

SHARDUL
SECURITIES LIMITED



22nd
ANNUAL REPORT
2006 - 2007

SHARDUL Securities Limited

BOARD OF DIRECTORS

| | |
|---------------------------|----------------------|
| Devesh Chaturvedi | - Chairman |
| Gagan Chaturvedi | - Vice Chairman |
| Dr.V.C. Shah | - Director |
| Bhupendra Shroff | - Director |
| Mukesh Shroff | - Director |
| Kantilal Shah | - Director |
| Charul Abuwala | - Director |
| Gyandeo Chaturvedi | - Director |
| R. Sundaresan | - Executive Director |
| Naveen Chaturvedi | - Executive Director |

| CONTENTS | Page No. |
|--|----------|
| Information about the Company | 02 |
| Notice of Annual General Meeting | 03 |
| Director's Report | 06 |
| Report on Corporate Governance | 09 |
| Auditors' Report | 17 |
| Balance Sheet | 20 |
| Profit & Loss Account | 21 |
| Schedules to Balance Sheet | 22 |
| Schedules to Profit & Loss Account | 26 |
| Notes on Accounts | 27 |
| Balance Sheet Abstract and Company's General Business Profile | 34 |
| Cash Flow Statement | 35 |
| Statement u/s 212 of Companies Act, 1956 relating to | 36 |
| Subsidiaries a) Shriyam Broking Intermediary Limited, b) Shardul Commodities International Ltd. | |
| Auditors Report of Shriyam Broking Intermediary Limited. | 38 |
| Balance Sheet and Profit & Loss Account of Shriyam Broking Intermediary Limited. | 40 |
| Auditors Report of Shardul Commodities International Limited | 50 |
| Balance Sheet and Profit & Loss Account of Shardul Commodities International Limited. | 52 |
| Auditors Report on Consolidated Balance Sheet | 59 |
| Consolidated Balance Sheet / Profit & Loss Account & Schedule | 60 |

AUDITORS:

Rajen Damani & Associates,

BANKERS:

HDFC Bank Limited
Indian Overseas Bank

REGISTERED OFFICE:

G-12, Tulsiani Chambers
212, Nariman Point
Mumbai 400 021
Tel.No.: 40090500
Fax No.: 22846585
Website: www.shardulsecurities.com
E Mail: access@shriyam.com

SUBSIDIARY COMPANIES:

- **Shriyam Broking Intermediary Ltd.**
712-713, Tulsiani Chambers
212, Nariman Point
Mumbai 400 021
- **Shardul Commodities International Limited**
712-713, Tulsiani Chambers
212, Nariman Point
Mumbai 400 021

REGISTRARS AND SHARE TRANSFER AGENT:

Bigshare Services Pvt. Ltd.

E-2/3, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri(East),
Mumbai 400 072.
Tel.No.: 28470652/0653 and 28473474/3747
Fax : 28475207
E mail: bigshare@siafy.com

ANNUAL REPORT 2006-2007

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Shardul Securities Limited will be held on Saturday, 1st September 2007 at 12.00 noon at Senate Banquet Hall, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai 400 021 to transact the following business: -

AS ORDINARY BUSINESS:

1. To receive consider and adopt the audited Balance Sheet as at 31st March 2007 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri V.C. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Kantilal M Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Charul Abuwala, who retires by rotation and being eligible, offers himself for re-appointment.
6. **RESOLVED THAT** M/s Rajen Damani & Associates, Chartered Accountants be and are hereby re-appointed, as Statutory Auditors of the Company to hold office from the conclusion to this meeting until the conclusion of next Annual General Meeting on a remuneration of Rs 2,50,000/- plus service tax and out of pocket expenses and such separate remuneration for other services rendered to the Company, if any, as may be mutually agreed between the Board of Directors/ or Audit Committee of Directors and Auditors.

AS SPECIAL BUSINESS

7. Appointment of Shri Naveen Chaturvedi as a Director;
To appoint a Director in place of Shri Naveen Chaturvedi who was appointed as an additional director of the Company, by the board of directors, with effect from 16.01.07 and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received notice in writing under section 257 of the Act from a member along with the security deposit of Rs 500/-.
8. To consider and if thought fit to pass with or without modification the following resolution as **special Resolution**.
RESOLVED THAT subject to provisions of section 198, 269, 309, 310 read with schedule XIII and other applicable provisions, if any of the Companies Act, 1956 or any amendment thereof or substitution thereof consent of the Company be and is hereby accorded to Mr. Naveen Chaturvedi holding and continuing to hold office as Executive Director of the Company with effect from 16th January 2007 for a period of 5 years as per the following terms
 - Remuneration of Rs. 6.50 lacs Per annum.
 - Employer Contribution to Provident Fund and Gratuity is as per the Company's Policy.**RESOLVED** further that consent of the Company be and is hereby given to the Board of Directors, or Remuneration Committee to increase at its discretion, the remuneration of Mr. Naveen Chaturvedi, at any time till the completion of his tenure, within the overall limit of remuneration as provided in Schedule XIII of Companies Act, 1956.

NOTES: -

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company, the instrument appointing proxy should however, be deposited at the Registered Office of the Company not less than forty eight hours before commencement of the meeting.
2. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. In terms of Articles 155 of the Articles of Association of the Company, reappointment of Directors at the ensuing Annual General Meeting and being eligible offer themselves for reappointment, the brief resumes of these Directors, nature of their expertise in specific functional areas and names of the Companies in which they hold directorship and membership/chairmanship of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the report on Corporate Governance forming part of the Annual Report, the Board of Directors of the Company commends the respective reappointments of the aforesaid Directors.
4. Members / Proxies are requested to bring the Attendance Slip duly filled in for attending the meeting.



5. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting, and those who hold shares in physical form are requested to write their Folio Numbers in the Attendance Slip for attending the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members are hereby informed that that the Company has transferred to "Investor Education and Protection Fund" of the Central Government all unclaimed Dividends upto Dividend for the Financial Years 1999-00. Dividend declared in the earlier years and remaining unpaid will be deposited with the above fund of the Government at the expiry of 7 years from the date of their transfer to unclaimed dividend account. Amounts transferred to this Fund cannot be recovered. Shareholders who have not encashed the dividend warrants, declared after this period are requested to encash their dividend warrants immediately.
8. Register of Members and Transfer books of the Company will be closed from 28th August 2007 to 31st August 2007 (both days inclusive)
9. The dividend if declare will be paid on and from 3rd September, 2007 to those shareholders whose names appear on the register of members of the Company as on 27th August, 2007.
10. Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers/branches of the said Bank. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
11. In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole/First joint holder, the following information to be incorporated on the dividend warrants:
 - a) Name of the Sole/First joint holder and the Folio Number
 - b) Particulars of Bank Account, viz.: 1) Name of the Bank 2) Name of Branch 3) Complete address of the Bank with Pin Code Number 4) Account type, whether Savings (SB) or Current Account (CA) 5) Bank Account number allotted by the Bank.
12. Shareholders holding shares in electronics form may kindly note that their Bank accounts details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/change in such bank details.
13. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depositories Participants about such change, with complete details of Bank Account.
14. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his / her queries to the Company at least eight days prior to the meeting so that the required information can be made available at the Meeting.
15. Members holding shares in physical form are requested to notify /send the following to the Company's Registrars and Share Transfer Agents to facilitate better service:
 - a. any change in their address/mandate/bank details.
 - b. Particulars of their bank account in case the same have not been sent earlier.
 - c. Share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of names for consolidation of such shareholding into one account.

Members holding shares in electronic form are requested to notify /send their change in address/bank details to the respective Depositories, viz. NSDL & CDSL.

By Order of the Board of Directors

Place : Mumbai
Date : 28th June, 2007

R Sundaresan **Naveen Chaturvedi**
Executive Director Executive Director

Regd. Office :

G-12, Tulsiani Chambers,
212, Nariman Point
Mumbai 400 021.

ANNUAL REPORT 2006-2007

Explanatory Statements under Section 173(2) of the Companies Act, 1956.

Item No. 7 & 8

Mr. Naveen Chaturvedi was appointed as an additional Director by the Board of Directors of the Company, with effect from 16.01.2007. In accordance with the provisions of Section 260 of the Companies Act 1956 (the Act), Mr Naveen Chaturvedi will hold office as a Director upto the date of the ensuing Annual General meeting. The Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director.

Mr. Naveen Chaturvedi, Chartered Accountant and has practical experience in the Company's line of business activities. He is associated with the company as Chief Financial Officer and it is in the best interest of the Company to appoint him as a Whole Time Director.

The terms and conditions are as follows:

Remuneration of Mr. Naveen Chaturvedi with effect from 16th January 2007 will be as follows:-

- a) Salary : Rs 6,50,000/- per annum.
- b) Company's contribution to Provident Fund and payment of Gratuity shall be as per the Company Rules and Regulations.

The terms and conditions set out for appointment and payment of remuneration may be altered and varied from time to time by the Board of Directors of the company as it may at its discretion deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments made thereto.

Your Directors recommend the Resolution for your approval.

None of the Directors except Mr. Naveen Chaturvedi is concerned or interested in this Resolution.

The above explanation may also be taken as an abstract under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Place : Mumbai
Date : 28th June, 2007

Regd. Office :

G-12, Tulsiani Chambers,
212, Nariman Point
Mumbai 400 021.

R Sundaresan
Executive Director

Naveen Chaturvedi
Executive Director

DIRECTORS' REPORT TO SHAREHOLDERS

To,

The Members of

Shardul Securities Ltd.

Your Directors are pleased to present the Twenty Second Annual Report and the Audited Accounts for the year ended March 31, 2007.

1. Financial Results :

| | (Rs. in lacs) | |
|---|----------------|-------------|
| | 2006 - 2007 | 2005 - 2006 |
| Profit before Depreciation | 1316.05 | 1268.63 |
| Less: Depreciation | 37.49 | 34.20 |
| Profit before Taxation | 1278.56 | 1234.43 |
| Less : Provision for taxation | | |
| Current | 150.00 | 165.00 |
| FBT | 6.35 | 3.65 |
| Deferred | 3.14 | 11.73 |
| Profit after Taxation | 1119.07 | 1054.05 |
| Add: Prior Year Adjustments | 1.10 | (0.80) |
| Profit after Prior Period Adjustments | 1120.17 | 1053.25 |
| Surplus / (Deficit) brought forward from previous years | 653.01 | 9.94 |
| | 1773.18 | 1063.19 |
| Appropriations: | | |
| Statutory Reserve Fund as per RBI Guidelines | 224.03 | 210.65 |
| Proposed Dividend (including dividend tax) on Equity Shares | 204.73 | 199.53 |
| Balance carried to Balance Sheet | 1344.42 | 653.01 |
| | 1773.18 | 1063.19 |

2. Dividend: -

Your Directors recommends a dividend of Re. 1 per Equity Shares on 1,74,98,433 equity shares of Rs. 10 each aggregating to Rs. 204.73 lacs (including dividend tax) for the financial year ended March 31, 2007, which if approved at the ensuing Annual General Meeting, will be paid to (i) all those Equity Shareholders whose names appear in the Register of Members as on 27th August 2007 and (ii) to those whose names as beneficial owners are furnished by the National Securities Depositories Ltd., and Central Depositories Services (India) Ltd.

3. Management Discussions and Analysis Report: -

i) Financial Performance

Your Company achieved good results for the Financial Year ended 31st March 2007. The Gross Income was Rs. 2378.62 Lacs for the year ended 31st March 2007 as compared to Rs. 1822.98 Lacs in the previous year. The profit after tax of the Company was Rs. 1120.17 Lacs as against Rs. 1053.25 Lacs during the previous year.

ii) Trend in Indian Economy and Financial Markets:

Our GDP growth maintained its high momentum clocking 9.2% rate in 2007-08, while the industrial growth improved to 14%. However, infrastructure, especially power sector lagged behind creating uncertainty on the sustainability of our DGP growth rate.

We continued upward trend in foreign exchange reserves with large net inflow of foreign investment attracted by investment opportunities offered by a highly dynamic economy. Large inflow of foreign exchange reserves which exceeded US\$ 190 billion at the end of financial year 2006-07 maintained monetary liquidity. Money supply increased by about 18% as compared to 20% in the preceding year, and Bank credit expanded appreciably, though the credit uptake slowed down during last quarter of the year due to tighter money policy of Reserve Bank.

The financial developments leading to excess and easy liquidity generated inflationary pressures. Hence, Reserve Bank of India tightened monetary policy in steps including increase in interest rate, to an extent, which would not impact adversely our economic growth momentum. RBI maintained our exchange rate at competitive level.

These trends in financial market and inflation rate crossing "safe target" of 5% created uncertainty among investors which in turn led to volatility and higher risk in our stock market, especially in the last quarter of 2006-07.

Your management adopted a prudent and somewhat cautious policy of not taking undue risk regarding your Company's operations.

Further, the fixed income security market was again sluggish, as trading opportunities were limited in view of the rising interest rates and after a gap of about four years the market witnessed peak interest rates being offered on deposits and borrowings thus dampening opportunities for trading in the secondary security market.

Due to the limitations imposed by the Government, the commodity market also witnessed a slowdown though in certain select commodities high volumes of trading were witnessed during the year.

iii) Business Review: -

Your company's operations were again focused on the investment activities in equity and debt markets, taking into account distinct upward trends in growth rates of our economy and industrial sector, inflationary pressures, particularly during the third and fourth quarters and consequent tightening of monetary policy – all leading to uncertainty and volatility.

The company's investments were again targeted in growth areas in industry like Banking, Petrochemical and Telecommunication sectors and consequently, your company was able to build a good portfolio of investment with a potential for better profitability and growth. Your company was also active in primary issues on a selective basis through funding to High

ANNUAL REPORT 2006-2007

Network Individuals and corporates. However, on trading front the company suffered some setback due to unexpected volatility, especially during the last quarter of the year.

The Company also had large stream of revenues through professional and advisory services during the year. The income from operations for the current year thus stood at 836.96 lacs as compared to Rs.804.07 lacs during the previous year despite the fact that interest and financial charges for the year recording a high of Rs.689.25 lacs as compared to Rs.242.77 lacs during the last year. This reflects agility of the management, efficient risk management strategy becoming increasingly important with globalization of Indian economy and financial markets and resilience of your company.

iv) Opportunities and Threats:

The capital markets continue to remain volatile though the market index has been improving during the last few months. The interest rate scenario seems to have reached peak level with no likelihood of further rise with the containment of inflation. As inflation rate has fallen below its safe target and monetary liquidity has remained satisfactory, it is expected market volatility would be lower than last year's. However, there is always an element of uncertainty especially regarding capital markets as a result of increasing integration of global financial markets.

Within these expected parameters of our economy and financial market, your company's focus will continue to be on investment activities. The commodity business, which started during the year, is expected to make headway in the coming years.

v) Segment wise or Product wise reporting: -

Your Company is mainly engaged in the business of investment activities and all other activities of the Company revolve around the main business, and as such there are no separate reportable segments.

vi) Outlook: -

Your company will explore all possible avenues to improve profitability of the company and increase shareholder's wealth. The company has already made efforts to expand the clientele base and will continue to reach out more and more to the potential clients in order to improve the volume of business.

Your company will strengthen its research base by introducing additional competent analysts to support all the above activities in order to ensure that the resources of the company are put to optimum use.

vii) Risks and Concerns: -

The company is mainly engaged in investment activities, in which risk is inherent in all countries including India. However, your company is well placed to minimize impact of unexpected adversities. Your company will continue to improve its risk management system and strategy so as to project and promote shareholder's interests.

viii) Internal Control Systems and their Adequacy:

The Company has put in place adequate systems and internal controls including internal audit to ensure that inadequacies are immediately attended and regulated. The requisite management information system has been continuously in operation to monitor performance of the Company so as to take necessary corrective measures as and when needed.

ix) Human Resources:

The company has experienced and trained professionals to manage the affairs of the company in the most prudent manner. The top level executive force has been strengthened for better monitoring and control and the existing staff are adequately equipped to handle day-to-day jobs competently.

x) Cautionary Statement:

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risk and uncertainties. Actual results may differ materially from those expressed in the statements as important factors could influence the Company's operation such as Government policies, local, political and economic development.

4. Subsidiaries:

Financial performance of the wholly owned subsidiary, Shriyam Broking Intermediary Ltd., has been creditable for the year ended 31st May, 2007. Its volume of brokerage business was satisfactory as compared to last year. The company's other subsidiary, namely, Shardul Commodities Intermediary Ltd., has commenced operations and culminating market penetration for broking in commodities. As adequate infrastructure is yet to be finalise, the activities were on a somewhat low key.

The balance sheet and profit and loss account together with Directors' Report of your subsidiary company is appended to the accounts of the Company. Particulars required pursuant to Section 212 of the Companies Act, 1956 is appended to the accounts of the Company.

5. Directors: -

In terms of Article 155 of the Articles of Association of the Company, Shri V.C. Shah, Shri Kantilal M Shah and Shri Charul Abuwala, Directors retire by rotation and being eligible offer themselves for re-appointment at the Annual General Meeting.

Shri Naveen Chaturvedi who was appointed as an Additional Director by the board on 16th January 2007, and in respect of whom notice along with the deposit of Rs 500/- has been received from a member u/s 257 of the Companies Act, 1956 proposing his appointment as an Director. Shri Naveen Chaturvedi is also appointed as Executive Director.

Brief resume of the Directors proposed to be appointed/ reappointed, nature of their experience in specific functions and area and number of companies in which they hold membership/chairmanship of Board Committees as stipulated under clause 49 of the Listing

Agreement of Stock Exchange are provided in the Report of Corporate Governance forming part of the Annual Report.

6. Taxation: -

In opinion of Directors, the provision for Income Tax is sufficient to meet Income Tax demands.

7. Donation: -

During the year the Company has given the total donation of Rs. 11.21 lacs to various Trusts.

8. Cashflow :-

As required by Clause 37 of the Listing Agreement, a Cash Flow Statement is appended with this report.

9. Directors' Responsibility Statement: -

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed: -

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) That the Directors have 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 have 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 have prepared the accounts for the financial year ended 31st March 2007 on a 'going concern' basis.

11. Auditors and Auditors' Report: -

The Company's Auditors, M/s Rajen Damani & Associates., Chartered Accountants, hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received the letter from them pursuant to section 224(1-B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

12. Corporate Governance: -

Report on Corporate Governance stipulated under Clause 49 of the Listing Agreement with Stock Exchange form part of this annual report. A certificate from the auditors of the Company M/s Rajen Damani & Associates, Chartered Accountants confirming compliance of conditions of Corporate Governance as stipulated under aforesaid clause 49 is annexed to and forms part of this Report.

13. Consolidated Accounts: -

In accordance with the requirements of Listing Agreement and the Accounting Standard -21 prescribed by the Institute of Chartered Accountants of India, Company had made additional disclosure in respect of Consolidated Financial Statements and Accounting Standard-18 for Related Party transactions.

14. Appointment of Company Secretary: -

The Company's Secretarial work is handled under the supervision of practising Company Secretary. The Company is in the process of appointing suitable qualified Company Secretary.

15. Statutory information: -

1. Personnel: -

Details of remuneration paid to employees as required by Section 217(2A) of the Companies Act, 1956, is not applicable to the Company as none of the employees is paid remuneration as stipulated in that Section.

2. Particulars required to be furnished by the Companies (Disclosure of particulars to the Report of Board of Directors) Rules, 1988.

(i) Part A & B pertaining to conservation of Energy and Technology Absorption are not applicable or not relevant to the working of Company. The Directors keep themselves acquainted with ongoing seminars and research papers.

(ii) The Company has not earned any Foreign Exchange. The Company has spent Rs 38.50 lacs as and by way of Foreign Exchange outflow during the year. The foreign exchange outflow is on account of Directors foreign travel mainly undertaken to acquire and keep in touch with the latest marketing and financial strategy and different norms of finance that is part of company's research program and sponsorship of employee for study in abroad.

3. Deposits: -

a) There are no deposits, which has remained unclaimed or claimed but not paid for which information is required to be given in this report. The Company does neither hold any Public Deposits nor is accepting any deposits.

b) The Company has complied with various requirements in terms of the capital adequacy under the guidelines issued by the Reserve Bank of India for the Non-Banking Financial Companies.

16. Acknowledgment: -

Your Directors appreciate the co-operation and support extended by the Shareholders, Employees, Financial Institutions and Banks.

For and on Behalf of Board

Place : Mumbai **R. Sundaresan** **Naveen Chaturvedi**
 Dated : 28th June 2007 Executive Director Executive Director

ANNUAL REPORT 2006-2007

Corporate Governance Report:

Your Company has been practicing the principal of good corporate governance since inception. Good corporate governance comprises of all activities that result in the control of the company in a regular manner which makes management transparent accountable and fair. In accordance with Clause 49 of the listing agreement with stock exchange and best practices followed by reputed corporations on corporate governance the details of compliance by the Company are as under:

1. Philosophy of the Company on the Code of Governance: -

The Company's philosophy on Corporate Governance envisage attainment of the highest levels of transparency, accountability and equity at all levels of its operation and in all its interactions with its stakeholders including shareholders, employees, Government Agencies and others. The Company strives for excellence with twin objective of enhancing customer satisfaction and shareholder's value.

The Company is committed to achieve the highest standards of Corporate Governance.

2. Board of Directors: -

Composition of Board:

The current strength of the Board consists of 10 Directors out of which two are Whole-Time (Executive) Director and 8 Non-Executive Directors. The Company does have a non-executive Chairman and the Board already consists of 6 Independent Directors. The names of directors and their position are as follows:

| No. | Name of the Director | Status | |
|-----|-------------------------|------------------------------|----------------------|
| 1 | Mr. Devesh D Chaturvedi | Non Executive Chairman. | Promoter Director |
| 2 | Mr. Gagan D Chaturvedi | Non Executive Vice Chairman. | Promoter Director |
| 3 | Dr. V.C. Shah | Non Executive Director | Independent Director |
| 4 | Mr. Bhupendra Shroff | Non Executive Director | Independent Director |
| 5 | Mr. Kantilal Shah | Non Executive Director | Independent Director |
| 6 | Mr. Mukesh Shroff | Non Executive Director | Independent Director |
| 7 | Mr. Charul Abuwala | Non Executive Director | Independent Director |
| 8 | Mr. Gyandeo Chaturvedi | Non Executive Director | Independent Director |
| 9 | Mr. R Sundaresan | Executive Director and CEO | Whole time director |
| 10 | Mr. Naveen Chaturvedi | Executive Director and CFO | Whole time Director |

• Board Meetings: -

The Board of Directors of the Company met Six times during financial year ended 31st March 2007. The Board Meetings were held on 03rd June 2006, 27th July 2006, 02nd September 2006, 30th October 2006, 16th January and 31st March 2007. The Annual General Meeting of the Company was held on 05th August, 2006 at Ashoka Hall, Arcadia, NCPA Marg, Nariman Point, Mumbai 400 021.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board Meetings was not more than four months. None of the directors of the Company was a member of more than ten committees or the Chairman of more than five committees across all public limited companies in which he is a Director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee, Shareholders/ Investors Grievances Committee and Remuneration Committee across all public limited companies has been considered in accordance with clause 49 of the Listing Agreement.

