

26th

ANNUAL REPORT 2010-2011

MUKESH BABU FINANCIAL SERVICES LIMITED

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Board of Directors

Shri Mukesh Babu (Chairman & Managing Director)
Shri K. Chandrasekhar
Shri Pankaj Majithia
Shri Vijay Vora

Company Secretary

Ms. Dipali C. Shah

Main Bankers

Oriental Bank Of Commerce
HDFC Bank
ICICI Bank

Registered Office

111, Maker Chambers III,
223, Nariman Point,
Mumbai - 400 021.

Auditors

Shah, Shah & Shah
Chartered Accountants
502, Damji Shamji Trade Centre,
Vidyavihar - West, Mumbai - 400086.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2011

Your Directors have pleasure in presenting the Twenty Sixth Annual Report and the audited statement of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS	Year Ended	Year Ended
	31.03.2011	31.03.2010
	₹	₹
Total Income	111,045,820	92,903,260
Profit before Interest , Depreciation and Tax	102,185,452	77,890,067
Less: Interest	27,749,794	2,619,714
Gross Profit	74,435,658	75,270,353
Less : Depreciation	1,052,468	1,282,721
Profit before Taxation	73,383,190	73,987,632
Less : Taxation Provision & Deferred Tax	21,234,587	21,958,935
Profit available after Taxation	52,148,603	52,028,697
Add: Profit & Loss A/c Credit Balance Brought Forward	79,202,419	45,599,766
Add/(Less):Income tax for Earlier Years	(620)	131,030
Profit Available for Appropriation	131,350,402	97,759,493
Less: Transfer to Statutory Reserve	10,429,721	10,405,740
Less: Provision for Dividend	6,970,900	6,967,250
Less: Provision for Dividend Tax	1,130,854	1,184,084
Profit & Loss A/c Credit Balance Carried Forward	112,818,927	79,202,419

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Your Company earned a net profit of ₹ 521.49 Lacs for the financial year ended 31st March, 2011 as compared to previous year's net profit of ₹ 520.29 lacs. Depreciation during the year was ₹ 10.52 Lacs as compared to ₹ 12.83 Lacs in the previous year. Provision for taxation during the year is ₹ 212.35 Lacs including Deferred Tax Provision as compared to ₹ 219.59 Lacs in previous year.

Opportunities

During the year 2010 the Indian economy witnessed an acceleration in the rate of growth due to a rise in rural income with increase in agricultural production and a good industrial and service sector growth. With strong demand, robust consumption, savings, and investment rates set to continue in 2011, the GDP growth projection for 2011-12 is in excess of 8%. Though there are a number of challenges facing our economy such as high levels of inflation, particularly in food prices, a widening trade deficit, and hardening global energy prices, India has many positive factors in its favour to strengthen its emergence as a global economic powerhouse. Your company continues to believe in investing in companies, which have good potential and in sectors that will be the sunshine sectors in the good times ahead.

Challenges

With the integration of our stock market with the Global markets, our market are fluctuates in accordance with the happenings in the Global economy. The state of economies of many developed countries continue to be a cause of concern with the Euro zone being the most vulnerable as global rating agencies continue to downgrade the sovereign debt rating of many countries in this region. As regards US economy, though it is showing signs of recovery, the high unemployment levels continue to defy solution. Thus the developing economies like ours are now emerging as the major drivers of global economic growth. Thus in these volatile situations, the challenge before your company is to identify and make the right investments, which your company management, with its expertise and long experience, is confident of achieving.

Risk Management

Business and revenue growth have to be weighed in the context of the risks. Being an investment company your company is exposed to credit, market and operational risks. As part of the risk management process, your company reviews the various risks and finalises mitigation plans which are reviewed every quarter by Audit Committee of Directors. Proposals of the audit committee are also discussed at the meeting of the Board of Directors every quarter.

Internal Control Systems and their adequacy.

The Company has an adequate system of internal controls and systems. The scope of the inspection and audit has been recently reviewed to make it more effective.

Human Resources

Industrial relations in the organisation continued to be cordial during the year.

No employee of the Company was in receipt of remuneration for whole/part of the year exceeding the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

Corporate Governance

A comprehensive report on Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this Report.

The Company has obtained a certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

Subsidiary

During the year the Subsidiary, Mukesh Babu Securities Limited, earned a profit before tax of ₹ 62.54 Lacs as compared to ₹ 79.43 Lacs during the previous year.

Dividend

The Board of Directors has recommended a dividend of 10% (Previous year 10%) for the year subject to the approval of the shareholders at the Annual General Meeting.

Directors

Mr. Pankaj Majithia, Director, retires by rotation and being eligible offers himself for re-appointment. A brief resume of the Director retiring by rotation/ seeking appointment at the ensuing Annual General Meeting, nature of Directors' expertise in specific areas and names of the companies in which they hold directorships and /or membership/Chairmanship of committees of the Board as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Corporate Governance Report.

Directors' Responsibilities statement

Pursuant to the requirement under Section 217(2AA) of the Companies (Amendment) Act, 2000 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2011 on a going concern basis.

Auditors

The current auditors Shah, Shah & Shah. Chartered Accountants, retire on conclusion of the ensuing Annual General Meeting and being eligible for re- appointment, have shown their willingness to be re-appointed.

Conservation of Energy, Technology Absorption And Foreign Exchange Earnings and Out Go.

As the Company is a financial company, no particulars are required to be given regarding Conservation of Energy and Technology Absorption.

Foreign exchange earnings during the year ₹ NIL (Previous Year ₹ NIL)

Foreign exchange outgo during the year Travel Expenses ₹ 91,025 (Previous Year ₹ NIL)

Fixed Deposits

During the year the Company has not accepted any deposit from public.

Cash Flow Statement:

As per the Clause 32 of the Listing Agreement entered into the with The Stock Exchanges, Cash Flow Statement for the year ended 31st March, 2011 duly examined by the Auditors of the Company is furnished along with the audited financial statements of the Company.

Acknowledgements

Your Directors wish to thank the Bankers as well as the Shareholders of the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the employees of the Company.

**For and on behalf of
Mukesh Babu Financial Services Ltd.**

Sd/-

**Place : Mumbai
Date: 10/08/2011**

**Mukesh Babu
Chairman**

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy on Code of Governance:

Your Company has implemented and continuously endeavors to improve the Corporate Governance practices which attempt to meet the shareholders' expectations. Your Company is also committed to adherence to standards of corporate governance. The new revised Clause 49 of the Listing Agreement which was to be made effective on or before 31st December, 2006 as instructed by the Stock Exchange, Mumbai, has been made effective by your Company.

2. Board of Directors

- (a) The Company has an executive Chairman. None of the Directors on the Board is a Member on more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- (b) The Board of Directors of the Company re-appointed Mr. Mukesh C. Babu as Managing Director of the company for the period of five years with effect from 26th May 2008.

The names and categories of the Directors on the Board, their attendance at Board meetings during the year, as also the number of Directorships and Committee Memberships/Chairmanships held by them in Indian public companies as on 31st March, 2011 are given below:

Name of Director	Category	No. of other Directorships	No. of other Board Committees of which he is a member	No. of other Board Committees of which he is a Chairperson
Mr. Mukesh C. Babu,	Promoter Executive	4	0	0
Mr. K. Chandrasekhar.	Director	3	3	0
Mr. Pankaj Majithia.	Independent Director	1	3	3
Mr. Vijay Vora .	Independent Director	1	3	0

3. Board Meetings

The Board of Directors held Five meetings during the year on 30th April, 2010, 30th July, 2010, 27th August 2010, 29th October 2010 and 31st January, 2011.

The attendance of the Directors in these meetings was as follows:

Name of the Director	Brief Resume	Board Meetings		Annual General Meeting
		Held	Attended	If Attended
Mr. Mukesh C. Babu	B.com, A.C.A.	5	5	Yes
Mr. K. Chandrasekhar	B.Com, A.C.A, Grad. I.C.W.A., A.C.S., L.L.B.	5	5	Yes
Mr. Pankaj Majithia.	F.C.A. A.C.S.	5	3	No
Mr. Vijay Vora.	B.Com	5	5	No

Mr. Pankaj Majithia, retires by rotation at conclusion of the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

3. Information on Directors Appointment /Reappointment.

Brief resume of Directors being appointed/re-appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional area and the names of the Company in which they hold directorships and the memberships of committees of the Board is furnished hereunder:

1. Mr. Mukesh C. Babu, aged 56 years is a Chartered Accountant. He is having varied experience in the field of finance and in the stock market. He is the Chairman & Managing Director of Mukesh Babu Financial Services Ltd, Chairman & Director in Mukesh Babu Securities Ltd., Sagar Systech Ltd., Mukesh Babu Stock Broking Pvt. Ltd; and Mukesh Babu Management Consultants Pvt. Ltd.

Mr. Mukesh Babu holds 34,31,600 Equity Shares in the Company.

2. Mr. K. Chandrasekhar, aged 57 years is A.C.A, Grad..C.W.A., A.C.S., L.L.B. He is having varied experience in the field of finance. He is the Director in Mukesh Babu Financial Services Ltd., Sagar Systech Ltd., Mukesh Babu Stock Broking Pvt. Ltd., and Mukesh Babu Management Consultants Pvt. Ltd.,

Mr. K. Chandrasekhar is a member of Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievances Committee.

3. Mr. Pankaj R. Majithia, aged 56 years is a Chartered Accountant. He is having 29 years of experience in the field of finance & investment. He is Director in Mukesh Babu Financial Services Ltd. and Premium Consultancy Pvt. Ltd.

Mr. Pankaj R. Majithia holds 1,800 Equity Shares in the Company.

Mr. Pankaj Majithia is a Chairman and member of Audit Committee, Remuneration Committee and Shareholders'/ Grievances Committee.

4. Mr. Vijay L. Vora, aged 56 years is a Commerce Graduate, having 25 years experience in the field of investment. He is a Director in Mukesh Babu Financial Services Limited and Mukesh Babu Securities Limited.

Mr. Vijay L. Vora is member of Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievances Committee.

4. Committees of Directors

(A) Audit Committee

- (a) The Audit Committee of Directors was constituted on 28th August, 2001. The constitution of the Committee was made in pursuance with Section 292A of the Companies Act (Amendment), 2000 and Clause 49 of the Listing Agreement.
- (b) The present composition of the of the Audit Committee is as follows:
 - i. Mr. Pankaj Majithia.
 - ii. Mr. K. Chandrasekhar.
 - iii. Mr. Vijay Vora.

The Company Secretary of the Company is Secretary of the Audit Committee.

The terms of reference of audit Committee is to review the internal controls, to investigate into any matter, to meet the auditors and discuss their findings and other issues relating to company operations.

At the invitation of the Committee, the Statutory Auditors and the Internal Auditors of the Company attended the Audit Committee Meetings.

Sr. No.	Name of the Member	Designation	No. of Committee Meetings held	No. of Committee Meetings attended
1.	Mr. Pankaj Majithia.	Chairman	4	2
2.	Mr. K. Chandrasekhar.	Director	4	4
3.	Mr. Vijay Vora.	Director	4	4

The Audit Committee of the Company reviewed the financial statements of the Company and held discussion with the auditors as to internal controls, significant audit observations, and reviewed periodical financial statements. It also reviewed financial statements, minutes of the board meetings, and investments of Mukesh Babu Securities Ltd, the unlisted subsidiary of the Company.

(B)The Shareholders' / Investors' Grievances Committee

The Investor Relations & Share Transfer Committee is comprised of Mr. Pankaj Majithia, Chairman, Mr. K. Chandrasekhar, Committee Member and Mr. Vijay Vora, Committee Member. They attended all the Meetings. The Committee reviewed the performance of Link Intime India Private Limited , the Registrars and Share Transfer Agents of the Company.

Ms. Dipali C. Shah, Company Secretary of the Company is designated as the Compliance Officer.

(C) Remuneration Committee was constituted on 31.1.2005 which is comprised of:

- i. Mr. Pankaj Majithia.
- ii. Mr. K. Chandrasekhar.
- iii. Mr. Vijay Vora.

The Company Secretary of the Company acted as the Secretary to the said Committee.

Each of the Independent Directors of the Company is paid sitting fees of ₹ 2000/- for Board Meetings and ₹ 500/- towards out of pocket expenses.

The functions of the Remuneration Committee are as follows:

1. To frame and implement a credible and transparent policy of managerial remuneration.
2. To consider, approve and recommend to the Board the changes in designation, terms of appointment as well as amount of remuneration.
3. To ensure that the remuneration policy is good enough to retain and motivate Directors as well as strike a balance between the interest of the Company and remuneration policy.

The managerial remuneration paid is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

5. Disclosures

- a.) The Directors of the Company disclosed the names of Companies/parties in which they are interested and accordingly entries are made in the Register of Contracts under Section 301 of the Companies Act, 1956.

Attention of members is drawn to the disclosures of transactions with related parties set out in Note No. 11 of Notes to Accounts- Schedule "10", forming part of the Annual Report.

The Company's related party transactions are generally with the Subsidiaries and Associates. The Company's transactions with the Subsidiaries relate to investments made and loans and advances.

- b.) Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:-

The Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as the Regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

- c.) The Company has made disclosures under Regulation 6 & 8 of SEBI (Substantial Acquisition & Takeover Regulations), 1997. The Company has made disclosures under Regulation 13 of SEBI (Insider Trading) Amendment. Regulations 2002.

The Board of Directors of the Company has reviewed periodically the compliance reports of all laws applicable to the Company prepared by the Company.

The Board of Directors of the Company approved its Code of Conduct and Whistle Blower Policy in the Board Meeting held on 18th November, 2005 and the same is posted on the website of the Company, viz. www.mukeshbabu.com.

6. General Body Meetings:

Details of last three Annual General Meetings held:

Meeting No.	Date	Time	Location
Twenty Fifth	30.09.2010	5.00 p.m.	12-A/4 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Twenty Fourth	22.09.2009	5.00 p.m.	301, Sagar Avenue, S.V. Road, Opp: Shopper's Stop, Andheri (West), Mumbai – 400058.
Twenty Third	30.09.2008	4.00 p.m.	12-A/4 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.

No special resolution was passed through postal ballot last year. Similarly, there is no proposal to pass any special resolution requiring a postal ballot for the upcoming A.G.M.

7. Means of Communication

Subject	Details
Quarterly results through	The Free Press Journal and Nav Shakti (Vernacular)
Whether it also displays official News release and presentations made to Institutional Investors/ Analysis	No such occasion arose during the year

Quarterly unaudited financial results of the company for every quarter are available on the website of the Company, viz. www.mukeshbabu.com.

Management Discussion and Analysis forms part of the Annual Report, which is posted to the Shareholders of the Company.

8. General Shareholder Information

26th Annual General Meeting :

Date & time : Friday, 30th September, 2011 at 5 p.m.

