

ANNUAL REPORT 2008 - 2009

MUKESH BABU FINANCIAL SERVICES LIMITED

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Board of Directors

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

Main Bankers

Oriental Bank Of Commerce
HDFC Bank
ICICI Bank

Registered Office

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

Auditors

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2009

Your Directors have pleasure in presenting the Twenty Fourth Annual Report and the audited statement of accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS	CURRENT YEAR	PREVIOUS YEAR
	Rs.	Rs.
Total Income	14,806,883	26,830,979
Profit before Interest , Depreciation and Tax	9,429,557	21,378,144
Less: Interest	0	0
Gross Profit	9,429,557	21,378,144
Less : Depreciation	866,676	909,397
Profit before Taxation	8,562,881	20,468,747
Less : Taxation and Non Tax Bearing items	241,668	3,342,679
Profit after Taxation	8,321,213	17,126,068
Less: Transfer to Statutory Reserve	1,664,243	3,425,214
Profit after Appropriation	6,656,970	13,700,855
Balance Carried Forward	6,656,970	13,700,855

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Your Company earned a net profit of Rs. 66.57 Lacs for the financial year ended 31st March, 2009 as compared to previous year's net profit of Rs. 137.01 lacs. Depreciation during the year was Rs 8.67 Lacs as compared to Rs. 9.09 Lacs in the previous year. Provision for taxation during the year is Rs. 2.42 Lacs including Deferred Tax Provision as compared to Rs. 33.43 Lacs in previous year.

Opportunities

The mandate given by the Indian Electorate for a stable government at the Centre augurs well for the economy. As expected the Indian government has been able to control the spiraling inflation. The GDP growth is likely to be in the range of 7 to 8% with a substantial upward bias in the coming years. Consequently, the service sector of the economy, which is already vibrant and strong is likely to grow at a good pace. The Stock market has also given its appreciation of the clear mandate of the Indian Electorate with a sharp jump after the declaration of the election results. Your company continues to believe in investing in companies, which have good potential to take advantage of the boom that is likely to follow with a progressive and stable government at the Centre.

Challenges

Despite the financial markets reacting in accordance with the happenings in the Global Markets thereby increasing volatility and unpredictability of our financial markets, your company, with over two decades of experience, and with a stable government at the Centre, sees the present state as an opportunity to invest in intrinsically strong Indian Companies and companies with good growth potential. The challenge lies in identifying such strong companies and your company has sufficient expertise to achieve its goals.

Risk Management

Business and revenue growth have to be weighed in the context of the risks. Of the various types of risks the Company is exposed to credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risks are a key focus area for the Company

Internal Control Systems and their adequacy.

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

Human Resources

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

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

Corporate Governance

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

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

Subsidiary

During the year the Subsidiary, Mukesh Babu Securities Limited, earned a profit before tax of Rs.31.86 Lacs as compared to Rs.165.84 Lacs during the previous year.

Directors

Mr. K. Chandrasekhar who retires by rotation and being eligible, offers himself for re-appointment.

A brief resume of the Director retiring by rotation/ seeking appointment at the ensuing Annual General Meeting, nature of their expertise in specific areas and names of the companies in which they hold directorships and /or membership/Chairmanship of committees of the Board as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Corporate Governance elsewhere in the Annual Report.

Directors' Responsibilities statement

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

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis.

Auditors

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

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

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

Foreign exchange earnings during the year Rs. NIL (Previous Year NIL)
Foreign exchange outgo during the year Rs. NIL (Previous Year NIL)

Fixed Deposits

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

Cash Flow Statement:

As per the Clause 32 of the Listing Agreement entered into the with The Stock Exchanges, Cash Flow Statement for the year ended 31st March, 2009 duly examined by the Auditors of the Company is furnished along with the audited financial statements of the Company.

Acknowledgements

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

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

Sd/-

**Mukesh Babu
Chairman**

**Place : Mumbai
Date: 31.07.2009**

CORPORATE GOVERNANCE REPORT

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

1. Company's Philosophy on Code of Governance:

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

2. Board of Directors

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

The names and categories of the Directors on the Board, their attendance at Board meetings during the year, as also the number of Directorships and Committee Memberships/Chairmanships held by them in Indian public companies as on 31st March, 2009 are given below:

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

3. Board Meetings

The Board of Directors held five meetings during the year on 29th April, 2008, 31st July, 2008, 29th August 2008, 31st October 2008, 30th January, 2009.