• Attendance: -

Attendance of each Director at the Board Meetings, last Annual General Meeting, and number of other Directorship of each Director in various companies as given below:

| Name of the Director | Category | Attendance Particulars | | No. of other directorships and committee member/ chairmanship | | |
|-------------------------|----------|------------------------|----------|---|-----------------------|-------------------------|
| | | Board Meeting | Last AGM | Other Directorships | Committee Memberships | Committee Chairmanships |
| Mr. Devesh Chaturvedi | CH | 5 | Yes | 3 | — | — |
| Mr. Gagan Chaturvedi | VCH | 4 | Yes | 5 | 1 | — |
| Dr. V.C. Shah | NED | 3 | Yes | 4 | — | — |
| Mr. Bhupendra K. Shroff | NED | 6 | Yes | 6 | 7 | 5 |
| Mr. Mukesh Shroff | NED | 2 | Yes | 4 | 1 | — |
| Mr. R. Sundaresan | ED | 6 | Yes | 2 | 3 | — |
| Mr. Kantilal Shah | NED | 5 | Yes | - | 1 | — |
| Mr. Charul Abuwala | NED | 3 | Yes | - | 1 | — |
| Mr. Gyandeo Chaturvedi | NED | 5 | Yes | 1 | 3 | 1 |
| Mr. Naveen Chaturvedi | ED | 2 | - | - | - | - |

CH - Chairman ED - Executive Director VCH – Vice Chairman NED - Non Executive Director

• **Details of Directors being appointed/re-appointed at the Annual General Meeting: -**

Mr V C Shah aged about 79 years M.Com. (Bombay University) Ph D. (Eco) (Columbia). Dr Shah has worked as Economic Advisor in Embassy of India at Belgium for 6 years and worked as General Manager of ICICI for 15 years. He holds directorship in Binani Industries Limited, Ambala Sarabhai Enterprises Ltd, Coastal Roadways Ltd and Binani Cement Ltd.

Mr. Kantilal Shah, aged 74 years, a practicing Chartered Accountant. He is a Director in Jain Sahakari Bank (co operative bank)

Mr. Charul Abuwala , aged 45 years, an Advocate and having vast experience in legal field.

Mr Naveen Chaturvedi aged 27 years an Chartered Accountant and having vast experience in the field of finance, accounts, audits, taxation, legal etc.

3. Board Committees: -

The Company has constituted three committees of Directors, namely Shareholders/Investor Grievances Committee, Remuneration Committee and Audit Committee to deal with matters requiring urgent decisions and monitoring of the activities falling within their terms of reference, comprising mainly of non-executive Directors. Each of these committees has their respective charters approved by the Board. The minutes of the meeting are recorded and placed before the Board for its information.

• **Shareholders /Investor Grievances Committee: -**

The said committee approves and monitors, transfers, transmission, split and consolidation of share certificates, issued by the Company investors complaint if any and any other matters related to shareholders and investors grievances. The Committee meets once in a fortnight and all effects to transfer are given and duly endorsed Share Certificates are dispatched within a period of 30 days from the date of receipt, if documents are clear in all respects. Request for dematerialized (demat) received from the Shareholders are affected within an average period of 15 days.

The Composition of the said committee is as follows:

| Sr No. | Name of the Member | Status in Committee | Director status |
|--------|------------------------|---------------------|------------------------------------|
| 1 | Mr. Bhupendra Shroff | Chairman | Non Executive Independent Director |
| 2 | Mr. Gagan Chaturvedi | Member | Non Executive Promoter Director |
| 3 | Mr. Gyandeo Chaturvedi | Member | Non Executive Independent Director |
| 4 | Mr. R Sundaresan | Member | Executive Director |

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Company has formulated the guidelines and Code of Conduct for Prevention of Insider Trading.

The total number of complaints / requests / queries received and replied to the satisfaction of the investors during the year under review was 9.

The Shares held by Non Executive Directors as on 31.03.2007 are given below:

| Sr No. | Name of the Director | Status | No of Shares | % Holding |
|--------|-------------------------|------------------------------|--------------|-----------|
| 1 | Mr. Devesh D Chaturvedi | Non Executive Chairman. | 50,15,498 | 28.66 |
| 2 | Mr. Gagan D Chaturvedi | Non Executive Vice Chairman. | 12,11,036 | 6.92 |
| 3 | Dr. V.C. Shah | Non Executive Director | Nil | - |
| 4 | Mr. Bhupendra K. Shroff | Non Executive Director | 400 | - |
| 5 | Mr. Kantilal Shah | Non Executive Director | Nil | - |
| 6 | Mr. Mukesh Shroff | Non Executive Director | 800 | - |
| 7 | Mr. Charul Abuwala | Non Executive Director | Nil | - |
| 8 | Mr. Gyandeo Chaturvedi | Non Executive Director | 400 | - |

ANNUAL REPORT 2006-2007

• **Audit Committee: -**

The Board of Directors has constituted Audit Committee of Directors to exercise powers and discharge function as stipulated in section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other statutory / regulatory provisions.

The Composition of Audit Committee is as under –

| Sr. No. | Name of the Member | Status in Committee | Director status |
|---------|------------------------|--------------------------|------------------------------------|
| 1 | Mr Kantilal M Shah | Chairman (till 16.01.07) | Non Executive Independent Director |
| 2 | Mr. Bhupendra Shroff | Member | Non Executive Independent Director |
| 3 | Mr. Gyandeo Chaturvedi | Chairman (from 16.01.07) | Non Executive Independent Director |
| 4 | Mr. R Sundaresan | Member | Executive Director |

The terms of reference of the Audit Committee include: -

- 1) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- 3) Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to,
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report.
 - Changes, if any, in accounting policies and practices and reason for the same
 - Major accounting entries involve estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirement relating to financial statements
 - Disclosure of any related party transactions.
 - Qualification in the draft audit report.
- 4) To review with the management, the quarterly financial statements before submission to the board for approval.
- 5) Review the adequacy of internal audit function / discussion with internal auditors any significant finding / review the finding of internal investigation by the internal auditors / discussion with the statutory auditors before the audit commence / to review the functioning of the Whistle Blower mechanism / to look into the substantial delay in payment to the depositors, shareholders and creditors if any.

The Audit Committee is vested with powers to investigate any activity of Company or seek information from any employee

Besides the Committee Members, Senior Executives of accounts, finance, internal audit, statutory auditors were standing invitees for on the spot clarification / explanation.

Meetings of the Audit Committee: -

During the year 2006-2007, the Committee met 5 times. The Committee Meetings were held on 03rd June 2006, 27th July 2006, 30th October 2006, 16th January 2007 and 31st March 2007. The attendance of each Member of the Committee is given below: -

| Sr. No. | Name of Director | No. of Meeting attended |
|---------|------------------------|-------------------------|
| 1 | Mr. Gyandeo Chaturvedi | 5 |
| 2 | Mr. Bhupendra Shroff | 5 |
| 3 | Mr. Kantilal M Shah | 5 |
| 4 | Mr. R Sundaresan | 5 |



• **Remuneration Committee: -**

Remuneration Committee has been constituted to determine and review the remuneration package of Executive Directors, Senior Executive, etc.

| Sr. No. | Name of the Member | Status in Committee | Director status |
|---------|------------------------|---------------------|------------------------------------|
| 1 | Mr. Bhupendra Shroff | Chairman | Non Executive Independent Director |
| 2 | Mr. Charul Abuwala | Member | Non Executive Independent Director |
| 3 | Mr. Gyandeo Chaturvedi | Member | Non Executive Independent Director |
| 4 | Mr. R Sundaresan | Member | Executive Director |

Details of Remuneration / Sitting fees paid to Directors: -

| Name of Director | Remuneration (Rs) | Sitting Fees (Rs) |
|--|-------------------|-------------------|
| Name of Director | Remuneration (Rs) | Sitting Fees (Rs) |
| Mr. Devesh D Chaturvedi | NIL | 25,000 |
| Mr. Gagan D Chaturvedi | NIL | 20,000 |
| Mr. V.C. Shah | NIL | 15,000 |
| Mr. Bhupendra K Shroff | NIL | 30,000 |
| Mr. Kantilal M Shah | NIL | 25,000 |
| Mr. Mukesh Shroff | NIL | 10,000 |
| Mr Charul Abuwala | NIL | 15,000 |
| Mr. Gyandeo Chaturvedi | NIL | 25,000 |
| Mr. R Sundaresan | 6,50,000 | NIL |
| Mr Naveen Chaturvedi (appointed w.e.f. 16.01.07) | 1,25,000 | NIL |
| Total | 7,75,000 | 1,65,000 |

4. Disclosure on material transactions with related parties: -

Details of the material transactions with related parties have been disclosed as Point No. 2 (E) to Schedule "O" of the Balance Sheet "Notes on Accounts".

5. Details of Non-Compliance: -

The Company has complied with statutory regulations and no penalty has been imposed by the Stock Exchanges, or SEBI or any other statutory authority nor any strictures passed by them.

6. The Compliance officer and Audit committee of the Company has reviewed the functioning of the whistle blower mechanism and no personnel has been denied access to the audit committee. The Company has adopted the model Code of Business Conduct & Ethics for Directors and Senior Management and the same is posted on the Company's website namely: www.shardulsecurities.com

7. Compliance with Mandatory Requirements: -

The Company has complied with the mandatory requirement of the Code of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges. The Company has also complied with the requirement of amended clause 49 after it came into force.

8. Means of Communications: -

The quarterly results are published in the proforma prescribed by the Listing Agreement in one English language Newspaper (Free Press Journal) and one Marathi language Newspaper (Navshakti). Management Discussion and Analysis forms part of the Directors' Report. The quarterly results are also available on the Company's website namely www.shardulsecurities.com.

ANNUAL REPORT 2006-2007

Declaration on Compliance of the Company's Code of Conduct:

The Company has framed a specific Code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchange to further strengthen corporate governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31st March, 2007.

By Order of the Board of Directors

Place : Mumbai
Date : 28th June, 2007

R Sundaresan
Executive Director

GENERAL SHAREHOLDER INFORMATION

- 1. Annual General Meeting :**
 - Date & Time : Saturday, 01st September 2007 at 12 noon.
 - Venue : Senate Hall, Status Restaurant
208, Regent Chamber
Nariman Point
Mumbai 400 021
- 2. Financial Calendar**

| | |
|--|----------------------------|
| Board Meetings | Tentative dates |
| Results for the quarter ending June 30, 2007 | Last week of July, 2007 |
| Results for the quarter ending September 30, 2007 | Last week of October, 2007 |
| Results for the quarter ending December 31, 2007 | Last week of January, 2008 |
| Results for the year ending 31 st March, 2008 | Last week of June, 2008 |
- 3. Book closure dates :** 28th August 2007 to 31st August 2007 (both days inclusive) for payment of dividend.
- 4. Dividend Payment Date :** On and from 03rd September 2007.
- 5. Registered Office :** G-12, Tulsiani Chambers
212, Nariman Point
Mumbai 400 021
- 6. Equity shares listed on Stock Exchanges at: -**
The Stock Exchange, Mumbai
- 7. Annual Listing fees: -**
The listing fees to the Stock Exchange Mumbai have duly paid by the Company up to the financial year 2006-07.
- 8. Dematerialisation of shares and Liquidity: -**
90% of the Equity Shares have been dematerialized up to 31st March, 2007. Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 24th July 2000 as per notification issued by the Securities and Exchange Board of India (SEBI). The shares of the company are regularly traded at Mumbai Stock Exchange. Total number of shares traded during the year 2006-07 were 30,91,676 and its value was Rs. 10,61,65,777/-.
- 9. Stock Code: -**
 - i) Trading symbol at The Stock Exchange, Mumbai (Physical Segment) SHARDUL SECU.
 - ii) Demat ISIN Number in NSDL & CDSL – Equity Shares - INE037B01012
- 10. Distribution of Shareholding and Shareholding Pattern as on 31st March 2007: -**
 - i) The Distribution of Shareholding as on 31st March 2007: -

| No. of Equity Shares held | Shareholders | | Shares held | |
|---------------------------|--------------|---------------|--------------------|---------------|
| | No. | % | No. | % |
| Up to 500 | 13466 | 96.51 | 1535258 | 8.77 |
| 501 – 1000 | 214 | 1.53 | 177294 | 1.01 |
| 1001-2000 | 102 | 0.73 | 157383 | 0.90 |
| 2001-3000 | 46 | 0.33 | 119253 | 0.68 |
| 3001-4000 | 29 | 0.21 | 100129 | 0.57 |
| 4001-5000 | 26 | 0.19 | 120171 | 0.69 |
| 5001-10,000 | 20 | 0.14 | 143243 | 0.82 |
| 10,001 and above | 50 | 0.36 | 15145702 | 86.56 |
| TOTAL | 13953 | 100.00 | 1,74,98,433 | 100.00 |

II) Shareholding Pattern as on 31st March 2007: -

| Category | No. of Shares | % |
|---|--------------------|---------------|
| Promoters | 1,22,64,804 | 70.09 |
| Financial Institutions / Banks / Mutual Funds | - | - |
| Corporate Bodies | 25,10,874 | 14.35 |
| Indian Public | 27,05,870 | 15.46 |
| NRI / OCB | 7,264 | 0.04 |
| Others (Share in Transit) | 9,621 | 0.06 |
| TOTAL | 1,74,98,433 | 100.00 |

11. General Body Meetings: -

The last three Annual General Meetings of the Company were held as under: -

| Year | Location | Date | Time |
|-----------|---|------------|-----------|
| 2003-2004 | Registered office of the Company at 715, Tulsiani Chambers 212, Nariman Point, Mumbai 400 021. | 16.09.2004 | 10.00a.m. |
| 2004-2005 | Ashoka Hall, Arcadia, NCPA Marg Nariman Point Mumbai 400 021 | 16.09.2005 | 10.00a.m. |
| 2005-2006 | Ashoka Hall, Arcadia, NCPA Marg Nariman Point Mumbai 400 021 | 05.08.2006 | 11.00a.m. |

The following special resolutions were passed with required majority during the last three Annual General Meetings:

| Sr. No. | Date of AGM | Particulars of Special Business Transacted |
|---------|-------------|---|
| 1. | 16.09.2004 | a) Commencement of new business of dealing in Gold, Silver and other precious metals in terms of Clause 15 of Clause III (C) of Memorandum of Association. b) Change of place of keeping Register of Members etc. to E-2/3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri (East), Mumbai – 400 072. |
| 2. | 16.09.2005 | a) Approval for payment of commission to non-whole time Directors of the Company u/s.198 read with section 309 of the Company's Act, 1956 upto a limit of Rs.5 lacs p.a. b) Approval for de-listing of Company's Equity shares from Delhi Stock Exchange. c) Approval for de-listing of Company's Equity shares from Ahmedabad Stock Exchange |
| 3. | 05.08.2006 | a) Appointment of Mr. R Sundaresan as Executive Director for a period of three years. b) Deletion of Article 128 and substitution with new Article 128 of the article of association. |

No special resolution was passed during the year 2005-06 through postal ballot.

12. Share Transfer Systems: -

Presently Share Transfer in physical form are processed and share certificate returned within a period of 30 days from the date of receipts, subject to the documents being clear in all respects.

ANNUAL REPORT 2006-2007

13. Market Price Data: -

Monthly high/low market price of the Company's Equity Shares traded on The Stock Exchange, Mumbai and BSE Sensex during the last financial year 2006-2007 were as follows:

The Stock Exchange, Mumbai – Code No.512393

| Month | Share Price | | BSE Sensex | |
|-----------------|-------------|-------|------------|----------|
| | High | Low | High | Low |
| April, 2006 | 42.70 | 24.50 | 12102.00 | 11008.43 |
| May, 2006 | 47.05 | 29.20 | 12671.11 | 9826.91 |
| June, 2006 | 34.05 | 20.10 | 10626.84 | 8799.01 |
| July, 2006 | 24.15 | 18.00 | 10940.45 | 9875.35 |
| August, 2006 | 27.00 | 21.45 | 11794.43 | 10645.99 |
| September, 2006 | 30.80 | 22.00 | 12485.17 | 11444.18 |
| October, 2006 | 36.45 | 29.30 | 13075.85 | 12178.83 |
| November, 2006 | 35.90 | 30.00 | 13799.08 | 12937.30 |
| December, 2006 | 50.10 | 31.00 | 14035.30 | 12801.65 |
| January, 2007 | 55.10 | 40.55 | 14325.92 | 13303.22 |
| February, 2007 | 51.40 | 36.95 | 14723.88 | 12800.91 |
| March, 2007 | 43.70 | 31.00 | 13386.95 | 12316.10 |

14. Address for Correspondence:

Investors Correspondence for Transfer / *For Share held in physical form* For shares held in demat form

Investors Correspondence for Transfer / dematerialization of shares, payment of dividend on shares and any other query relating to shares. **Bigshare Services Pvt Ltd,** To the Depository Participant.
E-2/3 Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri(East) Mumbai 400 072.

15. Compliance officer:

Mr. Viraf Katrak
Tel: 022- 40090500
Fax: 022- 22846585

14. Registrar & Share Transfer Agents:

Bigshare Services Pvt Ltd
E-2/3 Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri(East)
Mumbai 400 072.
Tel: 28470652/0653 and 28473474/3747
Fax : 28475207
E mail: bigshare@sify.com



COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Board of Directors
Shardul Securities Limited
G-12 Tulsiani Chambers
Nariman Point
Mumbai 400 021

We have examined the compliance of conditions of corporate governance by Shardul Securities Limited, for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the 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 explanations given to us, we certify that the Company has complied with the conditions 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.

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

For **Rajen Damani & Associates**
Chartered Accountants

Place : Mumbai
Date : 28th June 2007

Rajen J Damani
Partner
Membership No. 34375

CEO & CFO CERTIFICATION

To,
The Board of Directors
Shardul Securities Limited

We to the best of our knowledge and belief, certify that;

1. We have reviewed the financial statements and cash flow statement for the year ended 31st March 2007 and that to the best of our knowledge and belief;
 - i) these statements do not contain any material 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.
2. 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 violating the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls over financial reporting and we have evaluated the effectiveness of internal controls systems of the company over financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls over financial reporting, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies. In our opinion, there are adequate internal controls over financial reporting.
4. We have indicated to the auditors and the Audit Committee;
 - i) significant changes in the internal controls over financial reporting during the year;
 - ii) significant changes in accounting policies during the year, as disclosed in Schedule "O" Notes to Account.
 - iii) instances of significant fraud of which we have become aware and the involvement there in , if any, of the management or an employee having a significant role in the company's internal controls systems on financial reporting. To our knowledge and belief, there were no frauds during the year.

Place : Mumbai
Date : 28th June, 2007

R Sundaresan
Chief Executive Officer (CEO)
Executive Director

Naveen Chaturvedi
Chief Financial Officer (CFO)
Executive Director

ANNUAL REPORT 2006-2007

AUDITORS' REPORT

To

The Members,

SHARDUL SECURITIES LTD.

We have audited the attached Balance Sheet of 'SHARDUL SECURITIES LTD', as at 31st March, 2007, the Profit & 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 have 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 misstatements. An audit also 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India, in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order, to the extent applicable to Company.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) 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;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956; *however the liability of Gratuity as per Accounting Standard (AS) 15 Accounting for Retirement Benefits (Revised) will be provided upon finalisation of the liability based on actuarial valuation.*
 - e) On the basis of written representations received from the Directors as at 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March 2007 from being appointed as a Director in terms of Section 274(1)(g) of the Companies act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - ii) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **RAJEN DAMANI & ASSOCIATES**
Chartered Accountants

Place : Mumbai
Dated : 28th June 2007

Rajen J. Damani
(Partner)
Membership No: 34375

**ANNEXURE TO THE AUDITOR'S REPORT OF SHARDUL SECURITIES LTD.
FOR THE YEAR ENDED 31ST MARCH 2007.**

(Referred to in paragraph 1 of our report of the even date)

- i. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and nature of its business. No material discrepancies were noticed on such verifications.
 - 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. In respect of its inventories:
 - a) As explained to us, inventories have been physically verified by the Management at reasonable intervals.
 - b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of inventory records, we are of the opinion that the company is maintaining proper records of inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to book records.
- iii. In respect of loans:
 - a) The Company has not given any loans secured or unsecured to any companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b) The company has not taken any loans, secured or unsecured from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchases of securities and fixed assets and sale of securities. 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 weakness in the aforesaid internal controls.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) According to the information and explanation given to us, we are of the opinion that particulars of contracts and arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into a register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions of purchase of securities, sale of securities and services made in pursuance of contracts or arrangement required to be entered in the register maintained under section 301 of the Companies Act, 1956, have been made at prices, which appears reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted deposits from public and hence directives issued by Reserve Bank of India and provision of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. In respect of statutory dues:
 - a) According to the information and explanations given and records as produced and examined by us, in our opinion the undisputed statutory dues in respect of Investor Education and Protection Fund, Sales tax, Provident fund, Employees State Insurance, Income tax, Service tax, Fringe Benefit Tax and other material statutory dues as applicable have been regularly deposited by the Company during the year with appropriate authorities.
 - b) The Wealth tax, Customs duty, Excise duty and Cess are not applicable to the Company.
 - c) According to the information and explanations given to us, there are no such statutory dues, which have not been deposited on account of any dispute except Interest Tax Demand for A.Y. 1997-98 amounting to Rs. 48.09 lacs the matter is pending with Commissioner of Income Tax (Appeals).
- ix. The company has positive net worth at the end of the financial year. The Company has no accumulated losses and has not incurred any cash losses during the current financial year and the immediately preceding financial year.