Venue : 12A/4, New Sion C.H.S. Ltd., Sindhi Colony, Sion – West, Mumbai – 400022.

Actual / Expected dates of Quarterly Results for F.Y.2011-12

- | | |
|--------------------------------------|-------------------------|
| a. 1 st Quarterly Results | On 29.07.2011 |
| b. 2 nd Quarterly Results | On or before 15.11.2011 |
| c. 3 rd Quarterly Results | On or before 15.02.2012 |
| d. 4 th Quarterly Results | On or before 15.05.2012 |

Book Closure Period: Friday, 23rd September, 2011 to Friday, 30th September, 2011.

Listing on Stock Exchanges

Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai-400 001. Security Code:30341	Ahmedabad Stock Exchange Limited Kamdhenu Complex, Near Panjarpole, Opp. Sahajanand College,Ahmedabad-380 015 Security Code:38196
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Annual Listing fees for the year 2010-11 (as applicable) have been paid by the Company to Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited.

9. Market Price Data

The Company's shares are listed on Bombay Stock Exchange Limited & Ahmedabad Stock Exchange Limited. There was no trading of the Company's Shares in Ahmedabad Stock Exchange Limited during the financial year 2010-2011. The monthly high & low quotation as well as the volume of shares traded during the year 2010-2011 at, Bombay Stock Exchange Limited, is as below:

Month	Year	High ₹	Low ₹	Volume(Shares)
April	2010	19.20	15.75	33,473
May	2010	19.00	12.75	10,817
June	2010	20.50	13.55	37,342
July	2010	16.50	13.45	14,905
August	2010	19.95	12.85	38,463
September	2010	21.50	16.80	29,588
October	2010	21.00	17.60	23,089
November	2010	24.80	17.45	45,289
December	2010	20.50	16.45	18,769
January	2011	21.00	18.00	16,741
February	2011	22.35	14.10	21,068
March	2011	20.25	16.20	12,699

10. The Registrar and Share Transfer Agent of the Company

Link Intime India Private Limited.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W), Mumbai-400 058.

Telephone No. 2596 3838

11. Share Transfer System

Shares sent for transfer in physical form are normally registered by the Registrars and Share Transfer Agents within in 15 days of receipt of the documents, if documents are found in order. Shares under objection are returned within two weeks.

12. The Share Holding Pattern and Distribution of Shareholding as on 31st March, 2011

SHAREHOLDING PATTERN AS ON 31.03.2011			DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2011				
Category Shareholding	No.of Shares	%to the total paid up Capital	No. of Shares	Shareholders		Shares	
				Number	%	Amount (₹)	% to Equity
Promoters	4381600	62.86	Up to- 500	1638	89.8246	3653140	5.2406
Mutual Funds, UTI	197500	02.83	501-1000	192	9.3567	1575670	2.2604
Financial Institutions & Banks	11700	00.17	1001- 2000	92	4.4834	135239	1.9401
Bodies Corporate	777506	11.15	2001- 3000	37	1.8031	96805	1.3887
Individuals	1334,649	19.15	3001- 4000	22	1.0721	79100	1.1347
Clearing Member	2924	00.04	4001- 5000	21	1.0234	102499	1.4704
Market Maker	2465	00.04	5001- 10000	14	06823	115654	1.6591
NRIs and NRN	201005	02.88	10001- Above	36	1.7544	5918722	84.9060
Overseas Bodies corporates	32900	00.47					
HUF	28651	00.41					
Total	6970900	100.00	Total	2052	100.00	69709000	100.00

Dematerialisation of Equity Shares and Liquidity

To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories.

During the year under review, shares were dematerialized in the following depositories:

National Securities Depository Ltd. (NSDL) : 18,100 Equity shares
Central Depository Services (India) Ltd. (CDSL) : 58,600 Equity shares

ISIN No. : INE596B01017

13. Address for Correspondence For matters related to shares

Link Intime India Private Limited.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W), Mumbai-400 058

Telephone No.: 2596 3838

E-mail : rnt.helpdesk@linkintime.co.in

Compliance Certificate of the Auditors.

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Directors' Report and Management Discussion and Analysis.

The above report was placed before and approved by the Board at its meeting held on 10th August 2011.

**For and on behalf of
Mukesh Babu Financial Services Ltd.**

Sd/-

**Place : Mumbai
Date: 10.08.2011**

**Mukesh Babu
Chairman**

Declaration by Chairman and Managing Director

I, **Mukesh Babu**, Chairman and Managing Director of **Mukesh Babu Financial Services Limited (MBFS)**, hereby confirm pursuant to clause 49(1)(D) of the listing agreement that:

The Board of Directors of MBFS has laid down a code of conduct for all Board Members and senior management of the company. The said code of conduct has also been posted in the Company's website viz. www.mukeshbabu.com.

All the Board Members and senior management personnel have affirmed their compliance with the said code of conduct for the year ended 31st March, 2011

Sd/-

Place : Mumbai
Date : 10.08.2011

Mukesh Babu
Chairman & Managing Director

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the shareholders of **MUKESH BABU FINANCIAL SERVICES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Mukesh Babu Financial Services Limited, for the year ended 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the company's 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 opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied in all material respect with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and reviewed by the Investor Relation & Share Transfer Committee.

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

**For Shah, Shah & Shah
Chartered Accountants**

Sd/-

**(Mehul C. Shah)
Partner
Membership No. 49361
FRN: 116457W**

Mumbai : August 10, 2011

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Board of Directors
Mukesh Babu Financial Services Limited,
111, Maker Chambers III,
223, Nariman Point,
Mumbai – 400 021.

We, Mukesh Babu, Managing Director and K. Chandrasekhar, Director do hereby certify that:

- a) We have reviewed the financial statements and the cash flow statement of the Company for the year 2010-11 and that to the best of our knowledge and belief:
 - (i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated wherever applicable to the auditors and the audit committee:-
 - (i) significant changes in internal control over financial reporting, if any during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the company's internal control system over the financial reporting.

Sd/-

Mukesh Babu
Managing Director

Place: Mumbai
Date: 10.08.2011

Sd/-

K. Chandrasekhar
Director

REPORT OF AUDITORS TO THE MEMBERS OF MUKESH BABU FINANCIAL SERVICES LIMITED.

We have audited the attached Balance Sheet of **Mukesh Babu Financial Services Limited** as at **31st March 2011** 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.

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 the 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 statement presentation. We believe that our audit provides a reasonable basis of our opinion.

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 and 5 of the said Order, to the extent applicable to the company.

Further to our comments in the Annexure referred to above, we report that:

- (i) we have obtained all the information and explanation, 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 and Profit and Loss Account and cash flow statement with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet and 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;
- (v) on the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as 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 accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required and are in conformity with the accounting principles generally accepted in India and give a true and fair view :
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 and
 - (b) in the case of the Profit and Loss Account, of profit for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For SHAH, SHAH & SHAH
Chartered Accountants**

Sd/-

**(MEHUL C. SHAH)
Partner
M. No. 49361
FRN: 116457W**

Mumbai : August 10, 2011

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

- (i)
 - (a) The Company is maintaining proper records showing full particulars of, including quantitative details and situation, of fixed assets.
 - (b) The management at reasonable intervals has verified the fixed assets. We have been informed that, no material discrepancies on such verification have been noticed.
 - (c) The Company has not disposed substantial portion of its fixed assets during the year; accordingly the going concern status of the Company is not affected.
- (ii)
 - (a) As per the records maintained, the management has conducted physical verification of inventory at reasonable intervals.
 - (b) In our view, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our view, the Company has maintained proper records of inventory. No material discrepancies have been noticed on physical verification of stocks as compared to the book records.
- (iii)
 - (a) The company has granted unsecured loans to Two companies covered in the register maintained under section 301 of the Act involving ₹ 136.36 million on a maximum basis and ₹ 100.24 Million at the year end, which are interest free.
 - (b) Other terms and conditions of these loans are prima facie not prejudicial interest of the Company.
 - (c) In respect of the loans given, the parties are repaying the principal amounts as stipulated; whereas there is no stipulation as to payment of interest.
 - (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One lac.
 - (e) The Company has not taken loans from companies covered in the register maintained under Section 301 of the Act. Hence the clause as to repayment of principal and interest is not applicable.
 - (f) Since no loans are taken from the aforesaid parties, the sub-clause dealing with rate of interest and other terms and conditions of loans given by the company are not applicable.
 - (g) Since no loans are taken as aforesaid, the sub-clause dealing with payment of the principal amount and interest on regular basis is not applicable.

- (iv) In our view, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets, and for sale of goods and services. In our view, there has been no continuing failure to correct major weaknesses in internal control systems of the Company.
- (v) (a) The contracts or arrangements exceeding the value of ₹ 500,000 referred to in Section 301 of the Act to be entered in the register required to be maintained under that Section have been so entered; and
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Sections 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from public within the meaning of the provisions of section 58A and section 58AA or any other provisions of the Companies Act, 1956 and the rules made there under and as mentioned in directives issued by the reserve bank of India. We have been informed by the management that there has been no order passed by the Company law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company with respect to compliance of the provisions of section 58A or 58AA or any other provisions of the Companies Act 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have been informed by the management that, the Central Government has not prescribed the method of maintenance of cost records u/s. 209 (1) (d) of the Companies Act, 1956 to the industry to which the Company pertains.
- (ix) (a) We have been informed by the management that, the Company is generally regular in depositing all undisputed statutory dues with the appropriate authorities and there have been no arrears of outstanding dues as at the last day of this financial year for more than six months from the date they became payable.
- (b) We have been informed by the management that, there has been no disputes pending with any forums as regards any of the statutory dues including sales-tax, income tax, customs duty, wealth tax, service tax, excise duty or cess.
- (x) There are no accumulated losses at the end of the financial year. Also, the company has not reported any cash losses during the year.
- (xi) According to the records of the company as examined by us and information and explanation given to us, bank overdraft balance is subject to confirmation and reconciliation as stated in Note no. 6 of Notes to Accounts.

- (xii) We have been informed that, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; accordingly, there is no necessity as to maintaining documents and records in this respect.
- (xiii) The provisions of any special statute in respect of chit fund, nidhi, mutual benefit funds or societies are not applicable to the Company.
- (xiv) The company has maintained proper records of transactions and contracts in respect of trading in shares, debentures, and other securities and timely entries have been made therein. The investments are held by the company in its own names, except allowable under section 49 of the Companies Act, 1956.
- (xv) The management has informed us that, the Company has not given any guarantee for loans taken by others from any bank or financial institutions.
- (xvi) As per the explanation given by the management, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) As explained to us by the management, there were no funds that were raised on a short-term basis, which have been applied for long-term investment.
- (xviii) 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) The Company has not issued any debentures; hence no security or charges have been created in respect of the same.
- (xx) The Company has not made any public issue during the year of shares; hence disclosure requirement as to end utilization of public issue money is not required.
- (xxi) As informed by the management, there has not been noticed or reported any fraud on or by the Company during the year.

**For SHAH, SHAH & SHAH
Chartered Accountants**

Sd/-

**(Mehul C. Shah)
Partner**

**M. No. 49361
FRN: 116457W**

Mumbai : August 10, 2011

MUKESH BABU FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	SCHEDULE	AS AT 31.03.2011		AS AT 31.03.2010	
		₹	₹	₹	₹
I. SOURCES OF FUNDS					
1. SHAREHOLDERS' FUNDS					
a. Share Capital	1	69,675,000		69,672,500	
b. Reserves and Surplus	2	<u>247,986,196</u>	317,661,196	<u>203,942,466</u>	273,614,966
2. LOAN FUNDS					
a. Secured Loans	3	220,199,200		176,024,720	
b. Unsecured Loans		<u>-</u>	220,199,200	<u>-</u>	176,024,720
3. DEFFERRED TAX LIABILITY			1,238,935		1,279,348
TOTAL FUNDS EMPLOYED			<u>539,099,331</u>		<u>450,919,034</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	4				
Gross Block		25,083,074		25,083,074	
Less : Depreciation		<u>15,227,723</u>		<u>14,175,255</u>	
Net Block			9,855,351		10,907,819
2. INVESTMENTS	5		283,309,960		127,809,960
3. CURRENT ASSETS, LOANS AND ADVANCES:	6				
a. Inventories		107,351,494		119,670,943	
b. Sundry Debtors		-		-	
c. Cash and Bank Balance		1,523,454		1,546,272	
d. Other Current Assets		50,407,315		18,696,858	
e. Loans & Advances		<u>194,969,293</u>		<u>240,965,221</u>	
		<u>354,251,556</u>		<u>380,879,294</u>	
4. LESS : CURRENT LIABILITIES AND PROVISIONS:	7				
a. Current Liabilities		53,358,782		40,956,705	
b. Provisions		<u>54,958,754</u>		<u>27,721,334</u>	
		<u>108,317,536</u>		<u>68,678,039</u>	
NET CURRENT ASSETS			245,934,020		312,201,255
5. MISCELLANEOUS EXPENDITURE			-		-
TOTAL ASSETS			<u>539,099,331</u>		<u>450,919,034</u>

Notes to Accounts 10
As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

(MEHUL C. SHAH)
Partner
Membership No. 49361
FRN: 116457W

Sd/-

(DIPALI SHAH)
Company Secretary

Sd/-

(MUKESH BABU)
Managing Director

Sd/-

(K. CHANDRASEKHAR)
Director

Place : Mumbai
Date : 10/08/2011

Place : Mumbai
Date : 10/08/2011

MUKESH BABU FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	SCHEDULE	YEAR ENDED 31.03.2011		YEAR ENDED 31.03.2010	
		₹	₹	₹	₹
I. INCOME					
Income from Operations	8	110,949,850		92,875,350	
Other Income		95,970	111,045,820	27,910	92,903,260
Total			111,045,820		92,903,260
II. EXPENSES					
Administrative and General Expenses	9	8,860,368		15,013,193	
Depreciation		1,052,468		1,282,721	
Interest Expenses		27,749,794	37,662,630	2,619,714	18,915,628
PROFIT BEFORE TAXATION			73,383,190		73,987,632
Less : Taxation & Non Tax Bearing Items					
Current Tax		21,275,000		19,500,000	
Deferred Tax		(40,413)		2,458,935	
			21,234,587		21,958,935
PROFIT AFTER TAXATION			52,148,603		52,028,697
Add: Balance in Profit & Loss A/c brought forward.			79,202,419		45,599,766
Add (Less) : Excess/Short Taxation for earlier Years			(620)		131,030
Profit Available for Appropriations			131,350,402		97,759,493
Less:					
Transferred to Statutory Reserve		10,429,721		10,405,740	
Proposed Dividend		6,970,900		6,967,250	
Tax on Proposed Dividend		1,130,854	18,531,475	1,184,084	18,557,074
Balance available after Appropriation			112,818,927		79,202,419
Balance in Profit & Loss A/c Carried forward.			112,818,927		79,202,419
Earning per share (Basic/Diluted)			7.49		7.47

