (REVISED)**

**I. Net Asset/(Liability) recognised in the Balance Sheet**

	<u>Gratuity</u>	
	<u>For year ended 31st March, 2010</u>	<u>For year ended 31st March, 2009</u>
As at end of the year		
Present Value of Defined Benefit Obligations (DBO)	952902	968041
Fair Value of Plan Assets	1597301	1597472
Funded Status - Surplus	644399	629431
Net Asset/(Liability) recognised in the Balance Sheet	Nil	Nil

**II. Changes in DBO during the year**

Present Value at beginning of the year	968041	766039
Current Service Cost	61407	43068
Interest Cost	77443	61283
Actuarial Losses / (Gains)	42923	128182
Benefits Paid	186912	30531
Present Value at the end of the year	952902	968041

**III. Changes in Fair Value of Plan Assets during the year**

Plan Assets at beginning of the year	1597472	1494492
Actual return on Plan Assets	141711	133511
Actual Company's Contribution	45030	
Benefits Paid	186912	30531
Plan Assets at the end of the year	1597301	1597472

**IV. Components of Employers' expenses**

Current Service Cost	51407	43068
Interest Cost	77443	61283
Expected return on Plan Assets	(141711)	(133511)
Gain/(Actuarial Losses)	42923	128182
Expenses / Income recognised in the Profit & Loss Account	30062	99022

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V. Actual Contribution and Benefits Payment for the year

Actual Benefits Payments	186912	-
Actual Contributions	45030	30531
Discount Rate	8%	8%
Expected return on Plan Assets	9%	9%
Salary Escalation	6%	6%

5. The company has recognised a deferred tax liability of Rs.3084910 (asset of Rs.882911) for the year ended 31st March, 2010 as a charge/(credit) to the Profit & Loss Account. The major components of the net deferred tax asset are as under:-

Deferred Tax Assets (Net):

	As at 31st March, 2009	Current year Charge/(Credit)	As at 31st March, 2010
	Rupees	Rupees	Rupees
Deferred Tax Liability :			
Depreciation	469115	(93984)	375131
<u>Deferred Tax Assets</u>			
Losses under Income Tax Act	24369719	3042822	27412541
Others	533939	136072	670011
	<u>24903658</u>	<u>3178894</u>	<u>28082552</u>
Deferred Tax Assets (Net)	<u>24434543</u>	<u>3084910</u>	<u>27707421</u>

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6. Related Party Disclosures

(A) List of Related Parties and Relationships, where control exists and other related parties with whom transactions have taken place during the year.

Name of the Party	Relation
I. The Sirpur Paper Mills Limited	Aravali Securities & Finance Limited is Promoter
II. Boutique Hotels India Private Limited	Associate
Carma Arts & Crafts Private Limited	Associate
Devi Developers Private Limited	Associate
Devi Overseas Private Limited	Associate
III. Key Management Personnel Sh. Jiten Oberoi	Chief Financial Officer

(B) Related Party Transactions

Transactions	Associates	Promotee Company	Key Management Personnel
	Rupees	Rupees	Rupees
Lease/Rent Income	- (-)	1800000 (1800000)	
Interest Income	841597 (1128391)	245480 (-)	
Dividend Income	- (-)	7093696 (16551959)	
Interest Expenses	- (-)	3500000 (3500000)	
Rent, Office Maintenance, Fooding and Telephone Expenses.	- (-)	640795 (-)	
Remuneration paid			635392 (557544)
Finance provided			
Loans given	1750000 (10000000)	50000000 (-)	
Loans received back	3000000 (6000000)	- (-)	
<b>Balances outstanding as on 31.3.2010</b>			
Outstanding/receivables (debit)	4403379 (4932428)	50234127 (-)	
Outstanding/payable (credit)	- (-)	36881260 (36668237)	



**ARAVALI SECURITIES & FINANCE LIMITED**



**7. Basic and diluted earning per equity share**

For the purpose of calculation of basic and diluted earning per share, the following amounts are considered:-

	For year ended 31st March, 2010	For year ended 31st March, 2009
(i) Amount used as the numerators net profit after tax	33553095	Rs.978951
(ii) Weighted average number of equity shares	15153850	15153850
(iii) Basic and diluted earning per equity share	Rs. 2.21	Rs. 0.06

**8. Segment Reporting**

	For year ended 31st March, 2010	For year ended 31st March, 2009
<b>I. Segment Revenues :</b>		
a) Shares & Securities	63478082	18194305
b) Financing	3149718	3724874
<b>Total</b>	<u>66627800</u>	<u>21919179</u>
<b>II. Segment Results before Tax, Interest &amp; Other unallocable Items :</b>		
a) Shares & Securities	62220844	18417948
b) Financing	3149718	3724874
<b>Total</b>	<u>65370562</u>	<u>22142822</u>
Less : Interest	<u>10952357</u>	<u>15117479</u>
Unallocable items :	54418205	7025343
Other unallocable expenditure	(12626448)	(9615306)
Other unallocable income	2481483	2751503
<b>Profit before tax (after NPA provisions)</b>	<u>44273240</u>	<u>161540</u>
Less : Taxes	10720145	(817411)
<b>Profit after tax</b>	<u>33553095</u>	<u>978951</u>
<b>III. Segment Assets :</b>		
a) Shares & Securities	298050318	327705270
b) Financing	59389420	25534920
c) Unallocable assets	54861450	67367969
<b>Total</b>	<u>412301188</u>	<u>420608159</u>
<b>IV. Segment Liabilities :</b>		
a) Financing	43103486	40088493
b) Unallocable liabilities	52886051	97761110
c) Unallocated Unsecured Loans	95989537	137849603
<b>Total</b>	<u>95989537</u>	<u>137849603</u>

Note : Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amount allocated on a reasonable basis. The expenses/incomes which are not directly related to the business segment, are shown as unallocable expenditure and unallocable income. Assets and Liabilities that can not be allocated between the segments are shown as unallocated assets and liabilities respectively.