ANNUAL REPORT 2006-2007

- x. Based on our audit procedures and the information and explanations given by management, we are of the opinion that the company has not defaulted in repayment of dues to any banks and financial institutions.
- xi. 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 name except for certain securities, which are lodged for transfer or are pledged with banks and corporates.
- xii. According to the information and explanation given by the management, in our opinion the terms and condition of guarantees, given on behalf of the subsidiaries are not prejudicial to the interest of company.
- xiii. According to the information and explanations given to us the company has not obtained any term loans.
- xiv. On the basis of review of utilization of funds, which is based on overall examination of the Balance Sheet of the company as at 31st March 2007 we are of the opinion that no funds raised on short term basis has been utilized for long term purposes.
- xv. 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.

In view of the nature of activities carried by the Company, clause no (viii) and (xiii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (xii), (xviii), (xix) and (xx), the said clauses are, at present, not applicable.

For **RAJEN DAMANI & ASSOCIATES**
Chartered Accountants

Place : Mumbai
Dated : 28th June 2007

Rajen J. Damani
(Partner)
Membership No: 34375

BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs. in Lacs)

| | Schedule | As at 31st March,2007 | | As at 31st March,2006 | |
|---|----------|--------------------------|-----------------|--------------------------|------------------|
| I SOURCES OF FUNDS | | | | | |
| 1 Shareholders Fund | | | | | |
| Share Capital | A | 1,749.84 | | 1,749.84 | |
| Reserves and Surplus | B | 5,101.80 | 6,851.64 | 4,186.36 | 5,936.20 |
| 2 Deferred Tax Liability | | | | | |
| | | | 204.83 | | 201.69 |
| 3 Loan Funds | | | | | |
| Secured Loans | C | 2,758.40 | | 4,505.80 | |
| Unsecured Loans | D | - | 2,758.40 | 1,528.46 | 6,034.26 |
| Total : | | | 9,814.87 | | 12,172.15 |
| II APPLICATIONS OF FUNDS | | | | | |
| 1 Fixed Assets | | | | | |
| Gross Block | E | 1,405.59 | | 1,391.81 | |
| Less: Depreciation | | 234.54 | | 197.05 | |
| Net Block | | 1,171.05 | | 1,194.76 | |
| Capital Work-in-Progress | | 31.33 | | 10.58 | |
| | | | 1,202.38 | | 1,205.34 |
| 2 Investments | | | | | |
| | F | | 4,247.12 | | 5,139.96 |
| 3 Current Assets, Loans and Advances | | | | | |
| Current Assets: | | | | | |
| Stock In Trade | G | 1,885.34 | | 3,105.63 | |
| Sundry Debtors | | 1,421.84 | | 10.66 | |
| Cash and Bank Balances | | 389.76 | | 1,004.13 | |
| Loans and Advances | H | 1,158.07 | | 2,352.27 | |
| | | 4,855.01 | | 6,472.69 | |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | I | 284.91 | | 446.31 | |
| Provisions | J | 204.73 | | 199.53 | |
| | | 489.64 | | 645.84 | |
| Net Current Assets | | | 4,365.37 | | 5,826.85 |
| Total : | | | 9,814.87 | | 12,172.15 |
| Significant accounting policies & Notes to Accounts. | | | | | |
| | O | | | | |

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
 Chartered Accountants

Rajen J. Damani
 Partner
 M No. 34375
Mumbai, Dated : 28th June, 2007
Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

ANNUAL REPORT 2006-2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2007

(Rs. in Lacs)

| | Schedule | 2006-2007 | 2005-2006 |
|---|----------|-----------------|-----------------|
| INCOME | | | |
| Income from Operations | K | 836.96 | 804.07 |
| Income from Investment | L | 1,237.59 | 978.72 |
| Other Income | M | 304.07 | 40.19 |
| | | 2,378.62 | 1,822.98 |
| EXPENDITURE | | | |
| Administrative Expenses | N | 373.32 | 311.58 |
| Interest & Financial Charges | | 689.25 | 242.77 |
| Depreciation | | 37.49 | 34.20 |
| | | 1,100.06 | 588.55 |
| Profit before Taxation | | 1,278.56 | 1,234.43 |
| Provision for Taxation | | | |
| Current | | 150.00 | 165.00 |
| FBT | | 6.35 | 3.65 |
| Deferred | | 3.14 | 11.73 |
| | | 159.49 | 180.38 |
| Profit after Taxation | | 1,119.07 | 1,054.05 |
| Prior period adjustment (net) | | - | 0.03 |
| Adjustment of Taxation for earlier years | | 1.10 | (0.83) |
| Profit after prior period adjustment | | 1,120.17 | 1,053.25 |
| Surplus brought forward from previous year | | 653.01 | 9.94 |
| | | 1,773.18 | 1,063.19 |
| APPROPRIATIONS | | | |
| Proposed Dividend - Equity Shares | | 174.99 | 174.99 |
| Dividend Tax | | 29.74 | 24.54 |
| Transferred to Statutory Reserve Fund (as per RBI Guidelines) | | 224.03 | 210.65 |
| Balance carried to Balance Sheet | | 1,344.42 | 653.01 |
| | | 1,773.18 | 1,063.19 |
| Basic and diluted earning per equity share of Rs.10 each (in Rupees) | | 6.40 | 6.02 |
| (Refer Note no. 2(D) of Schedule "O" Notes on Account) | | | |
| Significant accounting policies & Notes to Accounts | | | |
| O | | | |

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
Chartered Accountants

Rajen J. Damani
Partner
M No. 34375

Mumbai, Dated : 28th June, 2007

Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in Lacs)

| | As at 31st March,2007 | As at 31st March,2006 |
|--|--------------------------|--------------------------|
| SCHEDULE 'A' | | |
| Share Capital | | |
| Authorised | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | 2,000.00 | 2,000.00 |
| 10,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- Each | 1,000.00 | 1,000.00 |
| | <u>3,000.00</u> | <u>3,000.00</u> |
| Issued, Subscribed and Paid up | | |
| 1,74,98,433 Equity Shares of Rs.10/- each | 1,749.84 | 1,749.84 |
| | <u>1,749.84</u> | <u>1,749.84</u> |
| SCHEDULE 'B' | | |
| Reserves & Surplus | | |
| Capital Reserve | 6.90 | 6.90 |
| Share Premium Account | 2,666.69 | 2,666.69 |
| General Reserve | | |
| Balance as per Last Balance Sheet | 297.88 | 297.88 |
| Add: Transfer from Profit & Loss Account | - | - |
| | <u>297.88</u> | <u>297.88</u> |
| Statutory Reserve Fund (As per RBI Guidelines) | | |
| Balance as per last Balance Sheet | 561.88 | 351.23 |
| Add: Transfer from Profit & Loss Account | 224.03 | 210.65 |
| | <u>785.91</u> | <u>561.88</u> |
| Profit and Loss Account | 1,344.42 | 653.01 |
| | <u>5,101.80</u> | <u>4,186.36</u> |
| SCHEDULE 'C' | | |
| Secured Loan | | |
| From Bank | - | 687.42 |
| (Bank overdraft is secured by way of lien of Bank fixed deposits of Rs.Nil Lacs previous year Rs. 1000 lacs and Fixed deposit of Rs. Nil previous year Rs 175 lacs belonging to the associate Companies) | | |
| From Bank | - | 1,240.35 |
| (Secured by way of Pledge of Stock In Trade Govt. Securities of Rs Nil Previous year Rs. 1670 lacs (face value)) | | |
| From Corporate Body | 2,144.68 | 1,578.03 |
| (Secured against pledge of Shares held as Stock in trade) | | |
| From Corporate Body | 613.72 | 1,000.00 |
| (Secured against pledge of shares belonging to company and its associates Companies) | | |
| | <u>2,758.40</u> | <u>4,505.80</u> |
| SCHEDULE 'D' | | |
| Unsecured Loan | | |
| Inter corporate deposit | - | 1,528.46 |
| | <u>-</u> | <u>1,528.46</u> |

**Schedule 'E':
FIXED ASSETS**

(Rs. in Lacs)

| Description of Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|--------------------------|----------------|--------------|-------------------------|----------------|----------------|--------------|-------------------------|---------------|----------------|----------------|
| | As at 1/4/06 | Additions | Deductions/ Written off | As at 31/3/07 | Up to 31/03/06 | For the Year | Deductions/ Written off | Upto 31/3/07 | As at 31/03/07 | As at 31/03/06 |
| Office Premises | 1100.65 | 0.00 | | 1100.65 | 109.39 | 17.94 | | 127.33 | 973.32 | 991.26 |
| Computers | 10.33 | 4.73 | | 15.06 | 4.34 | 1.35 | | 5.69 | 9.37 | 5.99 |
| Furniture & Fixtures | 175.43 | 0.00 | | 175.43 | 52.01 | 11.10 | | 63.11 | 112.32 | 123.42 |
| Vehicles | 38.18 | 8.12 | | 46.30 | 18.41 | 3.97 | | 22.38 | 23.92 | 19.77 |
| Plant & machinery | 67.22 | 0.93 | | 68.15 | 12.90 | 3.13 | | 16.03 | 52.12 | 54.32 |
| Total | 1391.81 | 13.78 | - | 1405.59 | 197.05 | 37.49 | - | 234.54 | 1171.05 | 1194.76 |
| Capital Work in Progress | | | | | | | | | 31.33 | 10.58 |
| Grand Total | 1391.81 | 13.78 | - | 1405.59 | 197.05 | 37.49 | - | 234.54 | 1202.38 | 1205.34 |
| Previous Year | 1305.98 | 85.83 | - | 1391.81 | 162.85 | 34.20 | - | 197.05 | 1205.34 | |

Notes :

Office Premises includes -

- 5 shares of Rs. 50/- each of Tulsiani Chamber Premises Co-op.Society Limited.
- 5 shares of Rs. 50/- each of Parekh Vora Chambers Premises Co-op.Society Limited.
- 10 shares of Rs.50/- each of Laxmi Finance & Leasing Companies Commercial Premises Co-Op.Society Limited.

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in lacs)

| | Face Value/ Issue Price(Rs) | Quantity | | Value | |
|--|--------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| | | As at 31st March, 2007 | As at 31st March,2006 | As at 31st March,2007 | As at 31st March,2006 |
| SCHEDULE 'F' | | | | | |
| Investments | | | | | |
| Long Term Investments | | | | | |
| Trade Investments | | | | | |
| In Equity shares - Quoted | | | | | |
| Fully Paid-up | | | | | |
| Adani Exports Ltd | 1 | 25000 | 0 | 54.76 | - |
| Aditya Birla Nuvo Ltd * | 10 | 500 | 0 | 6.14 | - |
| Alstom Project India Limited | 10 | 0 | 50000 | - | 124.49 |
| Aptech Limited | 10 | 0 | 25000 | - | 33.19 |
| Ashok Leyland Ltd | 1 | 0 | 300000 | - | 109.50 |
| Bajaj Auto Ltd | 10 | 0 | 4000 | - | 97.58 |
| Balkrishna Industries Ltd. | 10 | 500 | 2000 | 5.55 | 22.21 |
| Bayer Ltd * | 10 | 5000 | 0 | 16.24 | - |
| BF Utilities Ltd. | 5 | 0 | 5000 | - | 23.84 |
| Bharat Heavy Electricals Ltd. | 10 | 0 | 5000 | - | 109.90 |
| Birla Global Finance Ltd | 10 | 0 | 51000 | - | 99.32 |
| CESC Ltd. | 10 | 0 | 25000 | - | 84.12 |
| Control Print (India) Ltd | 10 | 0 | 25000 | - | 23.84 |
| Crest Animation Studios Ltd. | 10 | 149367 | 200000 | 242.44 | 284.90 |
| Dalmia Cement Bharat Ltd. | 2 | 0 | 30125 | - | 41.20 |
| East India Hotels Ltd * | 2 | 25000 | 0 | 26.63 | - |
| Elgitread (India) Ltd. | 1 | 0 | 60000 | - | 26.09 |
| Gabriel India Ltd. | 1 | 0 | 100000 | - | 29.34 |
| Ganesh Housing Ltd | 10 | 20000 | 0 | 68.59 | - |
| Glenmark Pharmaceuticals Ltd * | 2 | 20000 | 0 | 121.72 | - |
| Greenply Industries Ltd. | 5 | 0 | 50000 | - | 62.33 |
| Gujarat Alkalies & Chemicals Ltd. | 10 | 0 | 60000 | - | 93.06 |
| Hindalco Industries Ltd. (partly paid) | 1 | 0 | 300000 | - | 222.44 |
| Hindustan Construction Company Ltd. | 1 | 0 | 10000 | - | 10.95 |
| Hindustan Inks & Resins Ltd * | 10 | 10000 | 0 | 35.60 | - |
| ITC Ltd. | 1 | 0 | 50000 | - | 91.30 |
| K Sera Sera Productions Ltd. | 10 | 0 | 90000 | - | 45.03 |
| Kalptaru Power Trans Ltd * | 10 | 1000 | 0 | 11.47 | - |
| Kinetic Engineering Ltd. | 10 | 0 | 5000 | - | 9.07 |
| Kirloskar Oils Engines Ltd. | 2 | 0 | 100000 | - | 101.19 |
| Larson and Toubro Ltd. | 2 | 0 | 5000 | - | 123.94 |
| Magma Leasing Ltd | 10 | 5000 | 0 | 6.86 | - |
| Mahindra Gesco Developers Ltd. | 10 | 0 | 20000 | - | 99.00 |
| Mcdowell & Co. Ltd. | 10 | 0 | 10000 | - | 75.30 |
| Mercator Lines Ltd * | 1 | 25000 | 0 | 11.93 | - |
| Micro Tech Ltd. | 10 | 0 | 50000 | - | 33.00 |
| Moser Bear (I) Ltd * | 10 | 55000 | 0 | 137.08 | - |
| Mukand Ltd * | 10 | 50000 | 0 | 48.79 | - |
| Mysore Cement Ltd. | 10 | 0 | 25000 | - | 12.26 |
| Nestle India Ltd. | 10 | 0 | 2500 | - | 29.55 |
| Nitco Tiles Limited | 10 | 0 | 25000 | - | 49.12 |
| OCL India Ltd * | 2 | 45000 | 0 | 85.03 | - |
| Oswal Chemicals & Fertilizers Ltd. | 10 | 0 | 150000 | - | 59.79 |
| Raipur Alloys & Steel Ltd | 10 | 60000 | 0 | 95.51 | - |
| Rap Media Ltd | 10 | 1000 | 0 | 4.86 | - |
| Reliance Industries Limited * | 10 | 232000 | 232000 | 1,024.89 | 1,024.89 |
| Reliance Natural Resources Ltd. | 5 | 0 | 232000 | - | 69.26 |
| Rolta India Ltd. | 10 | 0 | 100 | - | 0.23 |
| Shree Cement Ltd. | 10 | 0 | 10000 | - | 77.04 |
| Shree Precoated Steels Ltd. | 10 | 0 | 5000 | - | 13.41 |
| Shri Lakshmi Cotsyn Limited | 10 | 50000 | 50000 | 64.50 | 64.50 |
| Solelectron Centum Elec. Ltd. | 10 | 0 | 15500 | - | 40.48 |
| Southers Iron & Steel Ltd. | 10 | 100000 | 0 | 25.97 | - |
| State Bank of India | 10 | 0 | 10000 | - | 96.74 |
| Sujana Steel | 5 | 0 | 10000 | - | 8.98 |
| Tycheperi Ltd | 10 | 5000 | 0 | 2.35 | - |
| Ultra Tech Cement Ltd. | 10 | 0 | 10000 | - | 59.10 |
| Welspun Gujrat Stahl Rohren Ltd * | 5 | 325000 | 0 | 291.09 | - |
| XL Telecom Limited | 10 | 100000 | 50000 | 100.00 | 100.00 |
| Zodiac Clothing Co Ltd | 10 | 10000 | 0 | 29.05 | - |
| Sub Total | | | | 2,517.05 | 3,781.48 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in lacs)

| | Face Value/ Issue Price(Rs) | Quantity | | Value | |
|---|--------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| | | As at 31st March, 2007 | As at 31st March,2006 | As at 31st March,2007 | As at 31st March,2006 |
| SCHEDULE 'F' (Contd.) | | | | | |
| In Equity shares - Unquoted | | | | | |
| Fully Paid up | | | | | |
| In Subsidiary | | | | | |
| Shriyam Broking Intermediary Ltd. | 10 | 10000000 | 10000000 | 1000.00 | 1000.00 |
| Shardul Commodities International Ltd. | 10 | 500000 | 500000 | 50.00 | 50.00 |
| In Others | | | | | |
| A to Z Broking Services Private Ltd. | 10 | 950000 | 950000 | 95.48 | 95.48 |
| Sub Total | | | | 1145.48 | 1145.48 |
| In Mutual Funds- Quoted | | | | | |
| Fully paid up units | | | | | |
| LIC Mutual Fund Index Fund - Sensex Advantage Plan. | 10 | 20000 | 20000 | 2.00 | 2.00 |
| Franklin India Smaller Companies Fund | 10 | 100000 | 100000 | 10.00 | 10.00 |
| SC All season - Growth | 10 | 5000 | 5000 | 0.50 | 0.50 |
| SC All season - Dividend | 10 | 5000 | 5000 | 0.50 | 0.50 |
| Sub total | | | | 13.00 | 13.00 |
| Investment in Fund-Unquoted | | | | | |
| Urban Infrastructure fund | 50000 | 250 | 0 | 125.00 | - |
| HDFC India Real Estate Fund ** | 1000 | 44659 | 20000 | 446.59 | 200.00 |
| | | | | 571.59 | 200.00 |
| Total Investments | | | | 4247.12 | 5139.96 |
| Market Value of Quoted Investments | | | | 4,593.27 | 4996.27 |

Notes:

* Lean/Pledge with the banks and corporates against loans/margins

** Total Commitment as per the agreement is Rs. 500.00 lacs

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | (Rs. in Lacs) | |
|---|--------------------------|--------------------------|
| | As at 31st March,2007 | As at 31st March,2006 |
| SCHEDULE 'G' | | |
| Current Assets | | |
| Stock-in-Trade (Certified and valued by Management) | 1,885.34 | 3,105.63 |
| Sundry Debtors (Unsecured, Considered good) Outstanding for a period - (a) exceeding six months. | - | - |
| (b) Others | | |
| (i) Subsidiary Companies | 653.96 | - |
| (ii) Others | 767.88 | 10.66 |
| | <u>1,421.84</u> | <u>10.66</u> |
| Cash & Bank Balances : | | |
| Cash in hand | - | - |
| Balance with Scheduled Banks | | |
| — In Current Accounts | 389.76 | 4.13 |
| — In Fixed Deposit Account | - | 1,000.00 |
| | <u>389.76</u> | <u>1,004.13</u> |
| | <u>3,696.94</u> | <u>4,120.42</u> |
| SCHEDULE 'H' | | |
| Loans and Advances (considered good) | | |
| Sundry Deposits | 1.17 | 351.22 |
| Advance Income Tax (net of provisions) | 120.18 | 76.81 |
| Loans | 954.54 | 1,907.39 |
| Advances recoverable in cash or in kind or for value to be received | 82.18 | 16.85 |
| | <u>1,158.07</u> | <u>2,352.27</u> |
| SCHEDULE 'I' | | |
| Current Liabilities | | |
| Sundry Creditors(Other than SSI) | 9.80 | 45.17 |
| Due to Subsidiary Companies | - | 341.40 |
| Unclaimed Dividend ** | 5.34 | 0.26 |
| Other Liabilities | 269.77 | 59.48 |
| | <u>284.91</u> | <u>446.31</u> |
| SCHEDULE 'J' | | |
| Provisions | | |
| Proposed Dividend on Equity Shares | 174.99 | 174.99 |
| Provision for Dividend Tax | 29.74 | 24.54 |
| | <u>204.73</u> | <u>199.53</u> |

** There are no amount due and outstanding to be credited to the Investor Education and Protection Fund.

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Rs. in Lacs)

| | 2006-07 | 2005-06 |
|---|-----------------|---------------|
| SCHEDULE 'K' | | |
| Income from Operations | | |
| Interest (Net) | 245.18 | 265.29 |
| (Tax deducted at source Rs. 74.87 Lacs Previous year Rs.111.69 lacs) | | |
| Professional fees and advisory fees | 778.40 | 79.94 |
| (Tax deducted at source Rs. 69.73 lacs Previous year Rs. 3.74 Lacs) | | |
| Profit on dealing in securities (Net) | (186.62) | 458.84 |
| | <u>836.96</u> | <u>804.07</u> |
| SCHEDULE 'L' | | |
| Income from investment | | |
| Profit on sale of investments (Net) | 1,237.59 | 978.72 |
| | <u>1,237.59</u> | <u>978.72</u> |
| SCHEDULE 'M' | | |
| Other Income | | |
| Dividend on | | |
| Investment | 68.35 | 26.19 |
| Others | 25.95 | 0.99 |
| | <u>94.30</u> | <u>27.18</u> |
| Bad debts recovered | 89.22 | - |
| Rent & Compensation | 119.28 | 5.00 |
| (Tax deducted at source Rs. 26.10 lacs previous year Rs. 1.12 lacs) | | |
| Miscellaneous Income | 1.27 | 8.01 |
| | <u>304.07</u> | <u>40.19</u> |
| SCHEDULE 'N' | | |
| Administrative Expenses | | |
| Payment to Employees | | |
| -Salary, Bonus & Allowance | 69.23 | 56.44 |
| -Contribution to Provident & Other Fund | 2.10 | 1.63 |
| -Welfare Expenses | 20.14 | 0.85 |
| | <u>91.48</u> | <u>58.92</u> |
| Professional and Other Service Charges | 23.04 | 81.35 |
| Telephone and Lease line Charges | 7.50 | 6.66 |
| Membership and Subscriptions | 0.57 | 1.07 |
| Rent, Rates and Taxes | 11.36 | 5.45 |
| Postage and Telegrams | 2.80 | 1.54 |
| Advertisement | 0.68 | 0.99 |
| Business Promotion | 2.45 | 9.77 |
| Repairs and Maintenance | 8.10 | 20.76 |
| Printing and Stationery | 4.09 | 6.86 |
| Payment to Auditors | 2.00 | 1.50 |
| Directors Sitting Fees | 1.65 | 2.25 |
| Travelling and Conveyance: | | |
| Foreign Travelling | 18.36 | 18.47 |
| Others | 8.04 | 10.07 |
| Electricity Charges | 2.50 | 5.99 |
| Donations | 11.21 | 34.13 |
| Security Transaction Tax Paid | 169.58 | 37.06 |
| Miscellaneous Expenses | 7.91 | 8.74 |
| | <u>373.32</u> | <u>311.58</u> |

SCHEDULE 'O'**Significant accounting policies & Notes on Accounts****1. Significant Accounting Policies:****(A) Basis of preparation of Financial Statements:**

- i) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act 1956, as adopted consistently by the Company.
- ii) All items of income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

(B) Use of Estimates:

The presentation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. The difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

(C) Revenue Recognition:

Revenue is recognised on accrual basis.