Notes to Accounts 10
As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-
(MEHUL C. SHAH)
Partner
Membership No. 49361
FRN: 116457W
Place : Mumbai
Date : 10/08/2011

Sd/-
(DIPALI SHAH)
Company Secretary
Place : Mumbai
Date : 10/08/2011

Sd/-
(MUKESH BABU)
Managing Director

Sd/-
(K. CHANDRASEKHAR)
Director

MUKESH BABU FINANCIAL SERVICES LIMITED

SCHEDULE "1" TO "10" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

Particulars	AS AT 31.03.2011		AS AT 31.03.2010	
	₹	₹	₹	₹
SCHEDULE " 1" - SHARE CAPITAL				
Authorised capital :				
10,000,000 (10,000,000) Equity Shares of ₹ 10/- each		<u>100,000,000</u>		<u>100,000,000</u>
Issued, Subscribed and Paid up Capital :				
6,970,900(6,970,900) Equity Shares of ₹ 10/- each	69,709,000		69,709,000	
Less : Unpaid Calls	<u>34,000</u>	69,675,000	<u>36,500</u>	69,672,500
As per Balance Sheet		<u>69,675,000</u>		<u>69,672,500</u>
SCHEDULE "2" - RESERVES & SURPLUS				
Capital Reserve :				
Balance as per last Balance Sheet	7,088,500		7,088,500	
Less: Transferred on a/c. of Forfeiture	<u>7,500</u>	7,081,000	<u>-</u>	7,088,500
Share Premium Account :				
Balance as per last Balance Sheet	73,628,000		73,628,000	
Less: Unpaid Calls	<u>68,000</u>	73,560,000	<u>73,000</u>	73,555,000
General Reserve :				
Balance as per last Balance Sheet	21,082,871		21,082,871	
Add: Transfer from Profit & Loss A/c	<u>-</u>	21,082,871	<u>-</u>	21,082,871
Profit & Loss Account credit Balance :				
Balance as per last Balance Sheet	79,202,419		45,599,766	
Add: Transfer from Profit & Loss A/c	<u>33,616,509</u>	112,818,928	<u>33,602,653</u>	79,202,419
Statutory Reserve :				
Balance as per last Balance Sheet	23,013,676		12,607,936	
Add: Transfer from Profit & Loss A/c	<u>10,429,721</u>	33,443,397	<u>10,405,740</u>	23,013,676
As per Balance Sheet		<u>247,986,196</u>		<u>203,942,466</u>
SCHEDULE "3" - SECURED LOANS				
Loan Against Securities (Secured against Shares)		220,199,200		176,024,720
As per Balance Sheet		<u>220,199,200</u>		<u>176,024,720</u>

SCHEDULE "4" - FIXED ASSETS

SR.	PARTICULARS	G R O S S B L O C K				D E P R E C I A T I O N				N E T B L O C K	
		AS ON 1.4.2010	ADD	LESS	AS ON 31.03.2011	UP TO 1.4.2010	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
1	Office Premises	14,883,250	-	-	14,883,250	8,607,738	313,776	-	8,921,514	5,961,736	6,275,512
2	Guest House	2,100,000	-	-	2,100,000	475,060	81,248	-	556,308	1,543,692	1,624,940
3	Furniture & Fixtures	3,517,856	-	-	3,517,856	2,213,778	236,040	-	2,449,818	1,068,038	1,304,078
4	Electrical Fittings	312,776	-	-	312,776	134,593	32,252	-	166,845	145,931	178,183
5	Office Equipments	1,477,654	-	-	1,477,654	1,240,671	32,964	-	1,273,635	204,019	236,983
6	Computers	368,890	-	-	368,890	208,062	64,332	-	272,394	96,496	160,828
7	Vehicles	2,422,648	-	-	2,422,648	1,295,353	291,856	-	1,587,209	835,439	1,127,295
	Current Year Total ₹	25,083,074	-	-	25,083,074	14,175,255	1,052,468	-	15,227,723	9,855,351	10,907,819
	Previous Year Total ₹	25,083,074	-	-	25,083,074	12,892,534	1,282,721	-	14,175,255	10,907,819	12,190,540

SCHEDULE "5" - INVESTMENTS (AT COST)

Scrip Name	AS AT 31.03.2011		AS AT 31.03.2010	
	No.	₹	No.	₹
<u>LONG TERM INVESTMENTS</u>				
<u>SHARES AND DEBENTURES</u>				
A. Shares (Quoted)				
Steelcast Ltd	10,000	450,000	10,000	450,000
B. Shares (Unquoted)				
Rushil Industries Ltd.	50,000	500,000	500,000	5,000,000
Dynamic Ship Recyclers Pvt.Ltd.	400,000	1,500,000	600,000	3,500,000
Units - UTI - IEF	5,000	50,000	5,000	50,000
Platinum Square P. Ltd.	-	-	300,000	3,000,000
C. Shares (Unquoted Subsidiary Company)				
Mukesh Babu Securities Ltd.	2,580,996	25,809,960	2,580,996	25,809,960
D. Debentures (Secured, Optionally Convertible 0%)				
Platinum Square P. Ltd	900	90,000,000	900	90,000,000
E. Debentures (Secured, Non-Convertible 0%)				
The Gaekwar Mills Ltd (F.V. ₹ 100,000)	2,200	165,000,000	-	-
AS PER BALANCE SHEET (A+B+C+D+E)		283,309,960		127,809,960

Note : Market Value of Quoted Investment as of 31st March,2011 is ₹ 625100 (Previous Year ₹ 630000)

Particulars	AS AT 31.03.2011		AS AT 31.03.2010	
	₹	₹	₹	₹
SCHEDULE "6" - CURRENT ASSETS, LOANS & ADVANCES				
a) Closing Stock		107,351,494		119,670,943
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	-		-	
Others Considered good	-	-	-	-
c) Cash and Bank Balance				
Cash on hand (As certified by the management)	5,516		259,195	
In Current Account with Scheduled Banks	1,517,938	1,523,454	1,287,078	1,546,272
d) Other Current Assets				
Advance Tax & TDS	20,381,238		1,178,260	
Sundry deposits	30,026,077	50,407,315	17,518,598	18,696,858
e) Loans and Advances (Unsecured Considered Good)				
Loans - Inter Corporate :	61,277,827		76,503,698	
Others	10,460,602		19,507,890	
Advances to Staff & Associates	2,166,500		1,954,500	
Dues from Subsidiaries	100,239,617		125,389,617	
Dues from company under the same Management	-		400,000	
Advances Recoverable in Cash or Kind or for Value to be received	20,824,747	194,969,293	17,209,517	240,965,221
As per Balance Sheet		354,251,556		380,879,295
SCHEDULE "7" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Bank Over Draft	24,327,229		24,327,229	
Sundry Creditors	28,502,999		16,306,604	
Other Liabilities	528,554	53,358,782	322,873	40,956,705
b. provisions				
Provision for Taxation	41,975,854		20,754,084	
Other Provisions	6,012,000		-	
Provision for Dividend	6,970,900	54,958,754	6,967,250	27,721,334
As per Balance Sheet		108,317,536		68,678,039

Particulars	YEAR ENDED 31.03.2011		YEAR ENDED 31.03.2010	
	₹	₹	₹	₹
SCHEDULE "8" - INCOME FROM OPERATION				
Interest on loans granted		10,254,126		5,915,188
Dividend Income		15,484,082		11,862,348
Income from Commodity trading		-		15,097
Profit on Shares & Securities		85,211,642		75,082,718
As per Profit & Loss Account		110,949,850		92,875,350

SCHEDULE "9" - ADMINISTRATIVE AND GENERAL EXPENSES

Auditors' Remuneration				
For Certification & Other work		28,681		13,790
For Statutory Audit		22,060	50,741	22,060
Bad Debts / write offs.		1,007,890		7,372,654
Business Promotion & Travelling		774,137		853,072
Computer Expenses		176,022		136,923
Conveyance Expenses		592,759		446,729
Directors' Remunerations		1,240,000		1,480,000
Donation		1,000,000		1,011,000
Electricity Expenses		196,894		156,624
Guest House Expenses		111,850		36,000
Professional & Consultancy Fees		782,360		926,821
Listing Fees		27,575		27,575
Office Expenses		138,875		72,201
Postage and Courier		84,477		38,079
Printing and Stationery Expenses		232,699		150,445
Rent, Rates & Taxes		113,523		100,193
Repairs and Maintenance		314,420		300,394
Salary Expenses		928,450		863,550
Staff welfare Expenses		410,308		333,067
Telephone Expenses		203,974		160,785
Sundry Expenses		473,415		511,231
As per Profit & Loss Account		8,860,368		15,013,193

SCHEDULE "10" – NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

1. SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONCEPTS:

The Company follows mercantile system of accounting, and recognizes all income and expenses on accrual basis. The financial statement have been prepared to comply in all material respect with the mandatory Accounting standards issued by the Institute of Chartered Accountants of India, in accordance with Indian Generally Accepted Accounting Policies and as per the provision of the Companies Act, 1956.

FIXED ASSETS:

Fixed Assets are recorded at cost of acquisition including the expenditure incurred in connection with the acquisition and installation of the assets.

DEPRECIATION:

Depreciation is provided as per the rates, and in the manner provided in Schedule XIV to the Companies Act 1956.

INVESTMENTS:

Investments are stated at cost of acquisition. The management does not find it necessary to provide for any diminution in the value of investments as the decline, if any, may be due to short term stock market forces.

INVENTORIES:

Inventories of quoted shares are carried at lower of cost or net realizable value and that of unquoted Shares at cost. The cost of inventories of items that are not ordinarily inter-changeable are assigned by specific identification of their individual costs. Other inventory items are recorded using first-in-first-out cost formula. The inventories include the relevant duties, taxes, and cess other than those subsequently recoverable by the enterprise from the taxing authorities that were incurred to bring the inventory to their present location and conditions.

REVENUE RECOGNITION:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sale of shares is recognized on receipt of contract note from the broker Dividends are recorded in the year of declaration and receipt. Interest on loans granted is recognized as income on completion at the time it is not unreasonable to expect ultimate collection. Other revenue items are recognized as income on their accrual basis.

RETIREMENT BENEFITS:

The Company's contribution to ESIC is accounted on accrual basis and charged to Profit and Loss Account. Gratuity is accounted as payable to Employees on Retirement or Resignation of Employees; whereas there is no defined policy enabling the employees to avail encashment of leave.

TAXES ON INCOME:

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

Deferred tax for the year is recognized on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured assuming the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized and carried forward only if there is a reasonable / virtual certainty of realization.

IMPAIRMENT OF ASSETS :

An asset is treated as impaired when the carrying cost of the Asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss account in the year in which an asset is identified as impaired. The Impairment loss recognized in prior accounting periods is increased / reversed where there has been change in the estimate of recoverable amount. The recoverable value is the higher of the net selling price and value in use.

USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumption that affect the reported amounts of assets and liabilities on the date of financial statements, the reported amount of revenues and expenses and the disclosures relating to contingent liabilities as on the date of financial statements. Actual results could differ from those of estimates. Any revision in accounting estimates is recognized in accordance with the respective accounting standard.

EARNINGS PER SHARE :

The Company reports basic and diluted earnings per share in accordance with AS-20 "Earnings Per Share". Basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of Equity Shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity Shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

Contingent liabilities as defined in AS-29 "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

CASH FLOW STATEMENT:

Cash flows are reported using the indirect method, whereby the net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of the past or future cash receipts or payments. The cash flows from regular revenue generating, investing & financing activities of the company are segregated.

BORROWING COSTS:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets, the assets that take substantial period of time to get ready for intended use, are capitalised as part of the cost of such assets.

STATUTORY RESERVE:

A Statutory Reserve of 20% of the current profit after tax is made during the year in pursuance of section 45-IC of the Reserve Bank of India Act, 1934.

PRUDENTIAL NORMS:

For the purpose of identifying the assets as Non-performing assets in pursuance of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, the Company follows generally accepted accounting principles and industry practices.

- The figures of the previous year are regrouped, rearranged and reclassified wherever necessary to correspond with those of the current year.
- The year end position of Loans and advances in the nature of interest free loans given to the following companies which are under the same management within the meaning of Sub-section (1B) of Section 370 of the Companies Act, 1956.

NAME OF THE COMPANY	Current Year ₹	Previous Year ₹
Mukesh Babu Securities Limited (Subsidiary)	100,239,617	125,389,617
Sagar Systech Limited	0	400,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year ₹	Previous Year ₹
Mukesh Babu Securities Limited (Subsidiary)	135,960,617	125,389,617
Sagar Systech Limited	400,000	400,000

- Information pursuant to paragraph 3 of part II of Schedule VI to the companies Act,1956 in respect of opening stock, purchases, sales and closing stock of shares traded in:

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	3,952,970	762,413	494,375	4,221,008
Value (₹)	119,670,943	1,845,657	93,529,080	107,351,494

(Purchases and sales include Bonus Shares and other adjustments, if any)

Consolidated transaction value (purchases and sales) on account of cash and derivative transactions amounts to ₹ 3,333,609,695. In case of derivatives transactions, purchases and sales are accounted after netting off.

- During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, which has resulted in a Deferred Tax Liability amounting to ₹ 12,38,936/ as at the year end. The components of Deferred Tax Assets and (liability) are given hereunder.

Particulars	Tax Effect ₹
Depreciation	(1,238,936)
Net Deferred Tax Assets / (Liabilities)	(1,238,936)

- The balances of loans & advances, overdraft from bank are subject to confirmation & reconciliation. The necessary adjustment if any will be made in the accounts on receipt thereof.

7. Earning Per Share

PARTICULARS	Current Year	Previous year
Profit/(Loss) After Tax ₹	52,148,603	52,028,697
Number of Equity Shares Fully Paid Up	6,960,600	6,960,600
Number of Equity Shares Party Paid Up	10,300	10,300
Weighted Average number of Equity Shares	6,965,750	6,965,750
Earning Per Share – Basic and Diluted ₹	7.49	7.47
Face Value per Equity Share ₹	10	10

8. The Company is mainly engaged in the business of providing commercial finance and dealing in shares and securities. All other activities of the Company revolve around the main business, and as such in the opinion of the management, there are no separate reportable segments as per Accounting Standard – AS – 17-“Segment Reporting” Issued by ICAI.
9. Loans and advances given to the employees and associates and for projects do not carry any stipulation as to repayment of principal or payment of interest; and are being repaid periodically. Accordingly, these are considered as good and not considered as part of non-performing assets.
10. Directors' remuneration ₹ 1,240,000/-(Previous year ₹ 1,480,000/-) is within the limits of Schedule XIII to the Companies Act 1956.
11. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties with whom transactions entered:

- (i) Subsidiary Company: Mukesh Babu Securities Limited.
- (ii) Associates: Istaar Fashions Pvt. Ltd. Babu & Parekh Securities Private Limited, Sagar Systech Limited,
- (iii) Key Managerial Personnel: Shri Mukesh Babu, Shri Pankaj Majithia, Shri Vijay Vora.