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ARAVALI SECURITIES & FINANCE LIMITED



9. Disclosure of details as required by Para 9BB of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998

(Amount in Rupees)

Particulars	Amount Outstanding	Amount Overdue
i) Loans and advances availed by NBFC inclusive of interest thereon but not paid		
a) Debentures		
Secured non-convertible debentures	-	-
Unsecured fully convertible debentures	142000	*
b) Inter-corporate loans and borrowings	52744051	3049038
c) Public Deposits	-	-
d) Bank borrowings	-	-
Pending conversion into shares due to non-receipt of allotment money		
ii) Break up of (i)(c) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)		
a) Unsecured Debentures	-	-
b) Partly Secured Debentures	-	-
c) Other Public Deposits	-	-
iii) Break up of Loans given (inclusive of interest accrued)		
a) Secured	-	-
b) Unsecured	59389420	-
iv) Break up of Leased Assets and stock on hire towards Equipment Leasing/hire purchase activities		
a) Leased assets (net of depreciation and lease adjustment) including lease rental under sundry debtors	-	-
b) Stock on hire including hire charges under sundry debtors	-	-
v) Break up of Investments (Net of diminution in value of investments)		
a) Current Investments		
1) Quoted		
- Equity Shares	236998	
- Units of Mutual Funds	-	
b) Long Term Investments		
1) Quoted		
- Equity Shares	293790120	
- UTI Bonds	38400	
2) Unquoted		
- Equity Shares	478800	
- Preference Shares	-	

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**ARAVALI SECURITIES & FINANCE LIMITED**



vi) Borrower group-wise classification of all leased assets (including receivable on assets on lease) stock on hire and loans	Amount Net of Provisions		
	Secured	Unsecured	Total
a) Related Parties			
1) Subsidiaries	-	-	-
2) Companies in the same group	-	-	-
3) Other related parties	-	54637506	54637506
b) Other than related parties	-	4751914	4751914
Total	-	59389420	59389420
vii) Investor group-wise classification of all investments (current and long term)	Market Value Break up Value or fair Value or NAV		Book Value (net of provisions)
a) Related Parties			
1) Subsidiaries		-	-
2) Companies in the same group		-	-
3) Other related parties		236687348	294257790
b) Other than related parties		286530	286528
Total		236973878	294544318
viii) Other Information			
a) Gross Non Performing Assets			
1) Related parties		-	-
2) Other than related parties		-	-
b) Net Non Performing Assets			
1) Related parties		-	-
2) Other than related parties		-	-
c) Assets acquired in satisfaction of debt		-	-



**ARAVALI SECURITIES & FINANCE LIMITED**



**10. Contingent Liabilities**

Sales tax liabilities pending company's appeals/rectifications

Rs. 337538 (Rs. 337538)

**11. Quantitative Details**

Name of item	Unit	Opening Stocks		Purchases (Less Returns)		Sales (Less Returns)		Closing Stocks	
		Qty.	Amount Rupees	Qty.	Amount Rupees	Amount Rupees	Qty.	Amount Rupees	
Shares & Securities	Nos.	130739 (130937)	2385093 (1793228)	20002 (1230)	5119907 (-)	7093565 (1630930)	77064 (130739)	236998 (2385093)	

\* Includes 2 (30) shares received as bonus shares and Nil (1200) shares received upon conversion during the year.

**12. Additional Information pursuant to Part IV to Schedule VI of the Companies Act, 1956.**

**i. Registration Details**

Registration No. : **55-10526** State Code : **55**  
 Balance Sheet Date : **31 03 2010**  
 Date Month Year

**ii. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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**ARAVALI SECURITIES & FINANCE LIMITED**

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iii. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	365384	Total Assets	365384
Sources of Funds			
Paid-up Capital	151538	Reserves and Surplus	164773
Secured Loans	Nil	Unsecured Loans	49073
Application of Funds			
Net Fixed Assets	29059	Investments	294307
Net Current Assets	20669	Miscellaneous Expenditure	Nil
Deferred Tax Asset	21349	Accumulated Losses	Nil

iv. Performance of the Company (Amount in Rs. Thousands)

Turnover	69109	Total Expenditure	24836
Profit before Tax	44273	Profit after Tax	33553
Earning per Share in Rs.	2.21	Dividend Rate	Nil


v. Generic Names of three Principal Products/Services of the Company (as per monetary terms)

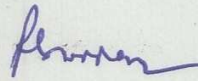
PRODUCT DESCRIPTION	ITEM CODE NO.
a). Finance	Not Applicable
b). Investment/Trading in securities	Not Applicable

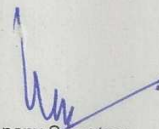
13. Comparative figures for the previous year have been regrouped, recast and rearranged wherever necessary and figures in brackets represent previous year figures.

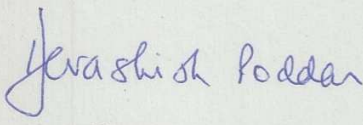
Signatures to Schedules 1 to 12

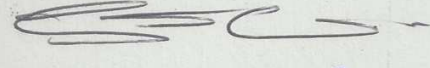

As per our report of even date attached  
For SALARPURIA & PARTNERS  
Chartered Accountants  
(Registration No.302113E)

  
KAMAL KUMAR GUPTA  
Partner  
Membership No.89190

  
Managing Director

  
Company Secretary

  
Directors



Place : Camp Gurgaon  
Dated : 3rd September, 2010