(D) Fixed Assets :

The Fixed Assets are stated at Cost less accumulated depreciation and after taking into consideration the lease adjustment account. All cost including financing costs relating to the borrowings attributable to the Fixed Assets are capitalised till the asset is put to use.

(E) Depreciation:

Depreciation is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

(F) Lease Transactions:

In respect of the leases prior to 1.4.2001, transactions have been accounted / restated as per the guidance note issued by the Institute of Chartered Accountants of India on Accounting for leases and in respect of leases after 1.4.2001 the transactions have been accounted as per the (AS) 19 Leases issued by The Institute of Chartered Accountants of India.

(G) Foreign Currency Transactions:

Income and Expenditures transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(H) Borrowing Costs:

Borrowing Costs which are directly attributable to the acquisition / construction of fixed assets, till the time such assets are ready for intended use, are capitalised as part of the assets. Other borrowing costs are recognised as an expense in the year in which they are incurred.

(I) Miscellaneous Expenditures:

Preliminary expenses and deferred revenue expenditure are written off over the period of the enduring benefit of such expenses.

(J) Investments:

Investments are valued as follows:

- i) Investments are classified into current investments and long term investments.
- ii) Current Investments are valued, scripwise, at cost or market price whichever is lower.
- iii) Long term investments are valued at cost. Provision for diminution is made scripwise to recognise a decline, other than temporary.

(K) Stock-in Trade:

Stock-in-trade is valued scripwise, at cost or market price whichever is lower.

(L) Impairment of Assets:

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

(M) Provisions, Contingent Liabilities and Contingent Assets:

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

(N) Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet date.

2. Notes on Accounts :

- (A) i) The Company has followed the Reserve Bank of India Guidelines applicable to the Non Banking Financial Companies in respect of prudential norms for Income Recognition, Assets Classification and Capital Adequacy.
- ii) In compliance with the Prudential Norms issued by the Reserve Bank of India, effective May, 1998 the unrealised interest / lease income on accounts which have been classified as non-performing assets has been reversed. The lease income on assets to leasees which are classified as non performing assets is not recognised.
- (B) In the opinion of the Board, the Current Assets, Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. The provisions of all known liabilities are adequate and neither in excess of or nor short of the amounts reasonably necessary.

| | 2006-2007 | (Rs.in lacs) 2005-2006 |
|---|------------------|----------------------------------|
| (C) i) Expenditure in Foreign Currency. | 38.50 | 18.47 |
| ii) Earning in Foreign Currency. | — | — |
| (D) Earning per Share : | | |
| | 2006-2007 | 2005-2006 |
| i) Net Profit after tax available for Equity Shareholders (Rs. in lacs) | 1120.17 | 1053.25 |
| ii) Weighted average number of Equity Shares outstanding during the year (in lacs). | 174.98 | 174.98 |
| iii) Basic and Diluted Earnings per share of Rs.10/- each (in Rs.) | 6.40 | 6.02 |

(E) Related Party Disclosures

List of related parties with whom transactions have taken place during the year:

- i) Subsidiaries :
Shriyam Broking Intermediary Limited.
Shardul Commodities International Limited
- ii) Associates :
A to Z Broking Services Pvt. Ltd.
Pradeep Sandeep Trading & Investments Pvt. Ltd.
Shriyam Commodities Intermediary Pvt. Ltd.
- iii) Key Managerial Personnel:
Shri R. Sundaresan - Executive Director
Shri Naveen Chaturvedi - Executive Director (w.e.f. 16.01.07)
- iv) Transactions during the year with related parties. Reimbursement of expenses has not been treated as related party transactions.

| Nature of Transaction | Subsidiaries | Associates | Key Management Personnel | (Rs. in lacs) |
|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | | | | Total |
| | Amount in Lacs | Amount in Lacs | Amount in Lacs | Amount in Lacs |
| Loans / Advances: | | | | |
| Taken during the year | — | — | — | — |
| | (34.02) | (—) | (—) | (34.02) |
| Return during the year | 34.02 | — | — | 34.02 |
| | (—) | (—) | (—) | (—) |
| Balance as at 31.03.07 | — | — | — | — |
| | (34.02) | (—) | (—) | (34.02) |

ANNUAL REPORT 2006-2007

| Nature of Transaction | Subsidiaries | Associates | Key Management Personnel | (Rs. in lacs) Total |
|---|----------------|----------------|--------------------------|------------------------|
| | Amount in Lacs | Amount in Lacs | Amount in Lacs | Amount in Lacs |
| Investment: | | | | |
| Made during the year | — | — | — | — |
| | (50.00) | (—) | (—) | (50.00) |
| Balance as at 31.03.07 | 1050.00 | 95.48 | — | 1145.48 |
| | (1050.00) | (95.48) | (—) | (1145.48) |
| Stock In Trade: | | | | |
| Purchase during the year | — | — | — | — |
| | (—) | (—) | (—) | (—) |
| Sales/ Redeemed | — | — | — | — |
| | (—) | (103.37) | (—) | (103.37) |
| Balance as at 31.03.07 | — | — | — | — |
| | (—) | (—) | (—) | (—) |
| Sundry Debtors: | | | | |
| As at 31.03.07 | 603.81 | — | — | 603.81 |
| | (—) | (—) | (—) | (—) |
| Sundry Creditors: | | | | |
| As at 31.03.07 | — | — | — | — |
| | (307.38) | (—) | (—) | (307.38) |
| Loans advances and Deposit to : | | | | |
| Given during the year | — | — | — | — |
| | (—) | (175.00) | (—) | (175.00) |
| Return During the year | — | 350.00 | — | 350.00 |
| | (—) | (175.00) | (—) | (175.00) |
| Balance as at 31.03.07 | — | — | — | — |
| | (—) | (350.00) | (—) | (350.00) |
| Payment for Remuneration and services: | | | | |
| Paid during the year | — | — | 7.75 | 7.75 |
| | (—) | (—) | (3.05) | (3.05) |
| Brokerages paid : | | | | |
| Paid during the year | 123.07 | — | — | 123.07 |
| | (189.89) | (—) | (—) | (189.89) |
| Income: | | | | |
| Interest Received during the year | 1.55 | — | — | 1.55 |
| | (—) | (—) | (—) | (—) |
| Contingent Liability: | | | | |
| Bank Guarantees outstanding as at 31.03.07 | 2090.00 | — | — | 2090.00 |
| | (890.00) | (—) | (—) | (890.00) |

(Figures in bracket indicates figures of previous year).

Significant Related Party Transactions during the year:

- i) Loans and Advances Return Rs. 34.02 lacs includes Return to Shardul Commodities International Ltd.
- ii) Deposit Return during the year Rs. 350.00 lacs returned from Pradeep Sandeep Trading & Investments Pvt. Ltd
- iii) Payment and provision for remuneration and services, includes Rs. 6.50 lacs as Salary paid to Shri R. Sundaresan Executive Director and Rs. 1.25 lacs paid to Shri Naveen Chaturvedi Executive Director.
- iv) Brokerages paid includes Rs 121.98 lacs paid to Shriyam Broking Intermediary Ltd and Rs 1.09 lacs paid to Shardul Commodities International Limited.
- v) Interest Received during the year includes Rs 1.55 lacs received from Shardul Commodities International Limited.

(F) In the opinion of the management, the Company is mainly engaged in the business of Investment Activities and all other activities of the Company revolve around the main business, and as such, there are no separate reportable segments.

(G) Disclosure of loans / advances and investments in its own shares by the listed companies, their subsidiaries, associates etc. (as certified by the management)

| Particulars | (Rs. in Lacs) | |
|---|--|---|
| | Outstanding Balance as on 31st March, 2007 | Maximum Outstanding Balance during the year |
| i) Loans and advances in the nature of loans to subsidiaries | NIL (NIL) | NIL (NIL) |
| ii) Loans and advances in the nature of loans to associates | NIL (NIL) | NIL (NIL) |
| iii) Loans and advances in the nature of loan where there is | | |
| a) no repayment schedule or repayment beyond seven years. | NIL (NIL) | NIL (NIL) |
| b) No interest or interest below section 372A of the Companies Act – Loan to employee/others (in ordinary course of business) | NIL (NIL) | NIL (NIL) |
| iv) Loans and advances in nature of loans to firms / companies in which directors are interested. | NIL (NIL) | NIL (NIL) |
| v) Investments by loanee in the shares of parent company and subsidiary company when the company has made a loan or advance in the nature of loan | NIL (NIL) | NIL (NIL) |

(Figures in bracket indicates figures of previous year).

(H) **Deferred Tax :**

The break-up of deferred tax Liability as at March 31, 2007 is as under :

| | Current Year | | Previous Year | |
|---|--------------------|------------------------|--------------------|------------------------|
| | Deferred Tax Asset | Deferred Tax Liability | Deferred Tax Asset | Deferred Tax Liability |
| Timing Differences on account of : | | | | |
| Fixed Assets | — | 204.83 | — | 201.69 |
| Total | — | 204.83 | — | 201.69 |
| Net Deferred Tax Liability. | | 204.83 | | 201.69 |

(I) **Payments to Auditors (statutory):**

| | (Rs. in Lacs) | |
|-----------------------|---------------|---------------|
| | Current Year | Previous Year |
| Audit Fees | 1.50 | 1.00 |
| Tax Audit Fees | 0.30 | 0.30 |
| Certification Charges | 0.20 | 0.20 |
| TOTAL... | 2.00 | 1.50 |

ANNUAL REPORT 2006-2007

(J) Directors Remuneration :

Salary to Executive Directors as under :-

Shri R. Sundaresan Rs. 6.50 Lacs (P.Y. Rs. 3.05 Lacs)

Shri Naveen Chaturvedi Rs. 1.25 Lacs (P.Y. Nil)

The company is of the opinion that the computation of net profit under section 349 of the Companies Act, 1956 is not required to be made as no commission is paid / payable to the Directors for the year ended 31st March, 2007.

(K) Previous year's figures have been regrouped, rearranged and / or reclassified wherever necessary.

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

| Particulars | Amount Outstanding | (Rs. in lacs) Amount Overdue |
|---|---------------------------|------------------------------------|
| i) Loans and advances availed by NBFC inclusive of interest thereon but not paid | | |
| a) Debentures | | |
| Secured | - | - |
| b) Inter-corporate loans and borrowings | 2758.40 (4106.49) | - |
| c) Other Public Deposits | - | - |
| d) Security Deposit – Lease | - | - |
| e) Assigned Liabilities | - | - |
| ii) Break up of Loans and Advances including bills receivable (other than those included in (iii) below) | | |
| a) Secured | - | - |
| b) Unsecured | 1158.07 (2352.27) | 1155.44 - |
| iii) Break up of Leased Assets and Stock on hire and hypothecation loans towards Equipment Leasing, Hire Purchase activities. | | |
| a) Lease assets (including Receivables for Assets on Lease) including lease rentals under sundry debtors. | | |
| 1) Financial Lease (Net of depreciation and lease adjustment). | — | — |
| 2) Operating Lease. | — | — |
| iv) Break up of investments | | |
| a) Current Investments (Stock in trade) | | |
| 1) Quoted | | |
| • Shares | | |
| - Equity | 1870.07 (1541.82) | |
| • Debentures and Bonds | - | |
| • Govt. Securities & PSU Bonds | 15.27 (1563.81) | |
| 2) Unquoted | | |
| • Shares | — | |
| - Equity | — | |
| • Debentures and Bonds | — | |
| b) Long Term Investments | | |
| 1) Quoted | | |
| • Shares | | |
| - Equity | 2517.05 (3616.98) | |
| - Debentures Bonds and Units | 13.00 (13.00) | |
| 2) Unquoted | | |
| • Shares | | |
| - Equity | 1145.48 (1309.98) | |
| - Preference | - | |
| • Debentures, Bonds and Units | (-) 571.59 (200.00) | |
| • Government Securities | - | |
| • PSU Bonds | (-) - | |

| | Amount (Net of Provisions) | | |
|---|---|-----------|---------------------------------------|
| | Secured | Unsecured | Total |
| v) Borrower group-wise classification of all leased assets (including Receivables for Assets on Lease), stock on hire and loans and advances. | | | |
| a) Related Parties | | | |
| 1) Subsidiaries | - | - | - |
| 2) Companies in the same group | - | (350.00) | (350.00) |
| 3) Other related parties | - | - | - |
| b) Other than related parties | - | 1158.07 | 1158.07 |
| | | (2002.27) | (2002.27) |
| Total | - | 1158.07 | 1158.07 |
| | | (2352.27) | (2352.27) |
| vi) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) | | | |
| | Market Value / Break up Value or fair value or NAV | | Book Value (net of provisions) |
| a) Related Parties | | | |
| 1) Subsidiaries | 3345.31 | | 1050.00 |
| | (2467.33) | | (1050.00) |
| 2) Companies in the same group | 154.95 | | 95.48 |
| | (122.10) | | (95.48) |
| 3) Other related parties | - | | - |
| b) Other than related parties | 7252.37 | | 4986.98 |
| | (8991.35) | | (7100.11) |
| Total | 10752.63 | | 6132.46 |
| | (11580.78) | | (8245.59) |
| | Amount | | |
| vii) Other information | | | |
| a) Gross Non Performing Assets | | | |
| 1) Related parties | — | | |
| 2) Other than related parties | — | | |
| b) Net Non Performing Assets | | | |
| 1) Related Parties | — | | |
| 2) Other than related parties | — | | |
| c) Assets acquired in satisfaction of debt | — | | |

(Figures in brackets indicates figures of previous year).

(M) Stock in Trade

| | As at 31st March, 2007 | | As at 31st March, 2006 | |
|---|------------------------|----------------|------------------------|----------------|
| | Quantity | Value | Quantity | Value |
| Equity Shares (quoted) | | | | |
| Apollo Tyres Limited | 150 | 0.37 | 150 | 0.37 |
| ATV Project (India) Limited | 650 | - | 650 | - |
| Mafatlal Industries Limited | 3 | - | 3 | - |
| Modern Syntex (India) Limited | 21 | - | 21 | - |
| Modern Threads (India) Limited | 20 | - | 20 | - |
| Moulik Finance & Resorts Limited | 21000 | - | 21000 | - |
| Ritesh Polyesters Limited (Partly paid) | 29200 | — | 29200 | — |
| Sudarshan Chemicals Limited | 12 | - | 12 | - |
| Reliance Industries Limited | - | - | 150000 | 697.85 |
| Reliance Communication Ventures Ltd | - | - | 150000 | 463.35 |
| Reliance Energy Ventures Ltd. | - | - | 500000 | 216.75 |
| Lupin Lab Ltd. | - | - | 16051 | 163.50 |
| Dish Tv Limited | 57500 | 30.66 | - | - |
| India Bulls Real State Limited | 100000 | 283.60 | - | - |
| IDBI | 500000 | 387.75 | - | - |
| Tata Consultancy Services Limited | 3883 | 47.81 | - | - |
| Tech Mahindra Limited | 24960 | 356.41 | - | - |
| Unitech Limited | 200000 | 763.47 | - | - |
| Total Equity Shares | 937399 | 1870.07 | 867107 | 1541.82 |

ANNUAL REPORT 2006-2007

| | | | | |
|--|---------------|----------------|----------------|----------------|
| Government Securities | | | | |
| 8% GOI Relief Bonds 2007 | 3000 | 3.05 | 3000 | 3.05 |
| 8.5% GOI Relief Bonds 2007 | 2500 | 2.54 | 2500 | 2.54 |
| Total Government Securities | 5500 | 5.59 | 5500 | 5.59 |
| BONDS | | | | |
| A. State Govt. Guarantee Bonds | | | | |
| OSDL 12.00%, 2011 | 700 | 0.70 | - | - |
| WBSDL 10.50%, 2011 | 1000 | 1.05 | - | - |
| UPSDL 12%, 2011 | 2000 | 2.32 | - | - |
| Total State Govt. Guarantee Bonds | 3700 | 4.07 | - | - |
| B. PSU BONDS | | | | |
| SSNNL DDB 2014 | - | - | 106000 | 55.12 |
| KBJNL DDB 2006 | - | - | 2000 | 0.49 |
| CSB 8.75% 2014 | - | - | 167000 | 1502.61 |
| FCI 8.15% 2022 | 5000 | 5.11 | - | - |
| KBJNL DDB 2006 | 2000 | 0.50 | - | - |
| Total PSU Bonds | 7000 | 5.61 | 275000 | 1558.22 |
| Grand Total | 953599 | 1885.34 | 1147607 | 3105.63 |

(N) Information in respect of Opening Stock, Purchases, Sales and Closing Stock:

| Particulars | Current Year | | Previous Year | |
|----------------------------|--------------------|------------------------|--------------------|------------------------|
| | Quantity (Lacs) | Value (Rs. in Lacs) | Quantity (Lacs) | Value (Rs. in Lacs) |
| Opening stock | | | | |
| - Shares / Securities | 8.67 | 1541.82 | 0.56 | 0.86 |
| - Bond | 2.81 | 1563.81 | 8.22 | 878.80 |
| Total | 11.48 | 3105.63 | 8.78 | 879.66 |
| Purchases/Transfers | | | | |
| - Shares / Securities | 855.59 | 527450.54 | 464.55 | 185688.29 |
| - Bonds | 474.82 | 72787.90 | 623.48 | 93814.27 |
| Total | 1330.41 | 600238.44 | 1088.03 | 279502.56 |
| Sales / Transfers | | | | |
| - Shares / Securities | 854.87 | 526651.41 | 456.44 | 184470.55 |
| - Bonds | 477.47 | 74620.70 | 628.89 | 93264.88 |
| Total | 1332.34 | 601272.11 | 1085.33 | 277735.43 |
| Closing Stock | | | | |
| - Shares / Securities | 9.37 | 1870.07 | 8.67 | 1541.82 |
| - Bonds | 0.16 | 15.27 | 2.81 | 1563.81 |
| Total | 9.54 | 1885.34 | 11.48 | 3105.63 |

(O) Contingent Liabilities:

| Particulars | (Rs. in Lacs) | |
|---|----------------|----------------|
| | As at 31.03.07 | As at 31.03.06 |
| Allotment money & Calls unpaid on partly paid shares / Debentures | 2.19 | 218.19 |
| Capital Commitment | 28.05 | 48.80 |
| Bank Guarantees Outstanding | 2090.00 | 890.00 |
| Interest Tax Demand for A.Y. 97.98 (the appeal is pending with CIT (A)) | 48.09 | 48.09 |

- (P)** Accounting Standard 15 (revised), Accounting for Retirement Benefits become mandatory from 01-04-2006. The Provision for Gratuity will be provided upon finalization of actual liability based on actuarial valuation and for that Company is in the process of finalizing the actuary with the concerned Institutions.

As per our report of even date
For Rajen Damani & Associates
 Chartered Accountants

Rajen J. Damani
 Partner
 M No. 34375

Mumbai, Dated : 28th June, 2007

For and on behalf of the Board

Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
PART IV
I. Registration details

| | | | |
|--------------------|-----------------------|------------|----|
| Registration No. | 11-36937 | State Code | 11 |
| (CIN No.) | L50100MH1985PLC036937 | | |
| Balance Sheet Date | 31/03/2007 | | |

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

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

III. Position of Mobilisation and deployment of funds (Amount in Rs. Thousands)

| | | | |
|-------------------|--------|--------------|--------|
| Total Liabilities | 981487 | Total Assets | 981487 |
|-------------------|--------|--------------|--------|

Sources of Funds

| | | | |
|-----------------|--------|----------------------|--------|
| Paid-up Capital | 174984 | Reserves and surplus | 510180 |
| Secured Loans | 275840 | Deferred Tax | 20483 |

Unsecured Loans

Application of funds

| | | | |
|--------------------|--------|-------------------|--------|
| Net fixed assets | 120238 | Investments | 424712 |
| Net current assets | 436537 | Misc. Expenditure | Nil |

Accumulated losses Nil

IV. Performance of company (Amount in Rs. Thousands)

| | | | |
|----------------------------|--------|-------------------|--------|
| Turnover | 237862 | Total Expenditure | 110006 |
| Profit before tax | 127856 | Profit after tax | 112017 |
| Earning per share (in Rs.) | 6.40 | Dividend rate (%) | 10% |

V. Generic names of three principal products / services of company (as per monetary terms)z

Item Code No. —

(ITC Code)

 Service Description. Investments, Finance &
 Other related activities.