Transactions During the year	Relationship	₹ In Lacs
Opening Balances	Subsidiary Company	1253.90
	Associates	159.50
Loans & Advances further given during the year	Subsidiary Company	918.50
	Associates	2.50
Amounts received back as loans and Advances	Subsidiary Company	1170.00
	Associates	40.00
Remuneration & Sitting Fees	Key Managerial Personnel	12.40
Closing Balances	Subsidiary Company	1002.40
	Associates	122.00

12. Fixed Assets of company are treated as “Corporate Assets” and are not “Cash Generating Units” as defined by AS-28 issued by Institute of Chartered Accountants of India (ICAI), In view of this, the Management is of Opinion that this Standard is not applicable to the Company.

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

(₹ in lakhs)

Particulars			
Liabilities side :			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Loan Against Securities (Secured against Shares)	2201.99	NIL
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NIL	NIL
Assets side :		Amount outstanding	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	NIL	
	(b) Unsecured	1949.69	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments :		
	<u>Current Investments :</u>	NIL	
	<u>Long Term investments :</u>		
	1. <u>Quoted :</u>		
	(i) Share : (a) Equity	4.50	
	(b) Preference	NIL	
	(ii) Units of mutual funds	NIL	
	2. <u>Unquoted :</u>		
	(i) Shares : (a) Equity	278.60	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	2550.00	
(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :	NIL	
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		
	Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	258.10	258.10
	(c) Other related parties		
	2. Other than related parties	2576.75	2,575.00
	Total	2,834.85	2,833.10

(8) Other information

Particulars		Amount
(i)	<i>Gross Non-Performing Assets</i>	--
	(a) <i>Related parties</i>	
	(b) <i>Other than related parties</i>	
(ii)	<i>Net Non-Performing Assets</i>	--
	(a) <i>Related parties</i>	
	(b) <i>Other than related parties</i>	
(iii)	Assets acquired in satisfaction of debt	--

14. Auditor's Remuneration

Auditor's remuneration in accordance with paragraph 4B of part II of Schedule VI to the Companies Act, 1956 is as Under :

Particulars	Current Year ₹	Previous Year ₹
Audit Fees	22,060/-	22,060/-
Consultancy Fees	28,681/-	13,790/-
Total	50,741/-	35,850/-

15. No interest has been charged on loans and advances given to subsidiary and some associate companies and for projects in view of commercial considerations of the group.

16. Other information pursuant to paragraph 3, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not applicable.

Signature to the Schedules "1" to "10"

FOR AND ON BEHALF OF THE BOARD

Sd/-
(Mukesh Babu)
Managing Director

Sd/-
(K. Chandrasekhar)
Director

Sd/-
(Dipali Shah)
Company Secretary

Place: Mumbai
Date: 10.08.2011

MUKESH BABU FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR YEAR ENDED 31ST MARCH 2011

	YEAR ENDED 31.03.2011		YEAR ENDED 31.03.2010	
	₹	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		73,383,190		73,987,632
Adjustments for :				
Depreciation & Misc. Exp. Written off	1,052,468		1,282,721	
Bad Debts written off	1,007,890		7,372,654	
Excess Provision for Taxation	-	2,060,358	-	8,655,375
Operating Profit Before Working Capital Changes		75,443,548		82,643,007
Changes in Working Capital:				
Inventories	12,319,449		(6,602,342)	
Sundry Debtors	-		-	
Loans and Advances	44,988,039		(163,732,424)	
Other Current Assets	(31,710,457)		(8,746,080)	
Sundry Creditors	12,196,395		9,501,588	
Other Liabilities	6,217,682	44,011,108	166,594	(169,412,664)
Cash Generated from Operations		119,454,656		(86,769,657)
Direct Taxes Paid		(1,184,084)		(1,603,500)
Cash Flow Before Extraordinary Items		118,270,572		(88,373,157)
Extraordinary Items		(620)		131,030
NET CASH FROM OPERATING ACTIVITIES		118,269,952		(88,242,127)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	-		-	
Sale of Fixed Assets	-		-	
Purchase of Investments	(165,000,000)		(90,500,000)	
Sale of Investments	9,500,000	(155,500,000)	-	(90,500,000)
NET CASH USED IN INVESTING ACTIVITIES		(155,500,000)		(90,500,000)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	44,174,480		176,024,720	
Repayment of Loan	-		-	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	(6,967,250)		-	
Increase in Misc. & Public Issue Expenses	-	37,207,230	-	176,024,720
NET CASH USED IN FINANCING ACTIVITIES		37,207,230		176,024,720
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(22,818)		(2,717,407)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,546,272		4,263,679
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		<u>1,523,454</u>		<u>1,546,272</u>

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(MEHUL C. SHAH)
Partner
Membership No.49361

(DIPALI SHAH)
Company Secretary

(MUKESH BABU)
Managing Director

(K. CHANDRASEKHAR)
Director

Place : Mumbai

Place : Mumbai

Date : 10/08/2011

Date : 10/08/2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS
PROFILE INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI
OF THE COMPANIES ACT, 1956.**

I. Registration Details

Registration No.	35504	Status Code	11
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Balance Sheet Date	31.03.2011
--------------------	------------

II. Capital raised during the year (Amount in ₹. Thousand)

Public issue	-	Right Issue	-
--------------	---	-------------	---

Bonus Issue	-	Private Placement	-
-------------	---	-------------------	---

III. Position of Mobilisation and Development of Funds (Amount in ₹ Thousand)

	Total Liabilities	Total Assets
Sources of Funds	539,099	539,099
	Paidup Capital	Reserves and Surplus
	69,675	247,986
	Secured Loans	Unsecured Loans
	220,199	-

Application of Funds

Net Fixed Assets	9,855	Investment	283,310
Net Current Assets	245,934	Miscellaneous Expenditure	-
Accumulated Losses	-		

IV. Performance of Company (Amount in ₹ Thousand)

Turnover	111,046	Total Expenditure	37,662
Profit or (Loss) before Tax	73,383	Profit or (Loss) after Tax	52,149
Earning Per Share in ₹	7.49	Dividend Rate in (%)	10

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

Item Code No. (ITC Code)	659939999
-----------------------------	-----------

Service Description	COMMERCIAL FINANCE & TRADING IN SHARES
---------------------	--

Sd/-

Mukesh Babu
Managing Director
Place : Mumbai.

Date : 10/08/2011

Sd/-

K. Chandrasekhar
Director

Sd/-

Dipali Shah
Company Secretary

MUKESH BABU FINANCIAL SERVICES LIMITED

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies.

NAME OF THE SUBSIDIARY COMPANY	MUKESH BABU SECURITIES LIMITED
1 Financial year of the subsidiary ended on	31st March 2011
2 Shares of the Subsidiary held by the company on the above date	
a) Number and face value	2,580,996 Equity Shares of ₹10 each fully paid.
b)Extent of Holding	51%
3 Net aggregate amount of profit/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the company.:	
a) Dealt with in the accounts of the company for the year ended 31st March 2011	₹ NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2011	₹ 5,562,221
4 Net aggregate amoun of profit/(losses) for previous financial years of the subsidiary, since it become a subsidiary so far as they concern members of the company:	
a) Dealt with in the accounts of the company for the year ended 31st March 2011	₹ NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2011	₹ 96,988,770

FOR AND ON BEHALF OF THE BOARD

Sd/-

Mukesh Babu
Managing Director

Sd/-

K. Chandrasekhar
Director

Sd/-

Dipali Shah
Company Secretary

Place : Mumbai.

Date : 10/08/2011

ANNUAL REPORT 2010-11

MUKESH BABU SECURITIES LIMITED

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Board of Directors

Shri Mukesh Babu (Chairman)
Ms.Meena Mukesh (Managing Director)
Shri Vijay Vora

Company Secretary

Mr. K. Chandrasekhar

Main Bankers

Oriental Bank of Commerce
Bank of India
HDFC Bank
Axis Bank
ICICI Bank

Registered Office

111, Maker Chambers III,
223, Nariman Point,
Mumbai - 400 021.

Auditors

Chaitanya C. Dalal & Co.
Chartered Accountants
104, Bombay Samachar Marg, Fort,
Bharat House,3rd Floor, Mumbai - 400001.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2011

Your Directors have pleasure in presenting the Annual Report of the Company and audited statement of accounts for the year ended 31st March 2011

FINANCIAL RESULTS	CURRENT YEAR AMOUNT RS.	PREVIOUS YEAR AMOUNT RS.
GROSS TOTAL INCOME	20,183,735	23,587,502
	=====	=====
Profit before Interest, Depreciation & Tax	10,047,438	13,381,716
Less: Interest Paid	3,568,201	5,214,444
Gross Profit	6,479,237	8,167,271
Less: Depreciation	225,222	223,945
Profit before Taxation	6,254,015	7,943,326
Less: Provision for Taxation including Deferred Tax	691,794	2,743,278
Net Profit After Taxation	5,562,221	5,200,048
Less: Items relating to Earlier years	-	52,656
Balance Transferred to/(From) General Reserve	5,562,221	5,147,392

YEAR IN RETROSPECT

During the year, your company earned the total income of Rs. 201.84 lacs as compared to previous year's total income of Rs. 235.88 lacs. The gross profit during the year was Rs.64.79 lacs as against the gross profit of Rs. 81.67 lacs during the previous year. The net profit for the year was Rs. 55.62 lacs as against the net profit of Rs. 52.00 lacs in the previous year.

Due to temporary closure of Broking activities from July 2003, company has not earned any income from Broking Activities during the year.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies (Amendment)Act, 2000 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2011 on a going concern basis.

AUDIT COMMITTEE

The Audit committee of Directors was constituted on 19th April 2004. The constitution of the committee was made in pursuance with section 292A of the Companies (Amendment) Act, 2000. The present composition of the Audit Committee is as follows.

- (i) Mr. Vijay Vora
- (ii) Mr. Mukesh Babu

MR. K. Chandrasekhar, Company Secretary is the Secretary of Audit Committee. The terms of reference of audit committee is to review the internal controls, to investigate in to any matter, to meet auditors & discuss their findings & other issues relating to company operations. At the invitation of committee the auditors attended the audit committee meetings.

No.	Name of the Member	Designation	No. of Committee meetings Held	No. of Committee meeting attended
1	Mr. Vijay Vora	Chairman	4	4
2	Mr. Mukesh Babu	Member	4	4

FIXED DEPOSITS

At the end of the year, there were no unclaimed matured Fixed Deposits.

AUDITORS

The current Auditors M/s. Chaitanya C. Dalal & Company retire on the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNING AND OUT GO.

As the company is service company, no particulars have been given regarding conservation of Energy and Technology Absorption.

Foreign Exchange earning and outgo during the year – Rs. Nil (Previous Year Rs. Nil).

PARTICULARS OF EMPLOYEES

There is no employee drawing remuneration in excess of the limits laid down under section 217 (2A) of the companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers .

Your Directors wish to place on record their deep sense of appreciation for the commitment displayed by all the employees.

FOR AND ON BEHALF OF THE BOARD

Sd/-

Place : Mumbai
Date : 16th June 2011

Mukesh Babu
Chairman

AUDITORS' REPORT

To,
The Members,
MUKESH BABU SECURITIES LIMITED
Mumbai

We have audited the attached Balance Sheet of **MUKESH BABU SECURITIES LIMITED** as at 31st March, 2011 and 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement(s). An audit includes examining on a test basis, evidence supporting the amount and disclosure in the financial statement. 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.

And we report that:

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 and 5 of the said Order, to the extent applicable to the company.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanation, 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 and Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion the Balance Sheet and 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.
- (v) On the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to the notes thereon give the information required by the Companies Act, 1956, in the manner so required and in conformity with the accounting principles generally accepted in India and give a true and fair view :
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,
 - (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 Chaitanya C. Dalal & Co.
Chartered Accountants
Sd/-
Chaitanya C. Dalal
Partner
Membership No. 35809
Firm's Registration No.: 101632W

Place: Mumbai
Date: 16/06/2011

Annexure to the Auditors' Report

Re: Mukesh Babu Securities Limited

As required by the Companies (Auditor's Report) Order 2003 including the Companies (Auditor's Report) (Amendment) 2004 issued by the Central Government of India in term of Section 227(4A) of the Companies Act 1956 and on the basis of such checks as we considered appropriate we report that: -

- (i)
 - a. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. These fixed assets have been physically verified by the management at reasonable intervals; and no material discrepancies were noticed on such verification.
 - c. As per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) The Company did not carry any inventory during the year. Accordingly, the clauses as to physical verification of inventory at reasonable intervals, the procedures of physical verification of inventory followed by the management, and maintenance of proper records of inventory are not applicable.
- (iii) The Company has neither taken nor granted any unsecured loans to any party covered in the register maintained under section 301 of the Act. Since unsecured loans neither taken nor granted to any party covered in the register maintained under section 301 of the Act reporting under Clause (b), (c), and (d) are not required.
- (iv) 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 revenue recognition. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal procedures.
- (v)
 - a. In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Sections 301 of the Act and exceeding the value of Rupees Five Lakh in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from public; hence question of complying with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii)
 - a. According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including investor education and protection fund, income tax, sales-tax, wealth tax, customs duty, excise duty, Cess, ESIC and PF and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable in respect of such statutory dues were outstanding as at 31st March 2011, for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us there is no disputed dues of sales tax/income tax/custom tax/wealth tax/excise duty/Cess have been deposited on account of any dispute.
- (ix) According to the records of the company examined by us and information and explanation given to us the dispute between the company and Madhavpura Mercantile Co-operative Bank Ltd has been decided by the Hon'ble High Court of Gujarat in favour of the company and as the arbitration proceedings has been quashed no liability exists on the company.
- (x) The company has no accumulated losses as at 31st March, 2011 and has not incurred cash losses during the period ended on that date or in the immediately preceding financial year.
- (xi) Company has not granted loans against pledge of shares, debentures and other securities; hence question of Maintenance of adequate documents and records of pledge of shares, debentures and other securities, does not arise.
- (xii) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xiii) The Company has not availed any term loans facility during the year, hence, question of using of it for the purposes for which they were obtained does not arise.
- (xiv) The company has maintained proper records of transactions and contracts in respect of trading in shares, debentures, and other securities and timely entries have been made therein. The investments are held by the company in its own names except those allowable under section 49 of the Companies Act, 1956.
- (xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised as working capital loans (short term loans) that have been used for long-term investment and vice versa.
- (xvi) The Company has not made any preferential allotments of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- (xvii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
- (xviii) The other clauses, namely (viii), (xiii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003 are not applicable in the current year. Since in our opinion there is no matter which arises to be reported in the aforesaid order.

For Chaitanya C. Dalal & Co.
Chartered Accountants

Sd/-

Chaitanya C. Dalal
Partner
Membership No. 35809
Firm's Registration No.: 101632W

Place: Mumbai
Date: 16/06/2011

MUKESH BABU SECURITIES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		₹	₹	₹	₹
I. SOURCES OF FUNDS					
1. SHAREHOLDER'S FUNDS					
a. Share Capital	A	50,000,000		50,000,000	
b. Reserves and Surplus	B	<u>96,988,770</u>	146,988,770	<u>91,426,549</u>	141,426,549
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
3. DEFERRED TAX LIABILITIES			1,470		9,676
			<u>146,990,240</u>		<u>141,436,225</u>
TOTAL FUNDS EMPLOYED					
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	C				
Gross Block		26,926,146		26,748,569	
Less : Depreciation		<u>12,244,787</u>		<u>12,019,565</u>	
Net Block			14,681,359		14,729,004
2. INVESTMENTS	D		61,478,154		66,278,154
3. CURRENT ASSETS, LOANS AND ADVANCES:	E	407,784,413		367,992,320	
4. LESS : CURRENT LIABILITIES AND PROVISIONS:	F	<u>336,953,686</u>		<u>307,563,253</u>	
			70,830,727		60,429,067
NET CURRENT ASSETS			-		-
5. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)					
			<u>146,990,240</u>		<u>141,436,225</u>
TOTAL ASSETS					

Refer Schedule "H" for Notes to Accounts
As per our report of even date.

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitanya C. Dalal)
Partner
Membership No.: 35809
FRN No.: 101632W

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place : Mumbai

Place : Mumbai

Date : 16th June, 2011

Date : 16th June, 2011

MUKESH BABU SECURITIES LIMITED

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	SCHEDULE	CURRENT YEAR ₹	PREVIOUS YEAR ₹
I. INCOME			
Income From Brokerage		-	-
Other Income		20,183,735	23,587,502
Total		<u>20,183,735</u>	<u>23,587,502</u>
II. EXPENSES			
Administrative and General Expenses	G	10,136,297	10,205,787
Depreciation		225,222	223,945
Intrest		3,568,201	5,214,444
Total		<u>13,929,720</u>	<u>15,644,176</u>
PROFIT/(LOSS) BEFORE TAXATION		6,254,015	7,943,326
Less : Current Tax Provision		700,000	700,000
Less : Provision for F.B. T.			
Add/(Less) : Deferred Tax Assets/(Liabilities)		8,206	(2,043,278)
PROFIT/(LOSS) AFTER TAXATION		<u>5,562,221</u>	<u>5,200,048</u>
Add/Less : Taxation relating to earlier years		-	52,656
		<u>5,562,221</u>	<u>5,147,392</u>
Less : Transferred to/(from) General Reserve		5,562,221	5,147,392
BALANCE CARRIED TO BALANCE SHEET		<u><u>-</u></u>	<u><u>-</u></u>
Earning per Share as per AC-20 (Basic & Diluted)		1.11	1.04

Refer Schedule "H" for Notes to Accounts
As per our report of even date.

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitanya C. Dalal)
Partner
Membership No.: 35809
FRN No.: 101632W

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place : Mumbai

Place : Mumbai

Date : 16th June, 2011

Date : 16th June, 2011

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

Particulars	Current Year		Previous Year	
	₹	₹	₹	₹
SCHEDULE " A " - SHARE CAPITAL				
Authorised capital :				
5,000,000 (5,000,000) Equity Shares of ₹ 10 each		50,000,000		50,000,000
Issued, Subscribed and Paid up Capital :				
5,000,000 (5,000,000) Equity Shares of ₹ 10 each		50,000,000		50,000,000
As per Balance Sheet		<u>50,000,000</u>		<u>50,000,000</u>

Note: 2,580,996 (Previous Year 2,580,996) Equity Shares of ₹10/- each are held by the Holding Company Mukesh Babu Financial Services Ltd.

SCHEDULE "B" - RESERVES & SURPLUS

General Reserve :

Balance as per last Balance Sheet	91,426,549		86,279,157	
Add/(less): Transfer from/(to) Profit & Loss A/c	<u>5,562,221</u>	96,988,770	<u>5,147,392</u>	91,426,549

As per Balance Sheet

<u>96,988,770</u>	<u>91,426,549</u>
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SCHEDULE "C" - FIXED ASSETS

Particulars	G R O S S B L O C K			D E P R E C I A T I O N				N E T B L O C K		
	As on 1.4.2010	Add	Less	As On 31.3.2011	Up to 1.4.2010	For the year	Written Back	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2011
Office Premises	11,430,390	-	-	11,430,390	-	-	-	-	11,430,390	11,430,390
Premises	2,227,500	-	-	2,227,500	-	-	-	-	2,227,500	2,227,500
Office Equipments	2,203,277	-	-	2,203,277	1,675,026	73,480	-	1,748,506	454,771	528,251
Vehicles	2,296,735	-	-	2,296,735	2,188,886	27,922	-	2,216,808	79,927	107,849
Computers	6,406,002	43,077	-	6,449,079	6,267,580	61,113	-	6,328,693	120,386	138,422
Furniture & Fittings	1,741,442	-	-	1,741,442	1,545,034	35,550	-	1,580,584	160,858	196,408
Electric Equipment	443,223	134,500	-	577,723	343,039	27,157	-	370,196	207,527	100,184
Total ₹	26,748,569	177,577	-	26,926,146	12,019,565	225,222	-	12,244,787	14,681,359	14,729,004
Previous Year	26,583,331	165,238	-	26,748,569	11,795,620	223,945	-	12,019,565	14,729,004	

SCHEDULE "D" - INVESTMENT (AT COST)

	Current Year		Previous Year	
	No.	₹	No.	₹
I. QUOTED SHARES				
ABB LTD.	780	187,200	780	187,200
ACC LTD.	500	183,500	500	183,500
Aditya Birla Nuvo Ltd.	193	15,860	193	15,860
Afteck Ltd.	1,162	62,000	1,162	62,000
Alstom Projects India Ltd.	606	105,444	606	105,444
Ambalal Sarabhai Enterprises Ltd	100	940	100	940
Ambuja Cements Ltd.	37,320	307,148	37,320	307,148
Bajaj Auto Ltd.	6,000	1,652,000	3,000	1,652,000
Bajaj Financial Services Ltd.	3,000	-	3,000	-
Bajaj Holdings & Investment Ltd.	3,000	-	3,000	-
Balaji Telefilms Ltd.	1,600	166,400	1,600	166,400
Ballarpur Industries Ltd.	300	85,775	300	85,775
BF Investment Ltd.	50,000	-	50,000	-
BF Utilities Ltd.	50,000	-	50,000	-
Bharat Forge Ltd.	268,750	7,680,250	268,750	7,680,250
Bharat Heavy Electricals Ltd.	420	183,750	420	183,750
Biopac India Corporation Ltd.	1,000	14,000	1,000	14,000
Cadbury India Ltd	50	15,533	50	15,533
Cummins India Ltd.	250	33,750	250	33,750
Dena Bank	1,000	30,000	1,000	30,000
Dish TV India Ltd.	17,458	-	17,458	-
DSQ Software	5,200	62,400	5,200	62,400

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

	Current Year		Previous Year	
	No.	₹	No.	₹
Garware Polyester & Plastics Ltd.	1,400	194,853	1,400	194,853
Global Trust Bank Ltd	5,000	5,850	5,000	5,850
Grasim Ltd	1,000	455,000	1,000	455,000
Great Easteran Shipping Company Ltd.	840	189,000	840	189,000
Great offshore Ltd.	210	-	210	-
HDFC Bank Ltd.	30,200	2,224,930	30,200	2,224,930
HDFC Ltd.	50	8,230	10	8,230
Hindalco Industries Ltd.	2,700	354,569	2,700	354,569
Hindustan Motors Ltd.	1,500	52,500	1,500	52,500
Hindustan Oil Exploration Ltd.	125,000	7,031,250	125,000	7,031,250
Hindustan Petroleum Corporation Ltd.	205	75,850	205	75,850
ICICI Bank Ltd.	425	137,750	425	137,750
IFCI Ltd.	2,800	56,000	2,800	56,000
Indian Telephone Industries Ltd.	10,000	1,650,000	10,000	1,650,000
Indogulf Industries Ltd.	520	72,800	520	72,800
Indusind Bank Ltd.	1,000	42,625	1,000	42,625
Infosys Ltd.	72	80,640	72	80,640
ITC Ltd.	3,000	137,000	1,500	137,000
Kesoram Industries Ltd.	40	5,400	40	5,400
Kirlosker Pneumatics Co. Ltd.	100,000	4,521,000	100,000	4,521,000
Kotak Mahindra Bank Ltd.	500	33,000	250	33,000
Larsen & Toubro Ltd.	2,620	720,500	2,620	720,500
LML Ltd.	19,550	713,575	19,550	713,575
Mahanagar Telephone Nigam Ltd.	370	72,150	370	72,150
Milton Plastics Ltd.	85,000	6,695,000	85,000	6,695,000
Nexus Software Ltd.	44	220	44	220
Numero Uno Projects Ltd.	2,030	5,278	2,030	5,278
P.M. Telelinks Ltd.	100	400	100	400
Pooja Intertainment & Films Ltd.	500	2,890	500	2,890
Ranbaxy Laboratories Ltd.	450	294,975	450	294,975
Raymond Ltd.	300	105,000	300	105,000
Reliance Capital Ltd	198	18,700	198	18,700
Reliance Communications Ltd.	1,769	-	1,769	-
Reliance Industries Ltd.	3,538	2,095,272	3,538	2,095,272
Reliance Infrastructure Ltd.	232	23,293	232	23,293
Reliance Power Ltd.	442	-	-	-
Sesa Goa Ltd.	20,000	1,522,000	20,000	1,522,000
Steel Authority of India Ltd.	200	13,000	200	13,000
Sun Infoways Ltd.	400	2,800	400	2,800
Supreme Petrochem Ltd.	500	12,500	500	12,500
Tata Consultancy Services Ltd.	200	192,000	200	192,000
Tata Motors Ltd.	13,802	4,156,110	13,802	4,156,110
Tata Steels Ltd.	303	72,582	303	72,582
Ultratech Cement Ltd	1,095	204,360	524	204,360
Unichem Laboratories Ltd.	1,000	80,000	400	80,000
Wire & Wireless India Ltd	35,181	380,000	35,181	180,000
Zee Entertainment Enterprises Ltd.	66,504	5,287,514	30,363	5,287,514
Zee Learn Ltd	8,313	-	-	-
Zee News Ltd	13,727	-	13,727	-
Total	1,013,519	50,784,316	962,662	50,584,316
II. UNQUOTED SHARES, UNITS, BONDS				
UTI Index Equity Fund	50,000	500,000	50,000	500,000
SBI Mutual Fund	30,000	300,000	30,000	300,000
Secured Bonds of Dena Bank	10	100,000	10	100,000
Bombay Stock Exchange Ltd	70,694	9,793,838	70,694	9,793,838
Rushil Industries Limited (Share Application Money)	-	-	500,000	5,000,000
Total	150,704	10,693,838	650,704	15,693,838
As per Balance Sheet	TOTAL	(I + II)	61,478,154	66,278,154

Note: Aggregate market value of the Quoted Investment as on 31.03.2011 ₹ 314,090,081 (Previous Year ₹.303,130,642/-)

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

Particulars	Current Year		Previous Year	
	₹	₹	₹	₹
SCHEDULE "E" - CURRENT ASSETS, & LOANS & ADVANCES				
a) Sundry Debtors (Unsecured)				
(Unsecured considered good)				
Sundry Debtors - More than Six Month	20,530,021		20,864,170	
Sundry Debtors - Less than Six Month	-	20,530,021	-	20,864,170
	-		-	
c) Cash and Bank Balance				
Cash on hand (As certified by Director)	1,289,960		2,985,124	
Balance With Scheduled Banks	2,571,583	3,861,543	4,189,546	7,174,670
	2,571,583		4,189,546	
d) Other Current Assets				
Advance Tax & TDS	8,695,354		6,857,575	
Deposit - Interest Free	33,355,655		33,301,117	
- Others	114,565,777	156,616,786	113,952,856	154,111,548
	114,565,777		113,952,856	
e) Loans and Advances				
(Unsecured Considered Good)				
Loans and advances to staff	459,080		551,330	
Prepaid Expenses	17,381		14,139	
Other Advances	226,299,602	226,776,063	185,276,463	185,841,932
	226,299,602		185,276,463	
As per Balance Sheet		407,784,413		367,992,320
SCHEDULE "F" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Sundry Creditors	881,243		1,003,639	
Deposit from Clients	-		60,000	
Margin accounts	150,000,000		150,000,000	
Dues to Holding Company (Mukesh Babu Financial Services Ltd.)	100,239,617		125,389,617	
Other Liabilities	185,435		236,155	
Bank Overdraft	82,622,391	333,928,686	28,548,842	305,238,253
	82,622,391		28,548,842	
b. provisions				
Provision for Taxation		3,025,000		2,325,000
As per Balance Sheet		336,953,686		307,563,253
SCHEDULE "G" - ADMININSTATIVE AND GENERAL EXPENSES				
Auditors Remuneration for Audit Fees	22,060		22,060	
for Consultancy Fees	22,060	44,120	22,060	44,120
	22,060		22,060	
Directors Remuneration		1,200,000		1,200,000
Donation Expenses		500,000		1,000,000
Electricity expenses		489,310		613,773
Staffwelfare Expenses		868,883		449,455
Conveyance & Travelling		851,426		437,373
Insurance		1,965,667		1,970,932
Membership and Subscription		325,600		209,300
Telephone & Courier Exp		289,950		205,906
Printing and Stationery		42,476		88,088
Professional and Consultancy fees		216,500		153,250
Rent, Rates and Taxes		603,478		729,839
Repairs & Maintenance		152,574		352,314
Salary & Wages		1,578,800		1,431,100
Sundry Expenses		144,980		317,734
Trade Execution Charges		720,000		648,000
Transaction Charges		142,533		354,603
As per Profit and Loss Account		10,136,297		10,205,787

SCHEDULE – H NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

A. SIGNIFICANT ACCOUNTING POLICIES.

1. **Basis of Preparation of Financial Statements:**

The financial statements are prepared on historical cost basis and as a going concern. Accounting Policies not referred to otherwise are consistent with generally accepted accounting principles in India, the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.