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
 Chartered Accountants

Rajen J. Damani
 Partner
 M No. 34375

 Mumbai, Dated : 28th June, 2007

Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

ANNUAL REPORT 2006-2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

| | As at 31st March, 2007 | As At 31st March, 2006 |
|--|------------------------|------------------------|
| A. Cash Flow from operating activities | | |
| Net Profit before tax, Extraordinary and prior period items | 1,278.56 | 1,234.43 |
| Adjustments for: | | |
| Non cash Items | | |
| Depreciation | 37.49 | 34.2 |
| | <u>37.49</u> | <u>34.2</u> |
| Profit on sale of Investments | (1,237.59) | (978.72) |
| Dividend received on investments | (68.35) | (26.19) |
| | <u>(1,268.44)</u> | <u>(970.71)</u> |
| Operating Profit before working capital changes | 10.11 | 263.72 |
| Adjustments for: | | |
| Trade & Receivables | (1,411.18) | 338.22 |
| Inventories | 1,220.29 | (2225.97) |
| Trade Payable | (161.40) | 406.22 |
| Loans & Advances | 1,194.20 | (1,939.06) |
| | <u>841.90</u> | <u>(3420.59)</u> |
| Cash (used) in / generated from operations | 852.02 | (3,156.87) |
| Direct Taxes paid | (156.35) | (168.65) |
| Cash inflow / (outflow) before extraordinary and prior period items | 695.67 | (3,325.52) |
| Extraordinary and prior period items | 1.10 | (0.80) |
| Net Cash from / (used) in operation activities | 696.76 | (3,326.32) |
| B. Cash flow from investment activities | | |
| Purchase of fixed assets (including capital work-in-progress) | (34.52) | (96.41) |
| Purchase of investments | (15,701.47) | (21760.58) |
| Sale of investments | 17,831.90 | 20159.64 |
| Dividend received on investments | 68.35 | 26.19 |
| Net cash (used) in investment activities | 2,164.25 | (1,671.16) |
| C. Cash flow from financing activities | | |
| Dividend paid on Equity Shares including tax | (199.53) | 0.00 |
| Bank borrowing | (687.42) | (109.84) |
| Bank borrowing against stock in trade | (1,240.35) | 1,240.35 |
| Loan from Corporate Body against stock in trade | 566.65 | 1,578.03 |
| Loan from Corporate Body | (386.28) | 775.00 |
| Unsecured Loan (ICD) | (1,528.46) | 1,478.25 |
| Net cash from / (used) in financing activities | (3,475.39) | 4,961.79 |
| Net increase/(decrease) in cash and cash equivalents | (614.37) | (35.69) |
| Cash and cash equivalents as at 1st April 2006 | 1,004.13 | 1039.82 |
| Cash and cash equivalents as at 31st March 2007 | 389.76 | 1004.13 |

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
Chartered Accountants

Rajen J. Damani
Partner
M No. 34375

Mumbai, Dated : 28th June, 2007

Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director



**Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating To Companies Interest in
the Subsidiary Company**

| | | | |
|---|---|--|--|
| a) Name of subsidiary Company | : | Shiryam Broking Intermediary Limited | Shardul Commodities International Limited |
| b) Date from which it became subsidiary | : | September 27, 1994 | March 24, 2006 |
| c) Number of shares held by Shardul Securities Limited with its nominee | : | 1,00,00,000 Equity Shares of Rs. 10/- each. | 5,00,000 Equity Shares of Rs. 10/- each. |
| in the subsidiary as at 31/3/2007 | | | |
| d) Extent of interest of holding Company in the subsidiary as at 31/03/2007 | : | 100% | 100% |
| e) Net aggregate amount of the subsidiary Company's profit/(loss) | | | |
| I For the subsidiary Company's year ended 31/03/2007 | : | Rs. 841.63 lacs | Rs. (12.59) lacs |
| ii For the previous financial years since it became a subsidiary | : | Rs. 1467.33 lacs | Rs. (0.32) lacs |
| f) Net aggregate amount of the subsidiary Company's profit/loss dealt with in the Company's accounts | : | Not Applicable | Not Applicable |
| I For subsidiary Company's period ended 31/03/2007 | : | Nil | Nil |
| ii For the previous Financial year since it became subsidiary | : | Nil | Nil |

For and on behalf of the Board

| | | |
|---------------------------|---|--------------------|
| Gagan Chaturvedi | : | Vice Chairman |
| Dr. V. C. Shah | : | Director |
| Bhupendra Shroff | : | Director |
| Kantilal Shah | : | Director |
| Mukesh Shroff | : | Director |
| Charul Abuwala | : | Director |
| Gyandeo Chaturvedi | : | Director |
| R. Sundaresan | : | Executive Director |
| Naveen Chaturvedi | : | Executive Director |

Mumbai, Dated : 28th June, 2007

SHRIYAM

BROKING INTERMEDIARY LIMITED

BOARD OF DIRECTORS

Bhupendra Shroff

R. Sundaresan

Viraf Katrak

Yogendra Chaturvedi

Makhanlal Chaturvedi

AUDITORS

Rajen Damani & Associates

BANKERS

HDFC Bank Ltd.

REGISTERED OFFICE712-713, Tulsiani Chambers
212, Nariman Point,
MUMBAI - 400 021.**DIRECTORS' REPORT**

TO,

THE MEMBERS OF**Shriyam Broking Intermediary Limited**
Mumbai.

Your Directors have pleasure in presenting the Tweleth Annual Report of your company together with Audited Statement of Accounts for the year ended 31st March 2007.

1. FINANCIAL RESULTS

(Rs.in lacs)

| | 2006-07 | 2005-06 |
|---|----------|----------|
| Gross Revenue | 1,572.74 | 2,307.42 |
| Expenditure | 443.03 | 771.51 |
| Profit before Depreciation and Preliminary Expenses written off | 1,129.71 | 1,535.91 |
| Less: Depreciation and Preliminary Expenses written off | 12.20 | 9.80 |
| Profit before Taxation | 1,117.51 | 1,526.11 |
| Less: Provision for taxation | | |
| Current Tax | 265.00 | 150.00 |
| Deferred Tax | 11.90 | 15.86 |
| Fring Benefit Tax | 1.47 | 1.05 |
| Profit after Taxation | 839.14 | 1,359.20 |
| Add (less): Prior Year Adjustments | 2.49 | (0.55) |
| Profit after Prior Period Adjustments | 841.64 | 1,358.65 |
| Surplus / (deficit) brought forward from previous years | 1,467.33 | 108.68 |
| Profit available for appropriation | 2,308.97 | 1,467.33 |
| Appropriations - | - | - |
| Balance carried to Balance Sheet | 2,308.97 | 1,467.33 |

2. DIVIDEND:

In order to consolidate the financial resources, your directors do not recommend any dividend.

3. GENERAL SCENARIO:

The growth in Indian economy becoming bullish for the 3rd consecutive year brought about all round cheers for the capital market. The continuing influx of foreign investments, a rapid growth in Mutual fund schemes and very encouraging

results from the corporate sector have enabled the stock markets to remain more positive. The interest rate scenario however continued to remain volatile with high inflation and the tough monetary measures initiated by the Reserve Bank to contain the same resulted in subdued credit growth in select segments and also dampened the activities in security markets. The industrial growth has outperformed the targeted levels and the agricultural sector has also shown better growth than the previous year. The booming real estate sector has been a cause for worry but the corrective measures being brought out by the Government have witnessed noticeable charges.

Overall it was a good year for the financial sector with the outlook for the ensuing year remaining positive

4. PERFORMANCE:

Taking advantage of the favorable market conditions, your company did well for the second consecutive year by Rs. 1572.74 Lacs in operations. By containing the expenses significantly though better resource management, the net profits after taxation stood at Rs. 839.14 Lacs which surpassed the previous years sans the trading income. The net worth of the company as a result of the above has now improved to Rs. 3308.96 Lacs

5. DIRECTORS:

Mr. Viraf Katrak and Mr. Makhan Lal Chaturvedi, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

6. Address:

The Registered office of the Company has been shifted from 714, Tulsiani Chambers, 212 Nariman Point, Mumbai 40 0021 to 712-713, Tulsiani Chambers, 212, Nariman point, Mumbai 400 021 w.e. from 2nd September 2006.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the required under section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- That the Directors have 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;


**SHRIYAM
BROKING INTERMEDIARY LIMITED**

- (iii) That the Directors have taken proper and sufficient care for 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 have prepared the accounts for the financial year ended 31st March 2007 on a going concern basis.

8. AUDITORS:

The Company's Auditor - M/S Rajen Damani & Associates, Chartered Accountants, hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received a requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

9. CONSTITUTION OF AUDIT COMMITTEE:

As required by the provisions of Section 292A of the Companies Act, 1956, the Board of Directors had constituted Audit Committee comprising of three Directors i.e. Mr. R. Sundaresan, Mr. Viraf Katrak and Mr. Yogendra Chaturvedi. During the year committee meetings were held on 18th May, 2006, 2nd September 2006, 30th October, 2006 and 28th February 2007.

10. DEPOSITS:

The Company has not accepted any deposits from the public. Hence no information is required to be appended to this Report.

11. STATUTORY INFORMATION:**1. Personnel:**

Details of remuneration paid to employees as required by section 217(2A) of the Companies Act, 1956, is not applicable to the Company as none of the employees is paid remuneration as stipulated in that section.

2. Particulars required to be furnished by the Companies (Disclosure of particulars to the Report of Board of Directors) Rules, 1988:

- (i) Part A & B pertaining to conservation of Energy is not applicable to the Company. The Company has not spent any amount on technology. The Directors keep themselves acquainted with ongoing seminars and research papers.
- (ii) Foreign Exchange earning and outgo: The Company has neither earned any Foreign Exchange nor any Foreign Exchange outflow during the year.

12. ACKNOWLEDGEMENT:

Your Directors would like to express their appreciation of the co-operation and assistance received from the bankers, Exchanges, business constituents and holding company – Shardul Securities Limited during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance during the year.

For and on behalf of the Board

Place : Mumbai **R. Sundaresan** **Yogendra Chaturvedi**
Date : 28.06.2007 Director Director
Regd Office :
712-713, Tulsiani Chambers,
212, Nariman Point,
Mumbai - 400 021.

AUDITORS' REPORT

To
The Members,
SHRIYAM BROKING INTERMEDIARY LTD.

We have audited the attached Balance Sheet of ' **SHRIYAM BROKING INTERMEDIARY LTD.**', as at 31st March 2007, the Profit & 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 have 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 misstatements. An audit also 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India, in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order, to the extent applicable to Company.
- Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - 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;
 - The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956; *however the liability of Gratuity as per Accounting Standard (AS) 15 Accounting for Retirement Benefits (Revised) will be provided upon finalisation of the liability based on actuarial valuation.*
 - On the basis of written representations received from the Directors as at 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March 2007 from being appointed as a Director in terms of Section 274(1)(g) 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 together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date.
 - In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For RAJEN DAMANI & ASSOCIATES
Chartered Accountants

Rajen. J. Damani
(Partner)

Place : Mumbai
Dated : 28th June, 2007

Membership No: 34375

ANNUAL REPORT 2006-2007

ANNEXURE TO THE AUDITOR'S REPORT OF SHRIYAM BROKING INTERMEDIARY LTD. FOR THE YEAR ENDED 31ST MARCH 2007.

(Referred to in paragraph 1 of our report of the even date)

- i. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and nature of its business. No material discrepancies were noticed on such verifications.
 - c) In our opinion and as per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets during the year and the going concern status of the company is not affected.
- ii. In respect of loans:
 - a) The Company has not taken loans, secured or unsecured from companies, firms or parties covered in register maintained under section 301 of the companies Act, 1956.
 - b) The Company has not given loans secured or unsecured to any companies covered in the register maintained under section 301 of the Companies Act, 1956.
- iii. 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 nature of its business for the purchases and sale of securities and fixed assets and services rendered related to broking activities etc. 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 weakness in the aforesaid internal controls.
- iv. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) According to the information and explanation given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions of broking services, in pursuance of contracts or arrangement required to be entered in the register maintained under section 301 of the Companies Act, 1956, have been made at prices, which appears reasonable having regard to the prevailing market prices at the relevant time.
- v. The Company has not accepted deposits from public and hence directives issued by Reserve Bank of India and provision of section 58A and 58AA of the Companies Act,

1956 and rules framed there under are not applicable for the year under audit.

- vi. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- vii. In respect of statutory dues:
 - a) According to the information and explanations given and records as produced and examined by us, in our opinion the undisputed statutory dues in respect of Investor Education and Protection Fund, Sales tax, Provident fund, Employees State Insurance, Income tax, Service tax, Fringe Benefit Tax and other material statutory dues as applicable have been regularly deposited by the Company during the year with appropriate authorities.
 - b) The Wealth tax, Customs duty, Excise duty and Cess are not applicable to the Company.
 - c) According to the information and explanations given to us, there are no such statutory dues, which have not been deposited on account of any dispute except Income Tax Demand of Rs. 9.19 Lacs for the A.Y. 2003-04, the appeal is pending with C.I.T. (A).
- viii. The company has positive net worth at the end of the financial year. The Company has no accumulated losses and has not incurred any cash losses during the current financial year and the immediately preceding financial year.
- ix. The company has maintained proper records in respect of investment in shares and timely entries have been made therein.
- x. According to the information and explanations given to us the company has not obtained any term loans.
- xi. According to the information and explanation given to us and on overall examination of the Balance Sheet of the Company, we are of the opinion that there are no fund raised on short term basis that have been applied for long term investment.
- xii. 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.

In view of the nature of activities carried by the Company, clause no (ii), (viii) and (xiii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (xi), (xii), (xv), (xviii), (xix) and (xx), the said clauses are, at present, not applicable.

For **RAJEN DAMANI & ASSOCIATES**
Chartered Accountants

Rajen. J. Damani
(Partner)

Place : Mumbai
Dated : 28th June, 2007

Membership No: 34375


SHRIYAM
 BROKING INTERMEDIARY LIMITED
BALANCE SHEET AS AT 31st MARCH, 2007**(Rs.in lacs)**

| | Schedule | As at 31st March, 2007 | | As at 31st March, 2006 | |
|------------------------------------|----------|---------------------------|-----------------|---------------------------|-----------------|
| I SOURCE OF FUNDS | | | | | |
| 1 Shareholders Fund | | | | | |
| Share Capital | A | 1,000.00 | | 1,000.00 | |
| Reserves & Surplus | B | 2,308.96 | 3,308.96 | 1,467.33 | 2,467.33 |
| 2 Deferred Tax Liability | | | 34.86 | | 22.96 |
| Total | | | 3,343.82 | | 2,490.29 |
| II APPLICATION OF FUNDS | | | | | |
| 1 Fixed Assets | C | | | | |
| Gross Block | | 310.36 | | 301.62 | |
| Less: Depreciation | | 61.69 | | 49.49 | |
| Net Block | | | 248.67 | | 252.13 |
| 2 Investments | D | | 0.20 | | 681.12 |
| 3 Current Assets, Loans & Advances | | | | | |
| Current Assets | E | 5,649.99 | | 303,557.96 | |
| Loans & Advances | F | 2,123.81 | | 24,460.85 | |
| | | 7,773.81 | | 328,018.81 | |
| Less: Current liabilities | G | 4,678.85 | | 326,461.78 | |
| | | | 3,094.95 | | 1557.03 |
| Total | | | 3,343.82 | | 2490.28 |

Signification Accounting Policies & Notes on Accounts L

As per our report of even date

For Rajan Damani & Associates

Chartered Accountant

Rajan J Damani

Partner, Mem. No. 34375:

Place: Mumbai

Date : 28.06.2007

For and behalf of the Board

Bhupendra K. Shroff

Director

R. Sundaresan

Director

Viraf Katrak

Director

Yogendra Chaturvedi

Director

Makhan Lal Chaturvedi

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2007**(Rs. In Lacs)**

| | Schedule | For the year ended 31st March, 2007 | | For the year ended 31st March, 2006 | |
|--|----------|---|----------------|---|----------------|
| INCOME | | | | | |
| From Operations | H | 882.48 | | 1179.41 | |
| Profit on sale of Investments | | 426.78 | | 1058.02 | |
| Other Income | I | 263.48 | 1572.74 | 69.99 | 2307.42 |
| EXPENDITURE | | | | | |
| Administrative & Other Expenses | J | 373.57 | | 565.86 | |
| Rent, Rates & Taxes | K | 4.89 | | 4.20 | |
| Interest & Financial Charges | | 64.57 | | 201.45 | |
| Depreciation | | 12.20 | | 9.61 | |
| Preliminary Expenses Written off | | - | | 0.19 | |
| | | | 455.23 | | 781.31 |
| PProfit Before Tax | | | 1117.51 | | 1526.11 |
| Provision For Taxation | | | | | |
| Current Tax | | 265.00 | | 150.00 | |
| Deferred Tax | | 11.90 | | 15.86 | |
| Fring Benefit Tax | | 1.47 | 278.37 | 1.05 | 166.91 |
| Profit after Tax | | | 839.14 | | 1359.20 |
| Prior period income | | | 2.49 | | -0.55 |
| PProfit after prior period adjustment | | | 841.63 | | 1358.65 |
| Balance Brought forward | | 1467.33 | 1467.33 | 108.68 | 108.68 |
| Profit aviable for appropriation | | | 2,308.96 | | 1467.33 |
| APPROPRIATION | | | | | |
| Balance carried to Balance Sheet | | | 2308.96 | | 1467.33 |
| APPROPRIATION | | | | | |
| | | | 2308.96 | | 1467.33 |
| Basic And Diluted Earning per share | | | 8.42 | | 13.59 |

Signification Accounting Policies & Notes on Accounts L

As per our report of even date

For Rajan Damani & Associates

Chartered Accountant

Rajan J Damani

Partner, Mem. No. 34375:

Place: Mumbai

Date : 28.06.2007

For and behalf of the Board

Bhupendra K. Shroff

Director

R. Sundaresan

Director

Viraf Katrak

Director

Yogendra Chaturvedi

Director

Makhan Lal Chaturvedi

Director

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2007 | (Rs. In Lacs) As at 31st March, 2006 |
|--|---------------------------|--|
| SCHEDULE : A | | |
| Share Capital | | |
| Authorised | | |
| 1,00,00,000 Equity Shares of Rs. 10/- each. | 1,000.00 | 1,000.00 |
| | <u>1,000.00</u> | <u>1,000.00</u> |
| Issued Subscribed and Paid Up. | | |
| 1,00,00,000 Equity Shares of Rs. 10/- each. | 1,000.00 | 1,000.00 |
| Note :1,00,00,000 Equity Shares are held by Shardul Securities Limited, The Holding Company. | 1,000.00 | 1,000.00 |
| | <u>1,000.00</u> | <u>1,000.00</u> |
| Schedule B | | |
| Reserve & Surplus | | |
| Balance In Profit & Loss Account | 2,308.96 | 1,467.33 |
| | <u>2,308.96</u> | <u>1,467.33</u> |

SCHEDULE : C

FIXED ASSETS

(Rs. in Lacs)

| Description of Assets | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | | |
|---------------------------------|-------------------|----------|--------------------------|-------------------|---------------------|-----------------|--------------------------|-------------------|-------------------|-------------------|
| | As at 01.04.06 | Addition | Deletion / Adjustment | As at 31.03.07 | As on 01.04.2006 | For the Year | Deletion / Adjustment | Up to 31.03.07 | As at 31.03.07 | As at 31.03.06 |
| Stock Exchange Membership Cards | 175.50 | - | - | 175.50 | - | - | - | - | 175.50 | 175.50 |
| Computers | 53.43 | 5.10 | - | 58.53 | 33.53 | 9.18 | - | 42.71 | 15.82 | 19.90 |
| Office Equipments | 16.10 | 3.40 | - | 19.50 | 3.83 | 0.78 | - | 4.61 | 14.89 | 12.27 |
| Furniture & Fixtures | 13.46 | 0.23 | - | 13.69 | 7.54 | 0.87 | - | 8.41 | 5.28 | 5.92 |
| Office Premises | 34.78 | - | - | 34.78 | 1.34 | 0.57 | - | 1.91 | 32.87 | 33.44 |
| Vehicles | 8.36 | - | - | 8.36 | 3.25 | 0.80 | - | 4.05 | 4.31 | 5.10 |
| TOTAL | 301.62 | 8.73 | - | 310.36 | 49.49 | 12.20 | - | 61.69 | 248.67 | 252.13 |
| Previous Year | 286.86 | 19.62 | 4.84 | 301.62 | 42.28 | 9.61 | 2.38 | 49.48 | 252.13 | 244.58 |

SCHEDULE : D

Investments

Long Term Investments

Schedule D Investments Details

Equity shares (Fully paid up)

Trade - Unquoted

Equity Market Project India Ltd.

Equity Share of Bangalore Stock Exchange

Equity Share of Bombay Stock Exchange

Total

Non Trade - Quoted

Reliance Communication Venture Ltd.