2. **Revenue Recognition:**

Company follows Mercantile System of accounting and recognizes Income and Expenditure on accrual basis with necessary provisions for all known liabilities. Accounting Policies not referred to otherwise, are consistent with generally accepted accounting principles.

3. **Fixed Assets and Depreciation**

Fixed Assets are stated at cost. Fixed Asset of the Company has not been revalued during the year. Depreciation on Fixed Asset of the year has been provided on the written down value method in accordance in rates and manner provided in schedule XVI of Companies Act, 1956 wherever applicable.

4. **Investments**

Investments are stated at cost of acquisition. No provision has been made in the accounts of the company for the depletion or appreciation in the value of the investments.

5. **Provision for Taxation**

Provision for tax comprises of current and deferred Tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

6. **Deferred Tax Assets**

Deferred Tax Assets are accounted in accordance with the Accounting Standard – 22.

7. **Cash and Cash Equivalent:**

Cash and Cash Equivalent in the Balance Sheet comprise of cash at bank and cash at hand.

B. NOTES TO THE ACCOUNTS:

8. **Related Party Disclosure:**

Related Party Disclosures to comply with Accounting Standard – 18 – Related Party disclosure by ICAI.

1. **Holding Company** : Mukesh Babu Financial Services Limited
2. **Key Managerial Personnel** : Ms. Meena Mukesh Babu (Managing Director)
3. **Transactions During the Year:**

Particulars	Current Year (Rs. in Lacs)	Previous Year Rs. In Lacs
A. Mukesh Babu Financial Services Ltd. (Holding Company)		
Opening Balance	1253.90	240.64
Amount received during the year	918.50	2,012.00
Amount refunded during the year	1170.00	998.74
Credit Closing balance Payable at the year end	1002.40	1253.90
B. Ms. Meena Mukesh Babu (Managing Director)		
Remuneration paid during the year	12.00	12.00

9. **Deferred Tax Assets**

During the year, on accounting of Deferred Tax in accordance with the Accounting Standard – 22, the Deferred Tax Liabilities of the Company Comes to Rs. 1,470/- (Previous Year Rs. 9,676/-).

Particulars	Amount of Tax Effect for the Current Year	Amount of Tax Effect for Previous Year.
Liabilities on account of differences in depreciation accounting.	1470	9,676
Total Deferred Tax Liabilities	1470	9,676

10. **Current Assets Loans and Advances.**

In the opinion of the Directors balances in Loans and Advances & Current Assets have a value on realization of current assets in the ordinary course of business would not be less than the amount at which they are stated in the Balance sheet according to the management provision for all the loans and liabilities adequate. Balances in Creditors, Loans, and advances and current assets are subject to confirmation & reconciliation.

11. **Sundry Debtors and Creditors:**

Balances of sundry Debtors and Balance of Sundry Creditors are subject to confirmations and reconciliation, if any.

12. No provision for gratuity and leave encashment to the employee has been made in the accounts. Gratuity payable will be accounted as and when payments are made and as such the liability for the year has not been ascertained. and hence the disclosure required under AS-15 are not applicable.

13. The Company has no broking income as it has not re-commenced its business.

14. Bank overdraft balance is subject to reconciliation and confirmation.

15. The maximum amount outstanding during the year to the holding company is Rs. 135,980,117/- (Previous Year Rs. 125,389,616/-).

16. **Earning Per Share**

PARTICULARS	Current Year	Previous year
Profit/(Loss) After Tax Rs.	5,562,221	5,200,048
Number of Equity Shares Fully Paid Up	5,000,000	5,000,000
Earning Per Share – Basic and Diluted Rs.	1.11	1.04
Face Value per Equity Share Rs.	10	10

17. Fixed assets of company are treated as “Corporate assets” and are not “Cash Generating Units” as defined by AS-28 issued by Institute of Chartered Accountants of India (ICAI). In the Opinion of the Management, there is no impairment of fixed assets.

18. **Auditor’s Remuneration**

Auditor’s remuneration in accordance with paragraph 4B of part II of Schedule VI to the Companies Act, 1956 is as Under :

Particulars	Current Year	Previous Year
Audit Fees	22,060	22,060
Consultancy Fees	22,060	22,060
Total	44,120	44,120

19. Foreign Currency Transactions :

There were no foreign exchange transactions during the year.

20. Prior Period Comparatives:

The figures pertaining to previous year have been regrouped and rearranged , wherever necessary.

21. Schedules referred to in the Balance Sheet and Profit and Loss account form an integral part of the Accounts.

22. Quantitative Information.

Quantitative details pursuant to paragraph 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not applicable.

AS PER OUR REPORT ATTACHED

**For Chaitanya C. Dalal & Co.
Chartered Accountants**

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

Chaitanya C. Dalal & Co.
Partner
Membership No. 35809
FRN No.101632W

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place: Mumbai
Date: 16th June 2011

Place: Mumbai
Date: 16th June 2011

MUKESH BABU SECURITIES LIMITED.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011.

	CURRENT YEAR		PREVIOUS YEAR	
	₹	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		6,254,015		7,943,326
Adjustments for :				
Depreciation & Misc. Exp. Written off	225,222		223,945	
Foreign Exchange	-		-	
Loss/(Profit) on Sale on Investments	-		-	
Profit on Trading	-		-	
Interest/Dividend (Received)	(20,183,735)		(23,587,502)	
Interest paid	3,568,201		5,214,444	
Excess Provision for Taxation		<u>(16,390,312)</u>		<u>(18,149,113)</u>
Operating Profit Before Working Capital Changes		<u>(10,136,297)</u>		<u>(10,205,787)</u>
Adjustments for:				
Sundry Debtors	334,149		1,423,112	
Loans and Advances	(40,934,131)		(56,475,039)	
Other Current Assets	(2,505,238)		(1,240,396)	
Sundry Creditors	(25,272,396)		101,325,535	
Other Liabilities	(110,720)	<u>(68,488,336)</u>	13,712	<u>45,046,924</u>
Cash Generated from Operations		<u>(78,624,633)</u>		<u>34,841,137</u>
Interest Paid		(3,568,201)		(5,214,444)
Direct Taxes Paid				<u>(60,650)</u>
Cash Flow Before Extraordinary Items		<u>(82,192,834)</u>		<u>29,566,043</u>
Extraordinary Items				<u>(52,656)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>(82,192,834)</u>		<u>29,513,387</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(177,577)		(165,238)	
Sale of Fixed Assets	-		-	
Purchase of Investments	(200,000)		(180,000)	
Purchase of Stock -in -Trade	-		-	
Sale of Investments	5,000,000		-	
Sale of Stock - in -Trade	-		-	
Profit on Share Trading (Speculation)	-		-	
Interest & Dividend Received	20,183,735	<u>24,806,158</u>	23,587,502	<u>23,242,264</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>24,806,158</u>		<u>23,242,264</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	54,073,549		(53,864,350)	
Repayment of Loan	-		-	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-	<u>54,073,549</u>	-	<u>(53,864,350)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>54,073,549</u>		<u>(53,864,350)</u>
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(3,313,128)		(1,108,699)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		7,174,670		8,283,368
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		3,861,543		7,174,670

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitany C. Dalal)
Partner
Membership No. 35809
FRN No.: 101632W

(K.Chandrasekhar) (Mukesh Babu) (Meena Mukesh)
Company Secretary Director Managing Director

Place : Mumbai.
Date : 16th June, 2011

Place : Mumbai.
Date : 16th June, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL
BUSINESS PROFILE INFORMATION AS REQUIRED UNDER PART IV
OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**

I. Registration Details

Registration No.	76455	Status Code	11
Balance Sheet Date	31.03.2011		

II. Capital raised during the year (Amount in ₹ Thousand)

Public issue	-	Right Issue	-
Bonus Issue	-	Private Placement	-

III. Position of Mobilisation and Development of Funds (Amount in ₹ Thousand)

Sources of Funds	Total Liabilities	Total Assets
	146,990	146,990
	Paidup Capital	Reserves and Surplus
	50,000	96,989
	Secured Loans	Unsecured Loans
	-	-
Application of Funds	Net Fixed Assets	Investment
	14,681	61,478
	Net Current Assets	Miscellaneous Expenditure
	708	-
	Accumulated Losses	
	-	

IV. Performance of Company (Amount in ₹. Thousand)

Turnover	20,184	Total Expenditure	13,930
Profit or (Loss) before Tax	6,254	Profit or (Loss) after Tax	5,562
Earning Per Share in ₹	1.11	Dividend Rate in (%)	-

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

Item Code No. (ITC Code)	N.A.
Service Description	STOCK BROKING
	STOCK TRADING AND DEPOSITORY SERVICES

Sd/-

Sd/-

Sd/-

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place: Mumbai.
Date : 16th June, 2011

ANNUAL REPORT 2010 - 2011

MUKESH BABU FINANCIAL SERVICES LIMITED (CONSOLIDATED ACCOUNTS)

Board of Directors

Shri Mukesh Babu (Chairman & Managing Director)
Shri K. Chandrasekhar
Shri Pankaj Majithia
Shri Vijay Vora

Main Bankers

HDFC Bank
ICICI Bank
Bank Of India
Axis Bank
Oriental Bank of Commerce

CONTENTS

Registered Office

111, Maker Chambers III,
223, Nariman Point,
Mumbai - 400 021.

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Auditors

Shah, Shah & Shah
Chartered Accountants
502, Damji Shamji Trade Centre,
Vidyavihar - West, Mumbai - 400086.

**AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF MUKESH BABU
FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARY**

To
The Board of Directors,
Mukesh Babu Financial Services Limited.

1. We have examined the attached consolidated Balance Sheet of Mukesh Babu Financial services Ltd., ("The Company") and its subsidiary Mukesh Babu Securities Limited as at 31st March 2011 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year then ended annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflects total gross assets of ₹ 4839.44 lacs as at 31st March, 2011 and total gross revenues of ₹ 201.84 lacs for the year then ended. This financial statement has been audited by other auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statement issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements except herein under written.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, and its subsidiary, we are of the opinion that the said consolidated financial statements read with notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India :
- a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 31st March, 2011 and
 - b. in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended.
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

**For Shah Shah & Shah
Chartered Accountants**

Sd/-

**(Mehul C. Shah)
Partner
Membership No. 49361
FRN: 116457W**

Mumbai: August 10, 2011

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31.03.2011

PARTICULARS	SCHEDULE	AS ON 31.03.2011		AS ON 31.03.2010	
		₹	₹	₹	₹
I. SOURCES OF FUNDS					
1. SHAREHOLDER'S FUNDS					
a. Share Capital	1	69,675,000		69,672,500	
b. Reserves and Surplus	2	<u>298,051,800</u>	367,726,800	<u>251,136,853</u>	320,809,353
2. LOAN FUNDS					
a. Secured Loans	3	220,199,200		176,024,720	
b. Unsecured Loans		<u>-</u>	220,199,200	<u>-</u>	176,024,720
3. MINORITY INTEREST					
71,113,207					
4. DEFERRED TAX LIABILITIES					
1,240,404					
TOTAL FUNDS EMPLOYED		<u>660,279,611</u>		<u>566,545,301</u>	
II. APPLICATION OF FUNDS					
1. FIXED ASSETS					
4					
Gross Block		52,009,220		51,831,643	
Less : Depreciation		<u>27,472,510</u>		<u>26,194,820</u>	
Net Block			24,536,710		25,636,823
2. INVESTMENTS					
5					
318,978,154					
3. CURRENT ASSETS, LOANS AND ADVANCES:					
6					
a. Inventories		107,351,494		119,670,943	
b. Sundry Debtors		20,530,021		20,864,170	
c. Cash and Bank Balance		5,384,998		8,720,943	
d. Other Current Assets		207,024,101		172,808,406	
e. Loans & Advances		<u>321,505,739</u>		<u>301,417,537</u>	
		<u>661,796,353</u>		<u>623,481,999</u>	
4. LESS : CURRENT LIABILITIES AND PROVISIONS:					
7					
a. Current Liabilities		287,047,852		220,805,341	
b. Provisions		<u>57,983,754</u>		<u>30,046,334</u>	
		<u>345,031,606</u>		<u>250,851,675</u>	
NET CURRENT ASSETS					
316,764,747					
5. MISCELLANEOUS EXPENDITURE					
-					
TOTAL ASSETS		<u>660,279,611</u>		<u>566,545,301</u>	

Notes to Accounts 10
As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361
FRN: 116457W

(DIPALI SHAH) (MUKESH BABU) (K. CHANDRASEKHAR)
Company Secretary Managing Director Director

Place : Mumbai

Place : Mumbai

Date : 10.08.2011

Date : 10.08.2011

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED PROFIT AND LOSS A/C FOR THE YEAR ENDED 31.03.2011

PARTICULARS	SCHEDULE	YEAR ENDED 31.03.2011		YEAR ENDED 31.03.2010	
		₹	₹	₹	₹
I. INCOME					
Income from Operations	8	110,949,850		92,875,352	
Other Income		20,279,706	131,229,556	23,615,412	116,490,764
Total			131,229,556		116,490,764
II. EXPENSES					
Administrative and General Expenses	9	18,996,667		25,218,980	
Depreciation		1,277,690		1,506,666	
Interest		31,317,995	51,592,352	7,834,158	34,559,804
Total			51,592,352		34,559,804
PROFIT BEFORE TAXATION			79,637,204		81,930,960
Less : Taxation & Non Tax Bearing Items					
Current Tax		21,975,000		20,200,000	
Deferred Tax		(48,619)		4,502,213	
			21,926,381		24,702,213
PROFIT AFTER TAXATION			57,710,823		57,228,747
Balance in Profit & Loss A/c brought forward			79,202,421		45,599,766
Excess/(Short) Tax Provision for Earlier Years			(620)		78,374
PROFIT AVAILABLE FOR APPROPRIATION			136,912,624		102,906,887
Less:					
Transfer to Statutory Resreve		10,429,721		10,405,740	
Provision for Dividend		6,970,900		6,967,250	
Provision for Tax on Dividend		1,130,854		1,184,084	
Transferred from/(to) General Reserve		2,871,218		2,657,084	
Transferred to Minority Interest		2,691,003	24,093,696	2,490,308	23,704,466
BALANCE CARRIED TO BALANCE SHEET			112,818,928		79,202,421
Earning per share (Basic/Diluted)			8.28		8.22
Notes to Accounts	10				
As per our report of even date.					
FOR SHAH SHAH & SHAH			FOR AND ON BEHALF OF THE BOARD		
Chartered Accountants					
Sd/-		Sd/-		Sd/-	
(Mehul C. Shah)		(DIPALI SHAH)	(MUKESH BABU)	(K. CHANDRASEKHAR)	
Partner		Company Secretary	Managing Director	Director	
Membership No. 49361					
FRN: 116457W					
Place : Mumbai		Place : Mumbai			
Date : 10.08.2011		Date : 10.08.2011			

MUKESH BABU FINANCIAL SERVICES LIMITED

SCHEDULE "1" TO "10" FORMING AN INTEGRAL PART OF CONSOLIDATED A/C FOR THE YEAR ENDED 31.03.2011

PARTICULARS	AS ON 31.03.2011		AS ON 31.03.2010	
	₹	₹	₹	₹
SCHEDULE " 1" - SHARE CAPITAL				
Authorised capital :				
10,000,000 (10,000,000) Equity Shares of ₹ 10/- each.		<u>100,000,000</u>		<u>100,000,000</u>
Issued, Subscribed and Paid up Capital :				
6,970,900(6,970,900) Equity Shares of ₹ 10/- each.	69,709,000		69,709,000	
Less : Unpaid Calls	<u>34,000</u>	69,675,000	<u>36,500</u>	69,672,500
As per Balance Sheet		<u>69,675,000</u>		<u>69,672,500</u>
SCHEDULE "2" - RESERVES & SURPLUS				
Capital Reserve :				
Balance as per last Balance Sheet	7,088,500		7,088,500	
Less: Transferred on forfeiture of Shares	<u>7,500</u>	7,081,000	<u>-</u>	7,088,500
Share Premium Account :				
Balance as per last Balance Sheet	73,628,000		73,628,000	
Less: Share Forfeiture Account	<u>68,000</u>	73,560,000	<u>73,000</u>	73,555,000
General Reserve :				
Balance as per last Balance Sheet	68,277,256		65,620,172	
Add: Transfer from Profit & Loss A/c	<u>2,871,218</u>	71,148,474	<u>2,657,084</u>	68,277,256
Profit & Loss Account credit Balance :				
Balance as per last Balance Sheet	79,202,420		45,599,765	
Add: Transfer from Profit & Loss A/c	<u>33,616,507</u>	112,818,927	<u>33,602,655</u>	79,202,420
Statutory Reserve :				
Balance as per last Balance Sheet	23,013,677		12,607,937	
Add: Transfer from Profit & Loss A/c	<u>10,429,721</u>	33,443,398	<u>10,405,740</u>	23,013,677
As per Balance Sheet		<u>298,051,800</u>		<u>251,136,853</u>
SCHEDULE "3" - SECURED LOANS				
Loan Against Securities (Secured against Shares)		220,199,200		176,024,720
As per Balance Sheet		<u>220,199,200</u>		<u>176,024,720</u>

SCHEDULE "4" - FIXED ASSETS

SR.	PARTICULARS	G R O S S B L O C K				D E P R E C I A T I O N				N E T B L O C K	
		AS ON 1.4.2010	ADD	LESS	AS ON 31.03.2011	UP TO 1.4.2010	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
1	Office Premises	26,313,640	-	-	26,313,640	8,607,738	313,776	-	8,921,514	17,392,126	17,705,902
2	Guest House	2,100,000	-	-	2,100,000	475,060	81,248	-	556,308	1,543,692	1,624,940
3	Furniture & Fixtures	5,259,298	-	-	5,259,298	3,758,812	271,590	-	4,030,402	1,228,896	1,500,486
4	Electrical Fittings	755,999	134,500	-	890,499	477,632	59,409	-	537,041	353,458	278,367
5	Office Equipments	3,680,931	-	-	3,680,931	2,915,697	106,444	-	3,022,141	658,790	765,234
6	Computers	6,774,892	43,077	-	6,817,969	6,475,642	125,445	-	6,601,087	216,882	299,250
7	Premises	2,227,500	-	-	2,227,500	-	-	-	-	2,227,500	2,227,500
8	Vehicles	4,719,383	-	-	4,719,383	3,484,239	319,778	-	3,804,017	915,366	1,235,144
	Current Year Total ₹	51,831,643	177,577	-	52,009,220	26,194,820	1,277,690	-	27,472,510	24,536,710	25,636,823
	Previous Year Total ₹	51,666,405	165,238	-	51,831,643	24,688,154	1,506,666	-	26,194,820	25,636,823	26,978,251

SCHEDULE "5" - INVESTMENTS (AT COST)

Scrip Name	AS ON 31.03.2011		AS ON 31.03.2010	
	No.	₹	No.	₹
A. Shares (Quoted)				
ABB LTD.	780	187,200	780	187,200
ACC LTD.	500	183,500	500	183,500
Aditya Birla Nuvo Ltd.	193	15,860	193	15,860
Afteck Ltd.	1,162	62,000	1,162	62,000
Alstom Projects India Ltd.	606	105,444	606	105,444
Ambalal Sarabhai Enterprises Ltd	100	940	100	940
Ambuja Cements Ltd.	37,320	307,148	37,320	307,148
Bajaj Auto Ltd.	6,000	1,652,000	3,000	1,652,000
Bajaj Financial Services Ltd.	3,000	-	3,000	-
Bajaj Holdings & Investment Ltd.	3,000	-	3,000	-
Balaji Telefilms Ltd.	1,600	166,400	1,600	166,400
Ballarpur Industries Ltd.	300	85,775	300	85,775
BF Investment Ltd.	50,000	-	50,000	-
BF Utilities Ltd.	50,000	-	50,000	-
Bharat Forge Ltd.	268,750	7,680,250	268,750	7,680,250
Bharat Heavy Electricals Ltd.	420	183,750	420	183,750
Biopac India Corporation Ltd.	1,000	14,000	1,000	14,000
Cadbury India Ltd	50	15,533	50	15,533
Cummins India Ltd.	250	33,750	250	33,750
Dena Bank	1,000	30,000	1,000	30,000
Dish TV India Ltd.	17,458	-	17,458	-
DSQ Software	5,200	62,400	5,200	62,400
Garware Polyester & Plastics Ltd.	1,400	194,853	1,400	194,853
Global Trust Bank Ltd	5,000	5,850	5,000	5,850
Grasim Ltd	1,000	455,000	1,000	455,000
Great Easteran Shipping Company Ltd.	840	189,000	840	189,000
Great offshore Ltd.	210	-	210	-
HDFC Bank Ltd.	30,200	2,224,930	30,200	2,224,930
HDFC Ltd.	50	8,230	10	8,230
Hindalco Industries Ltd.	2,700	354,569	2,700	354,569
Hindustan Motors Ltd.	1,500	52,500	1,500	52,500
Hindustan Oil Exploration Ltd.	125,000	7,031,250	125,000	7,031,250
Hindustan Petroleum Corporation Ltd.	205	75,850	205	75,850
ICICI Bank Ltd.	425	137,750	425	137,750
IFCI Ltd.	2,800	56,000	2,800	56,000
Indian Telephone Industries Ltd.	10,000	1,650,000	10,000	1,650,000
Indogulf Industries Ltd.	520	72,800	520	72,800
Indusind Bank Ltd.	1,000	42,625	1,000	42,625
Infosys Ltd.	72	80,640	72	80,640
ITC Ltd.	3,000	137,000	1,500	137,000
Kesoram Industries Ltd.	40	5,400	40	5,400
Kirlosker Pneumatics Co. Ltd.	100,000	4,521,000	100,000	4,521,000
Kotak Mahindra Bank Ltd.	500	33,000	250	33,000
Larsen & Toubro Ltd.	2,620	720,500	2,620	720,500
LML Ltd.	19,550	713,575	19,550	713,575
Mahanagar Telephone Nigam Ltd.	370	72,150	370	72,150
Milton Plastics Ltd.	85,000	6,695,000	85,000	6,695,000
Nexus Software Ltd.	44	220	44	220
Número Uno Projects Ltd.	2,030	5,278	2,030	5,278
P.M. Telelinks Ltd.	100	400	100	400
Pooja Intertainment & Films Ltd.	500	2,890	500	2,890
Ranbaxy Laboratories Ltd.	450	294,975	450	294,975
Raymond Ltd.	300	105,000	300	105,000
Reliance Capital Ltd	198	18,700	198	18,700
Reliance Communications Ltd.	1,769	-	1,769	-

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Particulars	AS ON 31.03.2011		AS ON 31.03.2010	
	No.	₹	No.	₹
Continue from previous page				
Reliance Industries Ltd.	3,538	2,095,272	3,538	2,095,272
Reliance Infrastructure Ltd.	232	23,293	232	23,293
Reliance Power Ltd.	442	-	-	-
Sesa Goa Ltd.	20,000	1,522,000	20,000	1,522,000
Steel Authority of India Ltd.	200	13,000	200	13,000
Steelcast Ltd	10,000	450,000	10,000	450,000
Sun Infoways Ltd.	400	2,800	400	2,800
Supreme Petrochem Ltd.	500	12,500	500	12,500
Tata Consultancy Services Ltd.	200	192,000	200	192,000
Tata Motors Ltd.	13,802	4,156,110	13,802	4,156,110
Tata Steels Ltd.	303	72,582	303	72,582
Ultratech Cement Ltd	1,095	204,360	524	204,360
Unichem Laboratories Ltd.	1,000	80,000	400	80,000
Wire & Wireless India Ltd	35,181	380,000	35,181	180,000
Zee Entertainment Enterprises Ltd.	66,504	5,287,514	30,363	5,287,514
Zee Learn Ltd	8,313	-	-	-
Zee News Ltd	13,727	-	13,727	-
Total - (A)	1,023,519	51,234,316	972,662	51,034,316
B. Shares (Unquoted), Mutual Funds & Units				
Rushil Industries Ltd.	50,000	500,000	1,000,000	10,000,000
Dynamic Ship Recyclers Pvt.Ltd.	400,000	1,500,000	600,000	3,500,000
Units - UTI - IEF	55,000	550,000	55,000	550,000
SBI Mutual Fund	30,000	300,000	30,000	300,000
Secured Bonds of Dena Bank	10	100,000	10	100,000
Bombay Stock Exchange Ltd	70,694	9,793,838	70,694	9,793,838
Platinum Square P. Ltd.	-	-	300,000	3,000,000
Total - (B)	605,704	12,743,838	2,055,704	27,243,838
C. Debentures (Secured, Optionally Convertible 0%)				
Platinum Square P. Ltd	900	90,000,000	900	90,000,000
Total - (C)	900	90,000,000	900	90,000,000
D. Debentures (Secured, Non-Convertible 0%)				
The Gaekwar Mills Limited (F.V. Rs.100,000)	2,200	165,000,000	-	-
Total - (D)	2,200	165,000,000	-	-
AS PER BALANCE SHEET(A+B+C+D)	1,632,323	318,978,154	3,029,266	168,278,154

Note : Market Value of Quoted Investment as of 31st March, 2011 ₹314,882,238/- (Previous Year ₹ 303,760,642/-)

SCHEDULE "6" - CURRENT ASSETS, LOANS & ADVANCES

a) Closing Stock		107,351,494		119,670,943
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	20,530,021		20,864,170	
Others Considered good		20,530,021		20,864,170
c) Cash and Bank Balance				
Cash on hand (As certified by the Management)	1,295,477		3,244,319	
In Current A/c with Scheduled Bank	4,089,521	5,384,998	5,476,624	8,720,943
d) Other Current Assets				
Advance Tax & TDS	29,076,592		8,035,835	
Deposits : Interest Free	63,381,732		50,819,715	
Other	114,565,777	207,024,101	113,952,856	172,808,406
e) Loans and Advances				
(Unsecured Considered Good)				
Loans - Inter Corporate :				
Others	61,277,827		76,503,698	
Advances to Staff & Associates	10,460,602		19,507,890	
Company under the same Management	2,625,580		2,505,830	
Advances Recoverable in Cash or Kind	-		400,000	
or for Value to be received	247,141,730	321,505,739	202,500,119	301,417,537
As per Balance Sheet		661,796,353		623,481,999

Particulars	AS ON 31.03.2011		AS ON 31.03.2010	
	₹	₹	₹	₹
SCHEDULE "7" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Bank Over Draft	106,949,620		52,876,071	
Sundry Creditors	29,384,242		17,310,243	
Deposit from clients	-		60,000	
Margin Deposit	150,000,000		150,000,000	
Other Liabilities	713,990	287,047,852	559,027	220,805,341
b. provisions				
Provision for Taxation	45,000,854		23,079,084	
Other Provisions	6,012,000		-	
Provision for Dividend	6,970,900	57,983,754	6,967,250	30,046,334
As per Balance Sheet		345,031,606		250,851,675
YEAR ENDED 31.03.2011				
YEAR ENDED 31.03.2010				
SCHEDULE "8" - INCOME FROM OPERATIONS				
Interest Income		10,254,126		5,915,188
Dividend Income		15,484,082		11,862,349
Income from Commodity trading		-		15,097
Profit on Shares & Securities		85,211,642		75,082,718
As per Profit & Loss Account		110,949,850		92,875,352
SCHEDULE "9" - ADMINISTRATIVE AND GENERAL EXPENSES				
Auditors' Remuneration				
For Certification & Other work	50,741		35,850	
For Statutory Audit	44,120	94,861	44,120	79,970
Bad Debts		1,007,890		7,372,654
Computer Expenses		176,022		136,923
Conveyance & Travelling Expenses		1,444,185		1,226,402
Business Promotion		774,137		510,772
Directors' Remunerations		2,440,000		2,680,000
Donations		1,500,000		2,011,000
Electricity Expenses		686,204		770,397
Guest House Expenses		111,850		36,000
Insurance Expenses		1,971,294		1,970,932
Professional & Consultancy Fees		998,860		1,080,071
Listing Fees		27,575		27,575
Memberships & Subscription		358,690		209,300
Office Expenses		138,875		72,201
Printing and Stationery Expenses		275,175		238,533
Rent, Rates & Taxes		717,001		830,032
Repairs and Maintenance		466,994		652,708
Salary Expenses		2,507,250		2,294,650
Staff welfare Expenses		1,279,191		782,522
Trade Execution Expenses		720,000		648,000
Telephone & Courier Expenses		578,401		404,770
Transaction Charges		142,533		354,603
Sundry Expenses		579,679		828,965
As per Profit & Loss Account		18,996,667		25,218,980

SCHEDULE "10" NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

1. SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONCEPTS:

The Company follows mercantile system of accounting, and recognizes all income and expenses on accrual basis. The financial statement have been prepared to comply in all material respect with the mandatory Accounting standards issued by the Institute of Chartered Accountants of India, in accordance with Indian Generally Accepted Accounting Policies and as per the provision of the Companies Act, 1956.

FIXED ASSETS:

Fixed Assets are recorded at cost of acquisition including the expenditure incurred in connection with the acquisition and installation of the assets.

DEPRECIATION:

Depreciation is provided as per the rates, and in the manner provided in Schedule XIV to the Companies Act 1956.