Total Investments

Market value of Quoted Investment

| As at 31st March, 2007 | | (Rs. in lacs) As at 31st March, 2006 | |
|------------------------|-------------|---|---------------|
| Nos. | (Value) | Nos. | (Value) |
| - | - | 5,000 | 0.50 |
| 12,750 | 0.10 | 12,750 | 0.10 |
| 10,000 | 0.10 | 10,000 | 0.10 |
| | <u>0.20</u> | | <u>0.70</u> |
| | <u>0.20</u> | | <u>0.70</u> |
| | - | 232,000 | 680.42 |
| | - | | <u>680.42</u> |
| | <u>0.20</u> | | <u>681.12</u> |
| | - | | 716.65 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2007 | (Rs in Lacs) As at 31st March, 2006 |
|---|---------------------------|---|
| SCHEDULE - E | | |
| Current Assets | | |
| Sundry Debtors | | |
| (Unsecured considered good) | | |
| More than 6 months | - | - |
| Others | 3,483.06 | 302,524.57 |
| | <u>3,483.06</u> | <u>302,524.57</u> |
| Cash & Bank Balances | | |
| Cash on hand | 3.11 | 3.13 |
| Balances With Scheduled Banks | | |
| -In Current Accounts | 334.30 | 551.24 |
| - In Fixed Deposit Accounts | 1,829.52 | 479.02 |
| | <u>2,166.93</u> | <u>1,033.39</u> |
| | <u>5649.99</u> | <u>303,557.96</u> |
| | <u><u>5649.99</u></u> | <u><u>303,557.96</u></u> |
| Schedule F | | |
| Loans & Advances | | |
| (Unsecured and considered good) | | |
| Deposits | 2,057.35 | 24,443.72 |
| Advance recoverable in cash or in kind or for value to be received | 66.46 | 17.13 |
| | <u>2,123.81</u> | <u>24,460.85</u> |
| | <u><u>2,123.81</u></u> | <u><u>24,460.85</u></u> |
| Schedule G | | |
| Current Liabilities | | |
| Sundry Creditors | | |
| Due to SSI | - | - |
| Due to Others | 3,901.36 | 301,936.98 |
| (Due to Shardul Securities Ltd, Holdind Co. -177.76 Lack) | <u>3,901.36</u> | <u>301,936.98</u> |
| Margin received from customers | 625.00 | 23,500.00 |
| (Due to Shardul Securities Ltd, Holdind Co. - 425 Lack) | | |
| Current Tax Payable | 71.77 | 62.74 |
| Other Liabilities | 80.72 | 962.06 |
| | <u>4,678.85</u> | <u>326,461.78</u> |
| | <u><u>4,678.85</u></u> | <u><u>326,461.78</u></u> |

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| | 2006-07 | (Rs. In Lacs) 2005-06 |
|--|---------------|--------------------------|
| Schedule H | | |
| Income from operations | | |
| Brokerage | 880.13 | 1,140.24 |
| Advisory Fees | 2.35 | 39.17 |
| | <u>882.48</u> | <u>1,179.41</u> |
| Schedule I | | |
| Other Income | | |
| Dividend | | |
| - on Long term investments | 0.89 | 11.94 |
| Interest on Income Tax Refund | - | 0.57 |
| Interest (Gross) | 79.22 | 37.42 |
| (T.D.S. Rs.17.78, Previous Year Rs. 6.42 Lacs) | | |
| Sundry balance Written Back | 175.52 | - |
| Bad Debts Recovery | - | 2.25 |
| Miscellaneous Income | 7.85 | 17.81 |
| | <u>263.48</u> | <u>69.99</u> |
| Schedule J | | |
| Administrative & Other Exp. | | |
| Payment to Employees | | |
| - Salary, Bonus & Other Allowances | 46.15 | 51.21 |
| - Contribution To PF | 1.59 | 1.67 |
| - Staff Welfare | 0.04 | 0.11 |
| | <u>47.78</u> | <u>52.99</u> |
| Professional & Other Service Charges | 95.36 | 96.13 |
| Transaction Charges | 41.77 | 89.26 |
| Stamp Charges | 71.08 | 228.69 |
| Security Transaction Tax | 7.10 | 2.04 |
| Lease line & Telephone charges | 8.61 | 12.33 |
| Membership & Subscription | 5.90 | 6.96 |
| Printing & Stationery | 6.98 | 2.84 |
| Repair & Maintinace (Other) | 9.72 | 3.49 |
| Travelling & Conveyance | 1.60 | 1.04 |
| Insurance Charges | 0.64 | 0.32 |
| Director Sitting Fees | 0.07 | 0.05 |
| Payment to Auditor | 1.00 | 1.00 |
| Donation | 52.50 | 60.90 |
| Postage & Telegrame | 0.36 | 0.44 |
| Advertisement | 0.38 | 1.69 |
| Business Promotion | 8.82 | 2.05 |
| Electricity Charges | 3.24 | 0.81 |
| Loss on sale on fixed Assets | - | 0.96 |
| Miscellaneous Expenses | 10.66 | 1.87 |
| | <u>373.57</u> | <u>565.86</u> |
| Schedule K | | |
| Rent, Rates & taxes | | |
| Rent, Rates & taxes | 4.87 | 4.18 |
| Professional Tax | 0.02 | 0.02 |
| | <u>4.89</u> | <u>4.20</u> |

NOTES TO ACCOUNTS
SCHEDULE : L
Significant Accounting Policies & Notes on Accounts
1) Significant Accounting Policies :
(A) Basis of preparation of financial statements:

- i) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
- ii) All income and expenditure items having a material bearing on the financial statements are recognised on accrual basis.

(B) Revenue Recognition :

- i) **Brokerage**
Brokerage income is accounted in the year in which they fall due and is exclusive of service tax.
- ii) **Dividends**
Dividend is accounted in the year in which it is received.

(C) Fixed Assets :

Stock Exchange Membership card right have been shown as Fixed Assets and stated at cost.

All Fixed Assets have been stated at cost less accumulated depreciation. All cost attributable to the acquisition of Fixed Assets, till the assets is put to use are capitalised.

(D) Depreciation :

No depreciation is provided on Stock Exchange Membership card. Depreciation on other Fixed Assets is provided on straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, on pro-rata basis.

(E) Preliminary Expenses :

Preliminary Expenses are amortised over a period of ten years.

(F) Investment :

Long term investments are valued at cost. Provision for diminution is made scripwise to recognise a decline, other than temporary.

(G) Impairment of Assets :

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

(H) Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities, if material, are not recognised but are disclosed in the

notes. Contingent assets are neither recognised nor disclosed in the financial statements but Contingent Assets disclosed in Director's Report.

(I) Provision for Current and Deferred Tax :

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Deferred Tax resulting from "timing difference" between book and taxable profits accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet Date.

2 Notes on Accounts

(A) In the opinion of the Board, the Current Assets, Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. The provisions of all known liabilities are adequate and neither in excess of or nor short of the amounts reasonably necessary.

(B) As the company is engaged in Share / Stock Broking services & Merchant Banking activities, information required under paragraph 3 and 4D of part II of Schedule VI of the Companies Act, 1956 is not applicable to the Company.

(C) Balances of Sundry Debtors and Sundry Creditors are subject to confirmation.

(D) Contingent Liabilities :

- i) Bank Guarantees amounting to Rs. 1990 Lacs (Previous year Rs.890 lacs)
- ii) Income Tax Demand Rs. 9.19 Lacs for A.Y. 2003-04 with CIT (A).
- iii) SEBI turnover fees Rs. 18.33 lacs, appeal is pending with SAT.

(E) The previous year's figures have been regrouped /re-arranged wherever necessary.

(F) Earning per share :

| | 2006 - 2007 | 2005 - 2006 |
|--|---------------|-------------|
| a) Net Profit after tax available for Equity Shareholders (Rs. In lacs) | 841.63 | 1,358.65 |
| b) Weighted average of number of Equity Shares outstanding during the year (in lacs). | 100.00 | 100.00 |
| c) Basic and Diluted Earning per share of Rs. 10/- each (in Rs.) | 8.42 | 13.59 |

(G) Related Party Disclosures :
List of related parties with whom transactions have taken place during the year :
i) Holding Company :

Shardul Securities Ltd.

ii) Associates :

A to Z Broking Services Pvt. Ltd.

Pradeep sandeep Trading & Investments Pvt. Ltd.

Shriyam Commodities Intermediary Pvt. Ltd. (formerly Shriyam Counter Trading Pvt. Ltd.)

iii) Key Management Personnel :

Shri Yogendra Chaturvedi - Wholetime Director

ANNUAL REPORT 2006-2007

iv) Transaction during the year with related parties. Reimbursement of expenses has not been treated as related party Transaction :

| Nature of Transaction | Holding | Associates | Key Management Personnel | (Rs. In Lacs) | |
|--|----------|------------|--------------------------|---------------|---|
| | | | | Total | |
| Loan / Advances : | | | | | |
| Sundry Debtors : | | | | | |
| As at 31.03.2007 | 0 | 0 | 0 | 0 | 0 |
| | (307.38) | (0) | (0) | (307.38) | |
| Sundry Creditors : | | | | | |
| As at 31.03.2007 | 602.76 | 67.74 | 0 | 670.5 | |
| | (0) | (45.52) | (0) | (45.52) | |
| Loans advances and Deposit to : | | | | | |
| Given During the Year | 0 | 0 | 0 | 0 | |
| | (0) | (0) | (0) | (0) | |
| Return during the year | 0 | 0 | 0 | 0 | |
| | (0) | (0) | (0) | (0) | |
| Balance as at 31.03.2007 | 0 | 450 | 0 | 450.00 | |
| | (0) | (450) | (0) | (450.00) | |
| Payment for Remuneration and Services : | | | | | |
| Paid during the Year | 0 | 0 | 4.05 | 4.05 | |
| | (0) | (0) | (2.44) | (2.44) | |
| Brokerage received : | | | | | |
| Received during the year | 121.98 | 24.42 | 0 | 146.40 | |
| | (189.89) | (21.17) | (0) | (211.06) | |

(Figure in Bracket indicates figures of previous year).

Significant Related party Transactions during the Year:

I) Brokerage received from Associates includes Rs. 5,71,675 from A to Z Broking Service Pvt. Ltd. , Rs. 14,06,900 from Pradeep Sandeep Trading & Investment Pvt. Ltd. And Rs. 4,63,366 from Shriyam Commodities Intermediary Ltd.

(H) Segment :

In the opinion of the Management, the Company is mainly engaged in the business of Broking activities and all other activities of the Company revolve around the main business, there are no separate reportable segments.

(I) Deferred Tax

The deferred tax Liability as at March 31, 2007 is on account of timing differences of Depreciation on Fixed Assets is Rs.34.86 Lacs (Pr.Yr. 22.96 Lacs).

(J) Payment to Auditors

| | (Rs. In Lacs) | |
|-------------------|---------------------|----------------------|
| | <u>Current Year</u> | <u>Previous Year</u> |
| Audit Fees | 0.70 | 0.70 |
| Tax Audit Fees | 0.20 | 0.20 |
| In other capacity | 0.10 | 0.10 |
| | 1.00 | 1.00 |

(K) Directors Remuneration :

| Salary to Director as under:- | (Rs. In Lacs) | |
|-------------------------------|---------------------|----------------------|
| | <u>Current Year</u> | <u>Previous Year</u> |
| 1) Shri Yogendra Chaturvedi | 4.05 | 2.44 |

(L) Accounting Standard 15 (revised), Accounting for Retirement Benefits become mandatory from 01-04-2006. The Provision for Gratuity will be provided upon finalization of actual liability based on actuarial valuation and for that Company is in the process of finalizing the actuary with the concerned Institutions.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
PART IV
I REGISTRATION DETAILS

| | | |
|--|---------------|----|
| Registration No. 11-81401(CIN-U67120MH1994PLC081401) | State Code | 11 |
| Balance Sheet Date | 31-March-2007 | |

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

| | | | |
|-------------------|---------|--------------|---------|
| Total Liabilities | 334,382 | Total Assets | 334,382 |
|-------------------|---------|--------------|---------|

SOURCES OF FUNDS

| | | | |
|-----------------|---------|-------------------|---------|
| Paid up Capital | 100,000 | Reserve & Surplus | 230,896 |
| Secured Loans | Nil | Unsecured Loans | |

Application of Funds:

| | | | |
|--------------------|---------|---------------------------|----|
| Net Fixed Assets | 24,867 | Investments | 20 |
| Net Current Assets | 309,495 | Miscellaneous Expenditure | - |

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

| | | | |
|----------------------------|---------|-------------------|--------|
| Turnover | 157,274 | Total Expenditure | 45,523 |
| Profit Before Tax | 111,751 | Profit After Tax | 83,914 |
| Earning Per Share (In Rs.) | 8.42 | Dividend rate (%) | Nil |

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per monetary terms)

| | |
|---------------------|---|
| Item Code No. | - |
| (ITC Code) | - |
| Service Description | Share / Stock Broking Services and Merchant Banking |

As per our report of even date

For and on behalf of the Board
For Rajen Damani & Associates
 Chartered Accountants

Rajen J Damani
 Partner
 Membership No. 34375
 Place: MUMBAI
 Date: 28.06.2007

Bhupendra K. Shroff Director
R. Sundaresan Director
Viraf Katrak Director
Yogendra Chaturvedi Director
Makhan Lal Chaturvedi Director

ANNUAL REPORT 2006-2007**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007**

Rupees in lacs

| | As at 31st March, 2007 | As At 31st March, 2006 |
|---|---------------------------|---------------------------|
| A Cash flow from operating Activities | | |
| Net Profit before tax, Extraordinary and prior period items | 1,117.51 | 1,526.11 |
| Adjustment for : | | |
| Non cash items | | |
| Depreciation | 12.20 | 9.61 |
| Preliminary Exp. | - | 0.19 |
| Profit on sale of Investment | (426.78) | (1,058.02) |
| Loss on sale of Fixed Assets | | 0.96 |
| Dividend received from Investments | (0.89) | (11.94) |
| Operating profit before working capital changes | 702.04 | 466.91 |
| Adjustment for: | | |
| Trade & Receivables | 299,041.51 | (302,453.77) |
| Inventories | - | - |
| Trade Payable | (321,782.93) | 325,249.90 |
| Loan & Advances | 22,342.04 | (23,719.63) |
| Cash (used) in/ generated from operations | 297.66 | (456.59) |
| Direct Taxes paid | 266.47 | 151.05 |
| Cash inflow/(outflow) before extraordinary and prior period items | 31.19 | (607.64) |
| extraordinary and prior period items | 2.49 | (0.55) |
| Net Cash from/(Used) in operation activities | 33.68 | (608.19) |
| B Cash flow from investment activities | | |
| Purchase of fixed assets (including Capital working progress) | (8.73) | (19.62) |
| Sale of Fixed Assets | | 1.50 |
| Purchase of Investments | (3,042.85) | (680.62) |
| Sale of Investments | 4,150.55 | 1,357.58 |
| Dividend received on investments | 0.89 | 11.94 |
| Net Cash (used) in investment activities | 1,099.86 | 670.78 |
| C Cash flow from financial activities | | |
| Unsecured Loan (ICD) | - | (120.58) |
| Net cash from /(used) in financial activities | - | (120.58) |
| Net increase / (decrease) in cash and cash equivalents | 1,133.54 | (57.99) |
| Cash and cash equivalents as at 1st April 2006 | 1,033.39 | 1,091.38 |
| Cash and cash equivalents as at 31st March 2007 | 2,166.93 | 1,033.39 |

As per our report of even date

For Rajen Damani & Associates.
Chartered Accountants

Rajen J Damani
Partner
Membership No. 34375

For and on behalf of the Board

Bhupendra K. Shroff : Director
R.Sundaresan : Director
Viraf Katrak : Director
Yogendra Chaturvedi : Director
Makhan Lal Chaturvedi : Director

Place: MUMBAI
Date: 28th June 2007

SHARDUL

COMMODITIES INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Shri R. Sundaresan

Shri Gyandeo Chaturvedi

Shri Suresh Chaturvedi

AUDITORS

Rajen Damani & Associates

BANKERS

HDFC Bank Ltd.

REGISTERED OFFICE712-713, Tulsiani Chambers
212, Nariman Point, MUMBAI - 400 021.**DIRECTORS REPORT**

To,
The Members

Shardul Commodities International Limited
Mumbai.

Your Directors have pleasure in presenting the 2nd Annual Report of your company together with Audited Statement of Accounts for the year ended 31st March 2007.

1. FINANCIAL RESULTS

| | Amount in (Rs) | |
|---|----------------|----------|
| | 2006-07 | 2005-06 |
| Gross Revenue | 78,405 | - |
| Expenditure | 1,282,410 | 6,491 |
| Loss before Depreciation and Preliminary Expenses written off | (1,204,005) | (6,491) |
| Less : Depreciation and Preliminary Expenses written off | 37,753 | 26,000 |
| Loss before Taxation | (1,241,758) | (32,491) |
| Less : Provision for taxation | | |
| Current Tax | - | - |
| Deferred Tax | 17,724 | - |
| Loss after Taxation | (1,259,482) | (32,491) |
| deficit brought forward from previous years | (32,491) | - |
| Loss carried to Balance Sheet | (1,291,973) | (32,491) |

2. DIVIDEND

In view of the losses the company has not declare any dividend for the year.

3. DIRECTORS:

Mr. Suresh Chaturvedi, Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Mr Pulak Basak, Director has resigned as on 1st September, 2006.

4. ADDRESS:

The Registered office of the Company has been shifted from 715, Tulsiani Chambers, 212 Nariman Point, Mumbai 40 0021 to 712-713, Tulsiani Chambers, 212, Nariman point, Mumbai 400 021 w.e. from 2nd September 2006.

5. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the required under section 217(2AA) of the Companies Act, 1956 with

ANNUAL REPORT 2006-2007

respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) That the Directors have 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 have taken proper and sufficient care for 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 have prepared the accounts for the financial year ended 31st March 2007 on a going concern basis.

6. AUDITORS:

The Company's Auditor - M/S Rajen Damani & Associates, Chartered Accountants, hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received a requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

7. DEPOSITS:

The Company has not accepted any deposits from the public. Hence no information is required to be appended to this Report.

8. STATUTORY INFORMATION:

1. Personnel:

Details of remuneration paid to employees as required by section

217(2A) of the Companies Act, 1956, is not applicable to the Company as none of the employees is paid remuneration as stipulated in that section.

2. Particulars required to be furnished by the Companies (Disclosure of particulars to the Report of Board of Directors) Rules, 1988:

(i) Part A & B pertaining to conservation of Energy and Technology Absorption are not applicable to the Company.

(ii) Foreign Exchange earning and outgo: The Company has neither earned any Foreign Exchange nor any Foreign Exchange outflow during the year.

9. ACKNOWLEDGEMENT:

Your Directors would like to express their appreciation of the co-operation and assistance received from the bankers, Exchanges, business constituents and holding company – Shardul Securities Limited during the year under review.

For and on behalf of the Board

R. Sundaresan
Director

Suresh Chaturvedi
Director

Place: Mumbai

Date: 28.06.2007

Regd Office:

712-713, Tulsiani Chambers,
212, Nariman Point,
Mumbai 400 021

AUDITORS' REPORT

To

The Members,

SHARDUL COMMODITIES INTERNATIONAL LIMITED

We have audited the attached Balance Sheet of 'SHARDUL COMMODITIES INTERNATIONAL LIMITED.' as at 31st March 2007, the Profit & 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 have 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 misstatements. An audit also 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India, in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order, to the extent applicable to Company.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) 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;

- c) The Balance Sheet, Profit & Loss Account & the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion the Balance Sheet, Profit & Loss Account & the Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as at 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March 2007 from being appointed as a Director in terms of Section 274(1)(g) of the Companies act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - ii) in the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date.
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **RAJEN DAMANI & ASSOCIATES**
 Chartered Accountants

Vikas N Mehta

(Partner)

Place : Mumbai,

Dated : 28th June 2007 Membership No. 43754

ANNUAL REPORT 2006-2007

ANNEXURE TO THE AUDITOR'S REPORT

OF SHARDUL COMMODITIES INTERNATIONAL LIMITED. FOR THE YEAR ENDED 31ST MARCH 2007.

(Referred to in paragraph 1 of our report of the even date)

i. In respect of its fixed assets:

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and nature of its business. No material discrepancies were noticed on such verifications.
- c) In our opinion and as per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets during the year and the going concern status of the company is not affected.

ii. In respect of loans:

- a) The Company has not taken loans, secured or unsecured from companies, firms or parties covered in register maintained under section 301 of the companies Act, 1956.
- b) The Company has not given loans secured or unsecured to any companies covered in the register maintained under section 301 of the Companies Act, 1956.

iii. 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 nature of its business for the purchases and sale of securities and fixed assets and services rendered related to broking activities etc. 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 weakness in the aforesaid internal controls.

iv. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:

- a) According to the information and explanation given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions of broking services, in pursuance of contracts or arrangement required to be entered in the register maintained under section 301 of the

Companies Act, 1956, have been made at prices, which appears reasonable having regard to the prevailing market prices at the relevant time.

- v. The Company has not accepted deposits from public and hence directives issued by Reserve Bank of India and provision of section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- vi. In respect of statutory dues:
 - a) According to the information and explanations given and records as produced and examined by us, in our opinion the undisputed statutory dues in respect of Investor Education and Protection Fund, Sales tax, Provident fund, Employees State Insurance, Income tax, Service tax, Fringe Benefit Tax and other material statutory dues as applicable have been regularly deposited by the Company during the year with appropriate authorities.
 - b) The Wealth tax, Customs duty, Excise duty and Cess are not applicable to the Company.
 - c) According to the information and explanations given to us, there are no such statutory dues, which have not been deposited on account of any dispute.
- vii. According to the information and explanations given to us the company has not obtained any term loans.
- viii. According to the information and explanation given to us and on overall examination of the Balance Sheet of the Company, we are of the opinion that there are no fund raised on short term basis that have been applied for long term investment.
- ix. 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. In view of the nature of activities carried by the Company, clause no (ii), (vii), (viii), (x), (xiii) and (xiv) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (xi), (xii), (xv), (xviii), (xix) and (xx), the said clauses are, at present, not applicable.

For **RAJEN DAMANI & ASSOCIATES**
Chartered Accountants

Vikas N Mehta
(Partner)

Place : Mumbai,

Dated : 28th June 2007 Membership No. 43754

BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rs.)

| | | Schedule | As at | |
|--------------------------------|--|----------|------------------|---------------------------|
| | | | 31st March, 2007 | As at 31st March, 2006 |
| I. SOURCES OF FUNDS | | | | |
| 1 | Shareholders Fund | | | |
| | Share Capital | A | 5,000,000 | 5,000,000 |
| 2 | Deferred Tax Liability | | 17,724 | - |
| | Total | | <u>5,017,724</u> | <u>5,000,000</u> |
| II APPLICATION OF FUNDS | | | | |
| 1 | Fixed Assets | B | | |
| | Gross Block | | 106,500 | - |
| | Less: Depreciation | | 11,753 | - |
| | Net Block | | 94,747 | - |
| 2 | Current Assets | C | 8,080,296 | 311,000 |
| | Loans & Advances | D | 632,826 | 4,567,409 |
| | Less: Current liabilities & Provisions | E | 8,713,122 | 4,878,409 |
| | | | 5,160,118 | 14,900 |
| 3 | Net Current Assets | | 3,553,004 | 4,863,509 |
| | Preliminary Expenses to the extent not written off | F | 78,000 | 104,000 |
| 4 | Debit balance in Profit & Loss Account | | 1,291,973 | 32,491 |
| | Total | | <u>5,017,724</u> | <u>5,000,000</u> |
| | Signification Accounting Policies & Notes on Accounts | J | | |

As per our attached report of even date

For **Rajen Damani & Associates**
Chartered Accountants
Vikas N Mehta
 Partner
 Membership No. : 43754
 Place : Mumbai,
 Dated : 28th June, 2007

For and on behalf of the Board

R. Sundaresan : Director
Gyandeo Chaturvedi : Director
Suresh Chaturvedi : Director

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2006

(Amount in Rs.)

| | | Schedule | For the | |
|----------------------|--|----------|--------------|---------------------------|
| | | | year 2006-07 | For the Period 2005-06 |
| INCOME | | | | |
| | From Operation | | 688,093 | - |
| | Trading Loss | G | (788,113) | - |
| | Other Income | | 178,425 | - |
| | | | 78,405 | - |
| EXPENDITURE | | | | |
| | Administrative Expenses & Other Expenses | H | 1,079,924 | 6,491 |
| | Interest & Financial Charges | I | 202,486 | - |
| | Depreciation | B | 11,753 | - |
| | Miscellaneous Expenditure Written Off | | 26,000 | 26,000 |
| | | | 1,320,163 | 32,491 |
| | Profit Before Tax | | (1,241,758) | (32,491) |
| | Provision For Taxation | | | |
| | Current Tax | | - | - |
| | Deferred Tax | | 17,724 | - |
| | Profit after Tax | | (1,259,482) | (32,491) |
| | Balance Brought forward | | (32,491) | - |
| | Profit aviable for appropriation | | (1,291,973) | (32,491) |
| APPROPRIATION | | | | |
| | Balance carried to Balance Sheet | | (1,291,973) | (32,491) |
| | Basic And Diluted Earning per share | | (2.52) | (0.06) |
| | Signification Accounting Policies & Notes on Accounts | J | | |

Notes on Accounts

As per our attached report of even date

For **Rajen Damani & Associates**
Chartered Accountants
Vikas N Mehta
 Partner
 Membership No. : 43754
 Place : Mumbai,
 Dated : 28th June, 2007

For and on behalf of the Board

R. Sundaresan : Director
Gyandeo Chaturvedi : Director
Suresh Chaturvedi : Director

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2007 | (Amount in Rupees) As at 31st March, 2006 |
|---|-----------------------------------|--|
| SCHEDULE 'A' | | |
| Share Capital | | |
| Authorised | | |
| 5,00,000 Equity Shares of Rs. 10/- each. | 5,00,000 | 5,00,000 |
| | 5,00,000 | 5,00,000 |
| Issued Subscribed and Paid Up. | | |
| 5,00,000 Equity Shares of Rs. 10/- each. (out of the above 5,00,000/- Equity Shares held by Shardul Securities Limited (the Holding Company)) | 5,00,000 | 5,00,000 |
| | 5,00,000 | 5,00,000 |

SCHEDULE : B FIXED ASSETS

(Amount in Rs.)

| Description of Assets | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-----------------------|-------------------|----------------|--------------------------|-------------------|---------------------|-----------------|--------------------------|-------------------|-------------------|-------------------|
| | As at 01.04.06 | Addition | Deletion / Adjustment | As at 31.03.07 | As on 01.04.2006 | For the Year | Deletion / Adjustment | Up to 31.03.07 | As at 31.03.07 | As at 31.03.06 |
| Computers | - | 106,500 | - | 106,500 | - | 11,753 | - | 11,753 | 94,747 | - |
| TOTAL | - | 106,500 | - | 106,500 | - | 11,753 | - | 11,753 | 94,747 | - |
| Previous Year | - | - | - | - | - | - | - | - | - | - |

Schedule C

(Amount in Rupees)

Current Assets

Cash & Bank Balances

- Balances With Scheduled Banks
- In Current Accounts
- In Fixed Deposit Accounts

| | As at 31.03.07 | As at 31.03.06 |
|--|---------------------------|---------------------------|
| | 2,705,296 | |
| | 5,375,000 | |
| | 8,080,296 | 311,000 |
| | 8,080,296 | 311,000 |

Schedule D

Loans & Advances (considered good)

- Deposits
- Advance Income Tax (Net)
- Advances recoverable in cash or kinds or for
value to be received

| | | |
|--|----------------|------------------|
| | 375,000 | - |
| | 40,038 | - |
| | 217,787 | 4,567,409 |
| | 632,825 | 4,567,409 |

Schedule E

Current Liabilities & Provisions

Sundry Creditors

- Due to SSI
Margin
- (Due to Shardul Securities Ltd,
Holding Co. - Rs.50,00,000/-)
- Due to Other

| | | | |
|--|------------------|---|---------------|
| | 5,00,000 | - | - |
| | - | - | - |
| | 5,00,000 | - | - |
| | 160,118 | - | 14,900 |
| | 5,160,118 | - | 14,900 |

Schedule F

Preliminary Expenses

- (To the extent not written off
or adjusted preliminary Expenses)

| | | |
|--|---------------|----------------|
| | 78,000 | 104,000 |
| | 78,000 | 104,000 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| | 2006.07 | (Amount in Rs.) 2005-06 |
|--|------------------|----------------------------|
| Schedule G | | |
| Other Income | | |
| Interest (Gross) (T.D.S. Rs.40,038.) | 178,425 | - |
| | <u>178,425</u> | <u>-</u> |
| Schedule H | | |
| Administrative & Other Expenses | | |
| Transaction Charges | 62,586 | - |
| Stamp Charges | 64,963 | - |
| Lease line & Telephone charges | 33,097 | - |
| Membership & Subscription | 785,000 | - |
| Printing & Stationery | 8,300 | - |
| Repair & Maintenance | 93,764 | - |
| Insurance Charges | 5,510 | - |
| Payment to Auditors | 5,000 | 5,610 |
| Miscellaneous Expenses | 21,704 | 881 |
| | <u>1,079,924</u> | <u>6,491</u> |
| Schedule I | | |
| Interest & Financial Charges | | |
| Financial Charges | 154,890 | - |
| Bank Gurantee Commission | 47,356 | - |
| Bank Charges | 240 | - |
| | <u>202,486</u> | <u>-</u> |

NOTES TO ACCOUNTS
SCHEDULE : J
Significant Accounting Policies & Notes on Accounts
1) Significant Accounting Policies :
(A) Basis of preparation of financial statements:

- i) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act,1956.
- ii) All income and expenditure items having a material bearing on the financial statements are recognised on accrual basis.

(B) Use of Estimates :

The presentation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue & expenses during the reporting period. The Difference between the actual results and estimates are recognised in the period in which the result are known or materialised.

ANNUAL REPORT 2006-2007

(C) Revenue Recognition :

Revenue is recognised as and when accrued.

(D) Fixed Assets :

All Fixed Assets have been stated at cost less accumulated depreciation. All cost attributable to the acquisition of Fixed Assets, till the assets is put to use are capitalised.

(E) Depreciation :

Depreciation on Fixed Assets is provided on straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 on pro-rata basis.

(F) Miscellaneous Expenditure :

Preliminary Expenses are amortised over a period of five years.

(G) Impairment of Assets :

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

(H) Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities, if material, are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements but Contingent Assets disclosed in Director's Report.

(I) Provision for Current and Deferred Tax :

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Deferred Tax resulting from "timing difference" between book and taxable profits accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet Date.

2 Notes on Accounts

(A) In the opinion of the Board, the Current Assets, Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. The provisions of all known liabilities are adequate and neither in excess of or nor short of the amounts reasonably necessary.

(B) The Company was formed in February, 2006, so previous year figure was only for 2 month and hence the Current year figure are not comparable with the Previous Year figures.

(C) Contingent Liabilities :

Bank Guarantees amounting to Rs. 1,00,00,000/-

(D) The previous year's figures have been regrouped /re-arranged wherever necessary.

| | | (Amount in Rupees) | |
|------------|---|--------------------|--------------------|
| | | 2006 - 2007 | 2005 - 2006 |
| (E) | (i) Expenditure in Foreign Currency | - | - |
| | (ii) Earning in Foreign Currency | - | - |
| (F) | Earning per share : | 2006 - 2007 | 2005 - 2006 |
| a) | Net Profit after tax available for Equity Shareholders | (1,259,482) | (32,491) |
| b) | Weighted average of number of Equity Shares outstanding during the year . | 500,000 | 500,000 |
| c) | Basic and Diluted Earning per share of Rs. 10/- each | (2.52) | (0.06) |


SHARDUL
 Commodities International Limited
(G) Related Party Disclosures :

List of related parties with whom transaction have been taken place during the year.

i) Holding Company :

Shardul Securities Ltd.

ii) Transaction during the year with related parties. Reimbursement of expenses has not been treated as related party Transaction :

| Nature of Transaction | Name of the related party | (Amount in Rupees) | |
|------------------------------------|---------------------------|--------------------|--------------------------|
| | | Amount | Outstanding |
| Creditors as on 31.03.07 | Shardul Securities Ltd. | 5,000,000 (0) | 5,000,000 (0) |
| Advance given to | Shardul Securities Ltd. | - (4,700,000) | - (3,401,899) |
| Capital Contribution | Shardul Securities Ltd. | - (5,000,000) | 5,000,000 (5,000,000) |
| Brokerage received during the year | Shardul Securities Ltd. | 108,790 (0) | - - |

(figures in brackets indicates figures of previous year)

(H) In the opinion of the management, there are no reportable segments.

(I) Deferred Tax

The deferred tax Liability as at March 31, 2007 is on account of timing difference of depreciation on Fixed Assets is Rs.17,724.

(J) Payment to Auditors

| | Rupees | |
|------------------|--------------|---------------|
| | Current Year | Previous Year |
| Audit Fees | 5,000 | 5,000 |
| Add: Service Tax | 612 | 610 |
| TOTAL | 5,612 | 5,610 |

(K) Directors Remuneration :

During the year the Company has not paid any remuneration to Directors.

(L) Quantitative Information :

| | As at 31.03.07 | | As at 31.03.06 | |
|----------------------|----------------|------------|----------------|-------|
| | Quantity | Value | Quantity | Value |
| Commodities : | | | | |
| Purchase | 6804940 | 7202436263 | - | - |
| Sales | 6804940 | 7201848150 | - | - |

As per our attached report of even date
 For **Rajen Damani & Associates**
 Chartered Accountants

Vikas N Mehta
 Partner
 Membership No. : 43754
 Place : Mumbai,
 Dated : 28th June, 2007

For and on behalf of the Board
R. Sundaresan : Director
Gyandeo Chaturvedi : Director
Suresh Chaturvedi : Director

ANNUAL REPORT 2006-2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

PART IV

I. Registration details

| | | | |
|--------------------|-----------------------|------------|----|
| Registration No. | U51100MH2006PLC160106 | State Code | 11 |
| Balance Sheet Date | 31/03/2007 | | |

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

| | | | |
|-------------------|------|--------------|------|
| Total Liabilities | 5018 | Total Assets | 5018 |
|-------------------|------|--------------|------|

SOURCES OF FUNDS

| | | | |
|-----------------|------|-------------------|----|
| Paid up Capital | 5000 | Reserve & Surplus | 0 |
| Secured Loans | Nil | Deffered Tax | 18 |
| Unsecured Loans | 0 | | |

Application of Funds:

| | | | |
|--------------------|------|-----------------------------|----|
| Net Fixed Assets | 95 | Investments | 0 |
| Net Current Assets | 3553 | Miscellaneous Expenditure - | 78 |
| Accumulated losses | 1292 | | |

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

| | | | |
|----------------------------|-------|-------------------|-------|
| Turnover | 78 | Total Expenditure | 1320 |
| Loss Before Tax | -1242 | Loss After Tax | -1259 |
| Earning Per Share (In Rs.) | -2.52 | Dividend rate (%) | Nil |

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per monetary terms)

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

Service Description: Broking and Dealing in Commodities

As per our attached report of even date
For **Rajen Damani & Associates**
Chartered Accountants

Vikas N Mehta
Partner
Membership No. : 43754
Place : Mumbai,
Dated : 28th June, 2007

For and on behalf of the Board
R. Sundaresan : Director
Gyandeo Chaturvedi : Director
Suresh Chaturvedi : Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

Amount in Rupees

| | As at 31st March, 2007 | | As At 31st March, 2006 | |
|---|---------------------------|-------------|---------------------------|-------------|
| A Cash flow from operating Activities | | | | |
| Net Loss before tax, Extraordinary and prior period items | | (1,241,758) | | (32,491) |
| Adjustment for : | | | | |
| Non cash items | | | | |
| Depreciation | 11,753 | | - | |
| Preliminary Exp. | 26,000 | 37,753 | 26,000 | 26,000 |
| | | | | |
| Operating profit before working capital changes | | (1,204,005) | | (6,491) |
| Adjustment for: | | | | |
| Trade Payable | 5,145,217 | | 14,900 | |
| Loan & Advances | 3,934,584 | 9,079,801 | (4,567,409) | (4,552,509) |
| | | | | |
| Cash (used) in/ generated from operations | | 7,875,796 | | (4,559,000) |
| | | | | |
| B Cash flow from investment activities | | | | |
| Purchase of fixed assets | (106,500) | | - | |
| Preliminary Expenses paid | - | | (130,000) | |
| Net Cash (used) in investment activities | | (106,500) | | (130,000) |
| | | | | |
| C Cash flow from financial activities | | | | |
| Capital received From Holding Company | | | 5,000,000 | |
| | | | | |
| | | | | 5,000,000 |
| | | | | |
| Net increase / (decrease) in cash and cash equivalents | | 7,769,296 | | 311,000 |
| Cash and cash equivalents as at 1st April 2006 | | 311,000 | | - |
| Cash and cash equivalents as at 31st March 2007 | | 8,080,296 | | 311,000 |

As per our report of even date

For Rajen Damani & Associates.
 Chartered Accountants

Vikas N Mehta
 Partner
 Membership No. : 43754

 Place: MUMBAI
 Date : 28th June 2007

For and on behalf of the Board
R. Sundaresan : Director
Gyandeo Chaturvedi : Director
Suresh Chaturvedi : Director

ANNUAL REPORT 2006-2007**SHARDUL SECURITIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS****AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS****To****The Board of Directors
SHARDUL SECURITIES LTD.**

We have examined the attached Consolidated Balance Sheet of **SHARDUL SECURITIES LIMITED** ("the Company"), **SHRIYAM BROKING INTERMEDIARY LIMITED** ("the subsidiary") and **SHARDUL COMMODITIES INTERNATIONAL LIMITED** ("the subsidiary") as at 31st March, 2007 and also the Consolidated Profit & Loss Account and Consolidated 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. An audit also 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and the subsidiary included in the consolidated financial statements.

On the basis of 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 subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at 31st March, 2007;
- ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company for the year ended ; and
- iii) in the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the Company for the year ended on that date.

For **RAJEN DAMANI & ASSOCIATES**
Chartered Accountants

Place : Mumbai
Dated : 28th June, 2007

Rajen. J. Damani
(PARTNER)
Membership No: 34375.

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs. in Lacs)

| | Schedule | As at | |
|---|----------|------------------|---------------------------|
| | | 31st March, 2007 | As at 31st March, 2006 |
| I. SOURCES OF FUNDS | | | |
| 1 Shareholders Fund | | | |
| Share Capital | A | 1,749.84 | 1,749.84 |
| Reserves and Surplus | B | 7,397.86 | 5,653.37 |
| | | 9,147.70 | 7,403.21 |
| 2 Deferred Tax Liability | | 239.86 | 224.65 |
| 3 Loan Funds | | | |
| Secured Loans | C | 2,758.40 | 4,505.80 |
| Unsecured Loans | D | - | 1,528.46 |
| | | 2758.40 | 6,034.26 |
| Total | | 12,145.96 | 13,662.12 |
| II APPLICATIONS OF FUNDS | | | |
| 1 Fixed Assets | | | |
| Gross Block | E | 1,717.04 | 1,693.45 |
| Less: Depreciation | | 296.37 | 246.56 |
| | | 1,420.67 | 1,446.89 |
| Capital Work-in-Progress | | 31.33 | 10.58 |
| Net Block | | 1,452.00 | 1,457.47 |
| 2 Investments | F | 3,197.32 | 4,771.08 |
| 3 Current Assets, Loans and Advances | | | |
| Current Assets: | G | | |
| Stock in Trade | | 1,885.34 | 3,105.63 |
| Sundry Debtors | | 4,250.94 | 302,227.86 |
| Cash and Bank Balances | | 2,642.49 | 2,040.63 |
| Loans and Advances | H | 3,211.45 | 26,762.04 |
| | | 11,990.22 | 334,136.16 |
| Less: Current Liabilities & Provisions | | | |
| Current Liabilities | I | 4,289.63 | 326,504.10 |
| Provisions | J | 204.73 | 199.53 |
| | | 4,494.36 | 326,703.63 |
| Net Current Assets | | 7,495.86 | 7,432.53 |
| 4 Miscellaneous Expenditure | K | 0.78 | 1.04 |
| Total | | 12,145.96 | 13,662.12 |
| Significant accounting policies & Notes to Accounts. | Q | | |

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
 Chartered Accountants

Rajen J. Damani
 Partner
 M No. 34375
Mumbai, Dated : 28th June, 2007
Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

ANNUAL REPORT 2006-2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in Lacs)

| | Schedule | 2006-2007 | 2005-2006 |
|---|----------|-----------------|-----------------|
| INCOME | | | |
| Income from Operations | L | 1,797.90 | 2,020.90 |
| Income from Investment | M | 1,664.37 | 2,036.74 |
| Other Income | N | 488.33 | 72.76 |
| | | 3,950.60 | 4,130.40 |
| EXPENDITURE | | | |
| Administrative Expenses | O | 762.58 | 881.70 |
| Interest & Financial Charges | | 754.29 | 444.22 |
| Depreciation | | 49.81 | 43.81 |
| Miscellaneous Expenditure Written Off | P | 0.26 | 0.45 |
| | | 1,566.94 | 1,370.18 |
| Profit before Taxation | | 2,383.66 | 2,760.22 |
| Provision for Taxation: | | | |
| Current | | 415.00 | 315.00 |
| FBT | | 7.82 | 4.70 |
| Deferred | | 15.21 | 27.59 |
| | | 438.03 | 347.29 |
| Profit after Taxation | | 1,945.63 | 2,412.93 |
| Prior period adjustment (Net) | | 2.49 | 0.03 |
| Adjustment of Taxation for earlier years | | 1.10 | (1.38) |
| | | 1,949.22 | 2,411.58 |
| Profit after prior period adjustment | | 1,949.22 | 2,411.58 |
| Surplus brought forward from previous year | | 2,120.02 | 118.62 |
| | | 4,069.24 | 2,530.20 |
| APPROPRIATIONS | | | |
| Proposed Dividend Equity Shares | | 174.99 | 174.99 |
| Dividend Tax | | 29.74 | 24.54 |
| Transferred to Statutory Reserve Fund (as per RBI Guidelines) | | 224.03 | 210.65 |
| Balance carried to Balance Sheet | | 3,640.48 | 2,120.02 |
| | | 4,069.24 | 2,530.20 |
| Basic and diluted earning per equity share of Rs.10/- each (in Rupees) | | 11.14 | 13.78 |

(Refer Note no. 2(C) of Schedule "Q" Notes on Account)

Significant accounting policies &

Notes to Accounts

Q

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates

Chartered Accountants

Rajen J. Damani

Partner
M No. 34375

Mumbai, Dated : 28th June, 2007

| | |
|---------------------------|----------------------|
| Gagan Chaturvedi | : Vice Chairman |
| Dr. V. C. Shah | : Director |
| Bhupendra Shroff | : Director |
| Kantilal Shah | : Director |
| Mukesh Shroff | : Director |
| Charul Abuwala | : Director |
| Gyandeo Chaturvedi | : Director |
| R. Sundaresan | : Executive Director |
| Naveen Chaturvedi | : Executive Director |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As at 31st March, 2007 | As at 31st March, 2006 |
|---|---------------------------|---------------------------|
| (Rs. in Lacs) | | |
| SCHEDULE 'A' | | |
| Share Capital | | |
| Authorised | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | 2,000.00 | 2,000.00 |
| 10,00,000 Cummulative Redeemable Preference Shares of Rs. 100/- Each | 1,000.00 | 1,000.00 |
| | <u>3,000.00</u> | <u>3,000.00</u> |
| Issued, Subscribed and Paid up | | |
| 1,74,98,433 Equity Shares of Rs.10/- each | 1,749.84 | 1,749.84 |
| | <u>1,749.84</u> | <u>1,749.84</u> |
| SCHEDULE 'B' | | |
| Reserves & Surplus | | |
| Capital Reserve | 6.90 | 6.90 |
| Share Premium Account | 2,666.69 | 2,666.69 |
| General Reserve | | |
| Balance as per Last Balance Sheet | 297.88 | 297.88 |
| Add : Transfer from Profit & Loss Account | - | - |
| | <u>297.88</u> | <u>297.88</u> |
| Statutory Reserve Fund (As per RBI Guidelines) | | |
| Balance as per last Balance Sheet | 561.88 | 351.23 |
| Add: Transfer from Profit & Loss Account | 224.03 | 210.65 |
| | <u>785.91</u> | <u>561.88</u> |
| Profit and Loss Account | 3,640.48 | 2,120.02 |
| | <u>7,397.86</u> | <u>5,653.37</u> |
| SCHEDULE 'C' | | |
| Secured Loans | | |
| From Bank | - | 687.42 |
| (Bank overdraft is secured by way of loan on Bank fixed deposits of Rs.Nil P.Y. Rs. 1000.00 lacs and Fixed deposit of Rs. Nil P.Y. Rs 175.00 lacs belonging to the associate Companies) | | |
| From Bank | - | 1,240.35 |
| (Secured by way of Pledge of Stock In Trade Govt. Securities of Rs Nil P. Y. Rs 1670 lacs (face value)) | | |
| From Corporate Body | 2,144.68 | 1,578.03 |
| (Secured against pledge of Shares held as Stock in trade) | | |
| From Corporate Body | 613.72 | 1,000.00 |
| (Secured against pledge of shares belonging to company and its associates Companies) | | |
| | <u>2,758.40</u> | <u>4,505.80</u> |
| SCHEDULE 'D' | | |
| Unsecured Loans | | |
| Inter Corporate Deposit | - | 1,528.46 |
| | <u>-</u> | <u>1,528.46</u> |

Schedule 'E':

FIXED ASSETS

(Rs. in Lacs)

| Description of Assets | Gross Block | | | Depreciation | | | | Net Block | | |
|------------------------|-----------------|--------------|----------------------------|------------------|-------------------|-----------------|----------------------------|-----------------|-------------------|-------------------|
| | As at 1/4/06 | Additions | Deductions /Written off | As at 31/3/07 | Up to 31/03/06 | For the Year | Deductions /Written off | Upto 31/3/07 | As at 31/03/07 | As at 31/03/06 |
| A. Owned Assets | | | | | | | | | | |
| Stock Exchange Cards | 175.50 | | | 175.50 | | | | | 175.50 | 175.50 |
| Office Premises | 1135.43 | | | 1135.43 | 110.73 | 18.51 | | 129.24 | 1006.19 | 1,024.70 |
| Computers | 63.76 | 10.90 | | 74.66 | 37.87 | 10.65 | | 48.52 | 26.14 | 25.89 |
| Furniture & Fixtures | 188.89 | 0.24 | | 189.13 | 59.55 | 11.97 | | 71.52 | 117.61 | 129.34 |
| Vehicles | 46.55 | 8.12 | | 54.67 | 21.67 | 4.77 | | 26.44 | 28.23 | 24.88 |
| Plant & machinery | 83.32 | 4.33 | | 87.65 | 16.74 | 3.91 | | 20.65 | 67.00 | 66.58 |
| Total | 1693.45 | 23.59 | - | 1717.04 | 246.56 | 49.81 | 0.00 | 296.37 | 1420.67 | 1446.89 |
| CWIP | | | | - | | | | | 31.33 | 10.58 |
| Grand Total | 1693.45 | 23.59 | 0.00 | 1717.04 | 246.56 | 49.81 | 0.00 | 296.37 | 1452.00 | 1457.47 |
| Previous Year | 1592.84 | 105.45 | 4.84 | 1693.45 | 205.13 | 43.81 | 2.38 | 246.56 | 1457.47 | |

Notes :

Office Premises includes -

- 5 shares of Rs. 50/- each of Tulsiani Chamber Premises Co-op.Society Limited.
- 5 shares of Rs. 50/- each of Parekh Vora Chambers Premises Co-op.Society Limited.
- 10 shares of Rs.50/- each of Laxmi Finance & Leasing Companies Commercial Premises Co-Op.Society Limited.