INVESTMENTS:

Investments are stated at cost of acquisition. The management does not find it necessary to provide for any diminution in the value of investments as the decline, if any, may be due to short term stock market forces.

INVENTORIES:

Inventories of quoted shares are carried at lower of cost or net realizable value and that of unquoted Shares at cost. The cost of inventories of items that are not ordinarily inter-changeable are assigned by specific identification of their individual costs. Other inventory items are recorded using first-in-first-out cost formula. The inventories include the relevant duties, taxes, and cess other than those subsequently recoverable by the enterprise from the taxing authorities that were incurred to bring the inventory to their present location and conditions.

REVENUE RECOGNITION:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sale of shares is recognized on receipt of contract note from the broker Dividends are recorded in the year of declaration and receipt. Interest on loans granted is recognized as income on completion at the time it is not unreasonable to expect ultimate collection. Other revenue items are recognized as income on their accrual basis.

RETIREMENT BENEFITS

The Company's contribution to ESIC is accounted on accrual basis and charged to Profit and Loss Account. Gratuity is accounted as payable to Employees on Retirement or Resignation of Employees; whereas there is no defined policy enabling the employees to avail encashment of leave.

TAXES ON INCOME:

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

Deferred tax for the year is recognized on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured assuming the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized and carried forward only if there is a reasonable / virtual certainty of realization.

IMPAIRMENT OF ASSETS :

An asset is treated as impaired when the carrying cost of the Asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss account in the year in which an asset is identified as impaired. The Impairment loss recognized in prior accounting periods is increased / reversed where there has been change in the estimate of recoverable amount. The recoverable value is the higher of the net selling price and value in use.

USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumption that affect the reported amounts of assets and liabilities on the date of financial statements, the reported amount of revenues and expenses and the disclosures relating to contingent liabilities as on the date of financial statements. Actual results could differ from those of estimates. Any revision in accounting estimates is recognized in accordance with the respective accounting standard.

EARNINGS PER SHARE :

The Company reports basic and diluted earnings per share in accordance with AS-20 "Earnings Per Share". Basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of Equity Shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity Shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

Contingent liabilities as defined in AS-29 "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

CASH FLOW STATEMENT:

Cash flows are reported using the indirect method, whereby the net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of the past or future cash receipts or payments. The cash flows from regular revenue generating, investing & financing activities of the company are segregated.

BORROWING COSTS:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets, the assets that take substantial period of time to get ready for intended use, are capitalised as part of the cost of such assets.

STATUTORY RESERVE:

A Statutory Reserve of 20% of the current profit after tax is made during the year in pursuance of section 45-IC of the Reserve Bank of India Act, 1934.

PRUDENTIAL NORMS:

For the purpose of identifying the assets as Non-performing assets in pursuance of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, the Company follows generally accepted accounting principles and industry practices.

2. The figures of the previous year are regrouped, rearranged and reclassified wherever necessary to correspond with those of the current year.
3. The year end position of Loans and advances in the nature of interest free loans given to the following companies which are under the same management within the meaning of Sub-section (1B) of Section 370 of the Companies Act, 1956.

NAME OF THE COMPANY	Current Year ₹	Previous Year ₹
Sagar Systech Limited	0	400,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year ₹	Previous Year ₹
Sagar Systech Limited	400,000	400,000

4. Information pursuant to paragraph 3 of part II of Schedule VI to the companies Act,1956 in respect of opening stock, purchases, sales and closing stock of shares traded in:

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	3,952,970	762,413	494,375	4,221,008
Value (₹)	119,670,943	1,845,657	93,529,080	107,351,494

(Purchases and sales include Bonus Shares and other adjustments, if any)

Consolidated transaction value (purchases and sales) on account of cash and derivative transactions amounts to ₹ 3,333,609,695. In case of derivatives transactions, purchases and sales are accounted after netting off.

5. During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, which has resulted in a Deferred Tax Liability amounting to ₹ 12,40,404/- as at the year end. The components of Deferred Tax Assets and (liability) are given hereunder.

Particulars	Tax Effect ₹
Depreciation	(1,240,404)
Net Deferred Tax Assets / (Liabilities)	(1,240,404)

6. The balances of Sundry Creditors, Sundry Debtors, loans & advances, overdraft from bank are subject to confirmation & reconciliation. The necessary adjustment if any will be made in the accounts on receipt thereof.

7. Earning Per Share

PARTICULARS	Current Year	Previous year
Profit/(Loss) After Tax ₹	57,710,823	57,228,747
Number of Equity Shares Fully Paid Up	6,960,600	6,960,600
Number of Equity Shares Party Paid Up	10,300	10,300
Weighted Average number of Equity Shares	6,965,750	6,965,750
Earning Per Share – Basic and Diluted ₹	8.28	8.22
Face Value per Equity Share ₹	10	10

8. The Company is mainly engaged in the business of providing commercial finance and dealing in shares and securities. All other activities of the Company revolve around the main business, and as such in the opinion of the management, there are no separate reportable segments as per Accounting Standard – AS – 17-“Segment Reporting” Issued by ICAI.

9. Loans and advances given to the employees and associates and for projects do not carry any stipulation as to repayment of principal or payment of interest; and are being repaid periodically. Accordingly, these are considered as good and not considered as part of non-performing assets.

10. Directors' remuneration ₹ 24,40,000/-(Previous year ₹ 26,80,000/-) is within the limits of Schedule XIII to the Companies Act 1956.

11. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties with whom transactions entered:

- (i) Associates: Ista Fashion Pvt. Ltd. Babu & Parekh Securities Private Limited, Sagar Systech Limited,
- (ii) Key Managerial Personnel: Shri Mukesh Babu, Ms. Meena Mukesh Babu, Shri Pankaj Majithia, Shri Vijay Vora.

Transactions During the year	Relationship	₹ in Lacs
Opening Balances	Associates	159.50
Loans & Advances further given during the year	Associates	2.50
Amounts received back as loans and Advances	Associates	40.00
Remuneration & Sitting Fees	Key Managerial Personnel	24.40
Closing Balances	Associates	122.00

12. Fixed Assets of company are treated as “Corporate Assets” and are not “Cash Generating Units” as defined by AS-28 issued by Institute of Chartered Accountants of India (ICAI), In view of this, the Management is of Opinion that this Standard is not applicable to the Company.

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

(₹ in lakhs)

Particulars			
Liabilities side :			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Loan Against Securities (Secured against Shares)	2201.99	NIL
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NIL	NIL
Assets side :			
		Amount outstanding	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	NIL	
	(b) Unsecured	1949.69	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments :		
	<u>Current Investments :</u>	NIL	
	<u>Long Term investments :</u>		
	1. <u>Quoted :</u>		
	(i) Share : (a) Equity	4.50	
	(b) Preference	NIL	
	(ii) Units of mutual funds	NIL	
	2. <u>Unquoted :</u>		
	(i) Shares : (a) Equity	278.60	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	2550.00	
(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :	NIL	
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	258.10	258.10
	(c) Other related parties		
	2. Other than related parties	2576.75	2,575.00
	Total	2,834.85	2,833.10
(8)	Other information		
	Particulars	Amount	
(i)	<i>Gross Non-Performing Assets</i>	--	
	(a) <i>Related parties</i>		
	(b) <i>Other than related parties</i>		
(ii)	<i>Net Non-Performing Assets</i>	--	
	(a) <i>Related parties</i>		
	(b) <i>Other than related parties</i>		
(iii)	Assets acquired in satisfaction of debt	--	

14. Auditor's Remuneration

Auditor's remuneration in accordance with paragraph 4B of part II of Schedule VI to the Companies Act, 1956 is as Under :

Particulars	Current Year ₹	Previous Year ₹
Audit Fees	44,120/-	44,120/-
Consultancy Fees	50,741/-	35,850/-
Total	50,741/-	35,850/-

15. No interest has been charged on loans and advances given to subsidiary and some associate companies and for projects in view of commercial considerations of the group.

16. Other information pursuant to paragraph 3, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not applicable.

Signature to the Schedules "1" to "10"

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

(Mukesh Babu)
Managing Director

(K. Chandrasekhar)
Director

(Dipali Shah)
Company Secretary

Place: Mumbai
Date: 10.08.2011

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31.03.2011

	YEAR ENDING 31.03.2011		YEAR ENDING 31.03.2010	
	₹	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		79,637,204		81,930,960
Adjustments for :				
Depreciation & Misc. Exp. Written off	1,277,690		1,506,666	
Bad Debts written off	-		-	
Interest / Dividend Received	(20,279,706)		(23,615,412)	
Interest Paid	31,317,995		7,834,158	
Excess Provision for Taxation	-	12,315,979	-	(14,274,588)
Operating Profit Before Working Capital Changes		91,953,183		67,656,372
Changes in Working Capital:				
Inventories	12,319,449		(6,602,342)	
Sundry Debtors	334,149		1,423,112	
Loans and Advances	(20,088,202)		(111,509,274)	
Other Current Assets	(34,215,695)		(9,986,476)	
Sundry Creditors	12,073,999		9,501,588	
Other Liabilities	6,106,963	(23,469,337)	180,306	(116,993,086)
Cash Generated from Operations		68,483,846		(49,336,714)
Interest Paid		(31,317,995)		(7,834,158)
Direct Taxes Paid		(1,184,084)		(1,664,150)
Cash Flow Before Extraordinary Items		35,981,767		(58,835,022)
Extraordinary Items		(620)		78,374
NET CASH FROM OPERATING ACTIVITIES		35,981,147		(58,756,648)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets		(177,577)		(165,238)
Sale of Fixed Assets		-		-
Purchase of Investments		(165,200,000)		(90,680,000)
Dividend and Interest		20,279,706		23,615,412
Sale of Investments		14,500,000	(130,597,871)	-
NET CASH USED IN INVESTING ACTIVITIES		(130,597,871)		(67,229,826)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital		-		-
Proceeds from Short Term Borrowings		54,073,549		(53,864,350)
Proceeds from Long term Borrowings		44,174,480		176,024,720
Repayment of Loan		-		-
Repayment of Finance Lease Liabilities		-		-
Dividends Paid		(6,967,250)		-
Increase in Misc. & Public Issue Expenses		-	91,280,779	-
NET CASH USED IN FINANCING ACTIVITIES		91,280,779		122,160,370
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(3,335,945)		(3,826,104)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,720,943		12,547,047
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		<u>5,384,998</u>		<u>8,720,943</u>

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(MEHUL C. SHAH)
Partner
Membership No.49361
FRN: 116457W

(DIPALI SHAH)
Company Secretary

(MUKESH BABU)
Managing Director

(K. CHANDRASEKHAR)
Director

Place : Mumbai

Place : Mumbai

Date : 10.08.2011

Date : 10.08.2011

NOTICE

NOTICE is hereby given that the Twentysixth Annual General Meeting of the Members of the Company will be held on Friday, 30th September, 2011 at 5 p.m. at 12A/4, New Sion C.H.S. Ltd., Sindhi Colony, Sion – West, Mumbai 400 022, to transact the following business:

ORDINARY BUSINESS

1. ADOPTION OF DIRECTORS REPORT AND ANNUAL ACCOUNTS.

To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2011, Profit and Loss Account and the Cash Flow Statement for the year ended on that date and the Reports of the Directors and Auditors thereon.

2. TO DECLARE DIVIDEND.

To declare dividend on the Equity Shares.

3. TO APPOINT DIRECTOR WHO RETIRES BY ROTATION AND ELIGIBLE FOR RE-APPOINTMENT.

To appoint a director in place of Mr. Pankaj Majithia, who retires by rotation and being eligible offers himself for re-appointment as a Director of the Company.

4. APPOINTMENT OF AUDITORS OF THE COMPANY.

To appoint M/s. Shah Shah & Shah, Chartered Accountants, Mumbai, for the Financial Year 2011-2012, who shall hold office from the conclusion of the Annual General meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s.,Shah Shah & Shah , Chartered Accountants, Mumbai the retiring Auditors of the Company are eligible for re-appointment.

**By Order of the Board of Directors
For Mukesh Babu Financial Services Limited**

**Sd/-
Mukesh C Babu
Chairman**

Registered Office:- 111, Maker Chambers III, 223, Nariman Point, Mumbai 400 021

Dated: 10th August, 2011

Notes:

- (i) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. FOR PROXY TO BE EFFECTIVE, ATTACHED PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.**
- (ii) The Register of Members and the Share Transfer Books of the Company, will be closed from Friday, 23rd September, 2011 to Friday, 30th September, 2011 (both days inclusive).
- (iii) Change of address, if any, should be notified to the Company, immediately.
- (iv) Members attending the Annual General Meeting are requested to bring their copy of the Annual Report at the meeting.
- (v) Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for ease of identification for recording the attendance at the meeting.
- (vi) The Company's Equity Shares are listed on the Bombay Stock Exchange, Mumbai and The Stock Exchange, Ahmedabad. The listing fees in respect of the shares of the Company have been paid to the aforesaid exchanges upto the financial year 2011-12.
- (vii) All members are requested to send their correspondence in respect of their shares to the Registrar and Share Transfer Agents of the company viz. **Link Intime India Pvt. Ltd.**, C-13 Pannalal Silk Mills Compound, L.B.S Marg, Bhandup(West), Mumbai 400 078.

**By Order of the Board
For Mukesh Babu Financial Services Ltd**

Place: Mumbai

Date: 10th August, 2011

**Sd/-
Mukesh C Babu
Chairman**

Mukesh Babu Financial Services Limited.

Registered office : 111, Maker Chambers III,223, Nariman Point, Mumbai –400 021

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.

Joint shareholders may obtain additional Attendance Slip at the venue of the meeting.

DP. Id*

Regd. Folio No.

Client Id*

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at an Annual General Meeting of the company held on Friday, 30th September 2011 at 5 p.m. at 12A/4, New Sion C.H.S. Ltd, Sindhi Colony, Sion - West. Mumbai – 400022

Signature of the shareholder or proxy

*Applicable for investors holding shares in electronic form.

----- TEAR HERE-----

Mukesh Babu Financial Services Limited

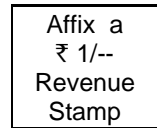
Registered office : 111, Maker Chambers III, 223, Nariman Point, Mumbai –400 021

DP. Id*

Client Id*

I/We _____ of _____ being a member/members of Mukesh Babu Financial Services Limited hereby appoint _____ of _____ or failing him _____ of _____ as my /our proxy to vote for me/us and on my/our behalf at an Annual General meeting to be held on Friday 30th September 2011 or at any adjournment thereof.

Signed this _____ day of September 2011



- Applicable for investors holding shares in electronic form.

Note: (1) The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
(2) Members holding shares under more than one folio may use photo copy of this proxy form for other folios. The Company shall provide additional forms on request.