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As at 31st March, 2007 | As at 31st March, 2006 |
|---|---------------------------|---------------------------|
| SCHEDULE 'F' | | |
| Investments | | |
| In Associates | 95.48 | 95.48 |
| In Others | 3,101.84 | 4,675.60 |
| | <u>3,197.32</u> | <u>4,771.08</u> |
| SCHEDULE 'G' | | |
| Current Assets | | |
| Stock-in-Trade (Certified and valued by Management) | 1,885.34 | 3,105.63 |
| Sundry Debtors (Unsecured, Considered good) | | |
| Outstanding for a period - | | |
| (a) exceeding six months | - | - |
| (b) Other debts | 4,250.94 | 302,227.86 |
| | <u>4,250.94</u> | <u>302,227.86</u> |
| Cash & Bank Balances | | |
| Cash in hand | 3.11 | 3.13 |
| Balance with Scheduled Banks | | |
| — In Current Accounts | 756.11 | 558.48 |
| — In Fixed Deposit Account | 1,883.27 | 1,479.02 |
| | <u>2,639.38</u> | <u>2,037.50</u> |
| | <u>8,778.77</u> | <u>307,374.12</u> |
| SCHEDULE 'H' | | |
| Loans and Advances (considered good) | | |
| Sundry Deposits | 2,057.27 | 24,794.94 |
| Advance Income Tax (net of provisions) | 48.81 | 14.07 |
| Loans | 954.54 | 1,907.39 |
| Advances recoverable in cash or in kind or for value to be received | 150.83 | 45.64 |
| | <u>3,211.45</u> | <u>26,762.04</u> |
| SCHEDULE 'I' | | |
| Current Liabilities | | |
| Sundry Creditors(Other than SSI) | 3,933.80 | 325,482.15 |
| Unclaimed Dividend ** | 5.34 | 0.26 |
| Other Liabilities | 350.49 | 1,021.69 |
| | <u>4,289.63</u> | <u>326,504.10</u> |
| SCHEDULE 'J' | | |
| Provisions | | |
| Proposed Dividend on Equity Shares | 174.99 | 174.99 |
| Dividend Tax | 29.74 | 24.54 |
| | <u>204.73</u> | <u>199.53</u> |
| SCHEDULE 'K' | | |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | | |
| Preliminary Expenses | 0.78 | 1.04 |
| | <u>0.78</u> | <u>1.04</u> |

** There are no amount due and outstanding to be credited to Investor Education and Protection Fund.

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

| | 2006 - 2007 | 2005 - 2006 |
|--|-----------------|-----------------|
| SCHEDULE 'L' | | |
| Income from Operations | | |
| Interest | 324.63 | 302.71 |
| (Tax deducted at source Rs. 93.05 Lacs Previous Year Rs. 118.11 Lacs) | | |
| Professional fees and Advisory Fees | 780.75 | 119.11 |
| (Tax deducted at source Rs. 69.73 lacs Previous Year Rs. 6.42 Lacs) | | |
| Brokerage | 763.94 | 950.35 |
| Profit on dealing in securities (Net) | (71.43) | 648.73 |
| | <u>1,797.90</u> | <u>2,020.90</u> |
| SCHEDULE 'M' | | |
| Income from Investment | | |
| Profit on sale of investments(Net) | 1,664.37 | 2,036.74 |
| | <u>1,664.37</u> | <u>2,036.74</u> |
| SCHEDULE 'N' | | |
| Other Income | | |
| Dividend | | |
| From Investments | 69.24 | 38.13 |
| From Others | 25.95 | 0.99 |
| | | <u>39.12</u> |
| Bad debts recovered | 89.22 | 2.25 |
| Rent & Compensation | 119.28 | 5.00 |
| (Tax deducted at source Rs. 26.10 lacs) previous year Rs 1.12 lacs) | | |
| Sundry Balance written back | 175.52 | - |
| Interest on Income Tax Refund | - | 0.57 |
| Miscellaneous Income | 9.12 | 25.82 |
| | <u>488.33</u> | <u>72.76</u> |

ANNUAL REPORT 2006-2007

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

| | 2006 - 2007 | 2005 - 2006 |
|--|---------------|---------------|
| SCHEDULE 'O' | | |
| Administrative Expenses | | |
| Payment to Employees | | |
| Salary, Bonus & Allowances | 115.39 | 107.65 |
| Contribution to Provident & Other fund | 3.69 | 3.30 |
| Welfare Expenses | 20.18 | 0.96 |
| | <u>139.26</u> | <u>111.91</u> |
| Professional and Other Service Charges | 118.40 | 177.48 |
| Transaction Charges | 42.40 | 89.26 |
| Stamp Charges | 71.73 | 228.69 |
| Telephone & Lease line charges. | 16.44 | 18.99 |
| Membership and Subscriptions | 14.32 | 8.03 |
| Rent, Rates and Taxes | 16.25 | 9.65 |
| Postage and Telegrams | 3.16 | 1.98 |
| Advertisement | 1.06 | 2.68 |
| Business Promotion | 11.27 | 11.82 |
| Repairs & Maintenance | 18.76 | 24.25 |
| Printing & Stationery | 11.15 | 9.70 |
| Payment to Auditors | 3.05 | 2.55 |
| Directors Sitting Fees | 1.72 | 2.30 |
| Travelling & Conveyance: | | |
| Foreign Travelling | 18.36 | 18.47 |
| Others | 9.64 | 11.11 |
| Loss on sale of Fixed Assets (Net) | | 0.96 |
| Electricity Charges | 5.74 | 6.80 |
| Donations | 63.71 | 95.03 |
| Securities Transaction Tax paid | 176.68 | 39.10 |
| Miscellaneous Expenses | 19.48 | 10.94 |
| | <u>762.58</u> | <u>881.70</u> |
| SCHEDULE 'P' | | |
| Miscellaneous Expenditure written off | | |
| Preliminary Expenses | 0.26 | 0.45 |
| | <u>0.26</u> | <u>0.45</u> |


**SHARDUL
SECURITIES LIMITED -CONSOLIDATED**
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

(Rs. in Lacs)

| | As at 31st March, 2007 | As at 31st March, 2006 |
|--|---------------------------|---------------------------|
| A. Cash Flow from operating activities | | |
| Net Profit before tax, Extraordinary and prior period items | 2,383.66 | 2,760.22 |
| Adjustments for: | | |
| Non cash Items | | |
| Depreciation | 49.81 | 43.81 |
| Loss on sale of fixed assets | - | 0.96 |
| Miscellaneous Expenditure w/off | 0.26 | 45.22 |
| Profit on sale of Investments | (1,664.37) | (2,036.74) |
| Dividend received on investments | (69.24) | (38.13) |
| Operating Profit before working capital changes | 700.12 | 730.57 |
| Adjustments for: | | |
| Trade & Receivables | 297,976.92 | (302,135.25) |
| Inventories | 1,220.29 | (2,225.97) |
| Trade Payable | (322,214.47) | 325,641.95 |
| Loans & Advances | 23,550.59 | (25,670.34) |
| Cash generated from / (used) in operations | 1,233.45 | (3,659.04) |
| Direct Taxes paid | (422.82) | (319.70) |
| Cash inflow / (outflow) before extraordinary and prior period items | 810.63 | (3,978.74) |
| Extraordinary and prior period items | 3.59 | (1.35) |
| Net cash from operation / (used) in activities | 814.22 | (3,980.09) |
| B. Cash flow from investing activities | | |
| Purchase of fixed assets (including capital work-in-progress) | (44.34) | (116.03) |
| Sale of fixed assets | - | 1.50 |
| Purchase of investments | (18,744.32) | (22,391.71) |
| Sale of investments | 21,982.44 | 21,517.72 |
| Preliminary Expenses incurred | - | (1.30) |
| Dividend received on investments | 69.24 | 38.13 |
| Net cash (used) in investing activities | 3,263.03 | (951.69) |
| C. Cash flow from financing activities | | |
| Dividend paid on Equity Shares including tax | (199.53) | - |
| Bank borrowing | (687.42) | (109.84) |
| Bank borrowing against stock in trade | (1,240.35) | 1,240.35 |
| Loan from Corporate Body against stock in trade | 566.65 | 1,578.03 |
| Loan from Corporate Bodies | (386.28) | 775.00 |
| Unsecured Loan (ICD) | (1,528.46) | 1,357.67 |
| Net cash (used) in / from financing activities | (3,475.39) | 4,841.21 |
| Net increase in cash and cash equivalents | 601.86 | (90.57) |
| Cash and cash equivalents as at 1st April 2006 | 2,040.63 | 2,131.20 |
| Cash and cash equivalents as at 31st March 2007 | 2,642.49 | 2,040.63 |

As per our report of even date

For and on behalf of the Board

For Rajen Damani & Associates
Chartered Accountants

Rajen J. Damani
Partner
M No. 34375
Mumbai, Dated : 28th June, 2007
Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director

ANNUAL REPORT 2006-2007

ACCOUNTING POLICIES ON CONSOLIDATED ACCOUNTS

SCHEDULE 'Q'

Significant accounting policies & Notes on Accounts

1. Significant Accounting Policies :

A. Principles of consolidation :

The consolidated financial statements relate to Shardul Securities Limited ("the Company") and its subsidiary company. The consolidated financial statements have been prepared on the following basis;

- i) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21- Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

B. Other significant accounting policies :

These are set out under "Significant Accounting Policies" of the financial statements of the Company, Shriyam Broking Intermediary Limited and Shardul Commodities International Limited.

2. Note on consolidated accounts :

- A. i) The Company has followed the Reserve Bank of India Guidelines applicable to the Non Banking Financial Companies in respect of prudential norms for Income Recognition, Assets Classification and Capital Adequacy.
- ii) In compliance with the Prudential Norms issued by the Reserve Bank of India, effective May, 1998 the unrealised interest / lease income on accounts which have been classified as non-performing assets has been reversed. The lease income on assets to leasee which are classified as non performing assets is not recognised
- B. In the opinion of the Board, the Current Assets, Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. The provisions of all known liabilities are adequate and neither in excess of or nor short of the amounts reasonably necessary.

C. Earning per Share

| | 2006-2007 | 2005-2006 |
|--|-----------|-----------|
| i) Net Profit after tax available for Equity Shareholders (Rs. in lacs) | 1949.22 | 2411.58 |
| ii) Weighted average of number of Equity Shares outstanding during the year (in lacs). | 174.98 | 174.98 |
| iii) Basic and Diluted Earnings per share of Rs.10/- each (in Rs.) | 11.14 | 13.78 |

D. Related Party Disclosures

List of related parties with whom transactions have taken place during the year:

i) Associates :

- A to Z Broking Services Pvt. Ltd.
- Pradeep Sandeep Trading & Investments Pvt. Ltd.
- Shriyam Commodities Intermediary Pvt. Ltd. (formerly Shriyam Counter Trading Pvt. Ltd.)

ii) Key Managerial Personnel

- Shri R. Sundaresan - Executive Director & Director (Subsidiary)
- Shri Naveen Chaturvedi - Executive Director (since 16.01.07)
- Shri Yogendra Chaturvedi - Director (Subsidiary)


**SHARDUL
SECURITIES LIMITED -CONSOLIDATED**

iv) Transactions during the year with related parties. Reimbursement of expenses has not been treated as related party transactions.

| Nature of Transaction | (Rs. in lacs) | | |
|---|----------------|--------------------------------|----------------|
| | Associates | Key Management Personnel | Total |
| | Amount in Lacs | Amount in Lacs | Amount in Lacs |
| Loans / Advances taken: | | | |
| Taken during the year | — | — | — |
| | (695.93) | (—) | (695.93) |
| Return during the year | — | — | — |
| | (808.93) | (—) | (808.93) |
| Balance as at 31.03.07 | — | — | — |
| | (—) | (—) | (—) |
| Investment: | | | |
| Made during the year | — | — | — |
| | (—) | (—) | (—) |
| Balance as at 31.03.07 | 95.48 | — | 95.48 |
| | (95.48) | — | (95.48) |
| Stock In Trade: | | | |
| Purchase during the year | — | — | — |
| | (—) | (—) | (—) |
| Sales/ Redeemed | — | — | — |
| | (103.37) | (—) | (103.37) |
| Balance as at 31.03.07 | — | — | — |
| | (—) | (—) | (—) |
| Sundry Debtors: | | | |
| As at 31.03.07 | — | — | — |
| | (—) | (—) | (—) |
| Sundry Creditors: | | | |
| As at 31.03.07 | 67.74 | — | 67.74 |
| | (39.42) | (—) | (39.42) |
| Loans advances and Deposit to : | | | |
| Given during the year | — | — | — |
| | (625.00) | (—) | (625.00) |
| Return During the year | 350.00 | — | 350.00 |
| | (175.00) | (—) | (175.00) |
| Balance as at 31.03.07 | 450.00 | — | 450.00 |
| | (800.00) | (—) | (800.00) |
| Payment for Remuneration and services: | | | |
| Paid during the year | — | 11.80 | 11.80 |
| | (7.86) | (7.43) | (15.29) |
| Income Brokerages: | | | |
| Received during the year | 24.42 | — | 24.42 |
| | (21.17) | (1.11) | (21.28) |

(Figure in brackets indicates figure of previous year)

Significant related party transactions during the year:

- i) Loans advances and deposits return during the year includes deposit amounting to Rs. 350.00 lacs, return by Pradeep Sandeep Trading and Investment Pvt Ltd
- ii) Payment and provision for remuneration & services to key management personnel includes Rs. 6.50 lacs paid to Shri R. Sundaresan, Rs. 1.25 lacs paid to Mr Naveen Chaturvedi and Rs. 4.05 lacs paid to Shri Yogendra Chaturvedi.
- iii) Brokerage received includes Rs. 5.72 lacs received from A to Z Broking Services Pvt. Ltd., Rs. 14.07 lacs received from Pradeep Sandeep Trading & Investments Pvt. Ltd and Rs. 4.63 received from Shriyam Commodities Intermediary Pvt. Ltd

ANNUAL REPORT 2006-2007

E. The Company is organised into following reportable segments referred to in Accounting Standard (AS 17) "Segment Reporting".

| | (Rs. in Lacs) | | | |
|--|---------------------------------------|-------------|-------------|-------------|
| | Investment with Related activities | Others | Elimination | Total |
| Revenue | | | | |
| External | 2500.14 | 1450.46 | - | 3950.60 |
| | (2012.87) | (2117.53) | - | (4130.40) |
| Inter Segment | -121.52 | 121.52 | - | - |
| | (-189.89) | (189.89) | (-) | (-) |
| Total | 2378.62 | 1571.98 | - | 3950.60 |
| | (1822.98) | (2307.42) | (-) | (4130.40) |
| Result | | | | |
| Segment Result (Before Tax) | 1400.08 | 983.58 | | 2383.66 |
| | (1424.32) | (1335.90) | | (2760.22) |
| Provision for Tax | | | | 438.03 |
| | | | | (347.29) |
| Profit after Tax | | | | 1945.63 |
| | | | | (2412.93) |
| Other Information | | | | |
| Segment Assets | 8600.55 | 8038.99 | | 16639.54 |
| | (11767.99) | (328597.76) | | (340365.75) |
| Segment Liabilities | 3452.87 | 4040.55 | | 7493.42 |
| | (6540.39) | (326422.15) | | (332962.54) |
| Capital Expenditure | 34.53 | 9.81 | | 44.34 |
| | (96.41) | (19.62) | | (116.03) |
| Depreciation | 37.49 | 12.32 | | 49.81 |
| | (65.62) | (8.19) | | (43.81) |
| Non-cash expenses other than depreciation. | — | 0.26 | | 0.26 |
| | (—) | (1.41) | | (1.41) |

Notes :

- i) The Company's main business segment is Investment Banking & related activities, other operation include Broking and Merchant banking etc.
- ii) Since all the operations of the Company are within India, as such there is no separate reportable geographical segment.
(Figure in brackets indicates figure of previous year)

F. **Deferred Tax**

- i) The break-up of deferred tax Liability as at March 31, 2007 is as under :

| | Current Year | | Previous Year | |
|------------------------------------|-----------------------|---------------------------|------------------------|---------------------------|
| | Deferred Tax Asset | Deferred Tax Liability | Deferred Tax Assets | Deferred Tax Liability |
| Timing Differences on account of : | | | | |
| Fixed Assets | — | 239.86 | — | 224.65 |
| Total | | 239.86 | | 224.65 |
| Net Deferred Tax Liability. | | 239.86 | | 224.65 |

G. **Payments to Auditors :**

| | Current Year | Previous Year |
|--|--------------|---------------|
| Audit Fees | 2.25 | 1.75 |
| Tax Audit Fees | 0.50 | 0.50 |
| Certification Charges & Other capacity | 0.30 | 0.30 |
| TOTAL | 3.05 | 2.55 |


**SHARDUL
SECURITIES LIMITED -CONSOLIDATED**
H. Directors Remuneration :

Salary to Executive Directors as under :-

| | (Rs. in Lacs) | |
|--------------------------|---------------|---------------|
| | Current Year | Previous Year |
| Shri R. Sundaresan | 6.50 | 3.05 |
| Shri Naveen Chaturvedi | 1.25 | — |
| Shri Yogendra Chaturvedi | 4.05 | 2.44 |

The company is of the opinion that the computation of net profit under section 349 of the Companies Act, 1956 is not required to be made as no commission is paid / payable to the Directors for the year ended 31st March, 2006.

I. Previous year's figures have been regrouped, rearranged and / or reclassified wherever necessary.

J The subsidiary companies considered in the consolidated financial statement is –

| | |
|-----------------------------|--|
| Name of the subsidiaries | -Shriyam Broking Intermediary Limited |
| Country of Incorporation | - India |
| Proportion of ownership | |
| Interest (with its nominee) | - 100% |
| Name of the subsidiaries | -Shardul Commodities International Limited |
| Country of Incorporation | - India |
| Proportion of ownership | |
| Interest (with its nominee) | - 100% |

K. Contingent Liabilities:

| Particulars | Rs. in Lac | |
|--|------------------|------------------|
| | As at 31.03.2007 | As at 31.03.2006 |
| Allotment money & Calls unpaid on partly paid shares / Debentures | 2.19 | 218.19 |
| Capital Commitment | 28.05 | 48.80 |
| Bank Guarantees Outstanding | 2090.00 | 890.00 |
| Interest Tax Demand for A.Y. 97-98 (the appeal is pending with CIT (A)) | 48.09 | 48.09 |
| Income Tax Demand for A.Y. 03-04 (the appeal is pending with CIT (A)) | 9.19 | 9.19 |
| SEBI turnover fees (the appeal is pending with Securities Appellate Tribunal) | 18.83 | - |

As per our report of even date

For Rajen Damani & Associates
Chartered Accountants

Rajen J. Damani
Partner
M No. 34375
Mumbai, Dated : 28th June, 2007

For and on behalf of the Board

Gagan Chaturvedi : Vice Chairman
Dr. V. C. Shah : Director
Bhupendra Shroff : Director
Kantilal Shah : Director
Mukesh Shroff : Director
Charul Abuwala : Director
Gyandeo Chaturvedi : Director
R. Sundaresan : Executive Director
Naveen Chaturvedi : Executive Director



SHARDUL SECURITIES LIMITED
 Registered Office : G-12, Tulsiani Chambers,
 212, Nariman Point, Mumbai - 400 021.

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Venue

Members Folio No.
 Client ID No.
 Name of the Member
 attending the Meeting

In case of Proxy, Name of Proxy

I hereby record my presence at the **TWENTY SECOND ANNUAL GENERAL MEETING** Senate Banquet Hall, Status Restaurant, 208, Regent Chambers, Nariman Point, Mumbai 400 021 on Saturday 01st September 2007 at 12.00 noon.

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

Note : Members / Joint Members are requested to bring the attendance slips with them.

SHARDUL SECURITIES LIMITED
 Registered Office : G-12, Tulsiani Chambers,
 212, Nariman Point, Mumbai - 400 021.

PROXY FORM

I / We _____
 of _____
 being a Member / Members of Shardul Securities Limited hereby appoint _____

 of _____
 or failing him _____
 of _____

as my/our Proxy and vote for me/us and and on my/our behalf of at the **TWENTY SECOND ANNUAL GENERAL MEETING** of the Company to be held at Mumbai on Saturday 01st September 2007 at 12.00 noon. and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Signed by the said _____

of _____

| |
|----------|
| Affix |
| Rs. 1.00 |
| Revenue |
| Stamp |

Note : If a **Member is unable to attend the Meeting**, he may sign this form and send it to the Company's Registered Office so as to reach them not less than 48 hours before the Meeting.

BOOK - POST

If undelivered, please return to :
Shardul Securities Limited
Regd. Office : G-12, Tulsiyani Chambers,
212, Nariman Point, Mumbai - 400 021.

Crystal - 022 - 2382 3151/52