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

Name of the Director	Brief Resume	Board Meetings		Annual General Meeting
		Held	Attended	If Attended
Mr. Mukesh C. Babu	B.com, A.C.A.	5	5	Yes
Mr. K. Chandrasekhar	B.Com, A.C.A, Grad. I.C.W.A., A.C.S., L.L.B.	5	5	Yes
Mr. Pankaj Majithia.	F.C.A. A.C.S.	5	3	Yes
Mr. Vijay Vora.	B.Com	5	5	Yes

During the financial year 2008-09, Mr. K. Chandrasekhar, who retires by rotation and being eligible, offers himself for re-appointment.

3. Information on Directors Appointment /Reappointment.

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

1. Mr. Mukesh C. Babu, aged 54 years is a Chartered Accountant. He is having varied experience in the field of finance and in the stock market. He is the Chairman & Managing Director of Mukesh Babu Financial Services Ltd, Chairman & Director in Mukesh Babu Securities Ltd., Sagar Systech Ltd., Mukesh Babu Stock Broking Pvt. Ltd; and Mukesh Babu Management Consultants Pvt. Ltd.

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

2. Mr. K. Chandrasekhar, aged 55 years is A.C.A, Grad..C.W.A., A.C.S., L.L.B. He is having varied experience in the field of finance. He is the Director in Mukesh Babu Financial Services Ltd., Sagar Systech Ltd., Mukesh Babu Stock Broking Pvt. Ltd., and Mukesh Babu Management Consultants Pvt. Ltd.,

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

3. Mr. Pankaj R. Majithia, aged 54 years is a Chartered Accountant. He is having 27 years of experience in the field of finance & investment. He is Director in Mukesh Babu Financial Services Ltd. and Premium Consultancy Pvt. Ltd.

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

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

4. Mr. Vijay L. Vora, aged 55 years is a Commerce Graduate, having 24 years experience in the field of investment. He is a Director in Mukesh Babu Financial Services Limited and Mukesh Babu Securities Limited.

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

4. Committees of Directors

(A) Audit Committee

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

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

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

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

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

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

(B)The Shareholders' / Investors' Grievances Committee

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

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

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

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

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

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

The functions of the Remuneration Committee are as follows:

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

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

5. Disclosures

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

Attention of members is drawn to the disclosures of transactions with related parties set out in Note No. 12 of Notes to Accounts- Schedule "9", forming part of the Annual Report.

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

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

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

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

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

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

6. General Body Meetings:

Details of last three Annual General Meetings held:

Meeting No.	Date	Time	Location
Twenty Third	30.09.2008	4.00 p.m.	12-A/4 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Twenty Second	28.09.2007	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Twenty First	29.09.2006	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion ((W), Mumbai-400 021.

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

7. Means of Communication

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

Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are posted on Electronic Data Information Filing and Retrieval (EDIFAR) website www.sebidifar.nic.in maintained by SEBI in association with National Informatics Centre, within time frame prescribed in this regard.

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

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

8. General Shareholder Information

Annual General Meeting :

Date & time : Tuesday, 22nd September, 2009 at 5 p.m.

Venue : 301, Sagar Avenue, S.V. Road, Opp: Shoppers Stop. Andheri – West. Mumbai – 400058.

Actual / Expected dates of Quarterly Results for F.Y.2009-10

- | | |
|--------------------------------------|-------------------------|
| a. 1 st Quarterly Results | July 31, 2009 |
| b. 2 nd Quarterly Results | On or before 31.10.2009 |
| c. 3 rd Quarterly Results | On or before 31.01.2010 |
| d. 4 th Quarterly Results | On or before 30.04.2010 |

Book Closure Period: Tuesday, 15th September, 2009 to Tuesday, 22nd September, 2009.

Listing on Stock Exchanges

The Stock Exchange, Mumbai P.J. Towers, Dalal Street, Fort, Mumbai-400 001. Security Code:30341	The Stock Exchange, Ahmedabad Kamdhenu Complex, Near Panjarpole, Opp. Sahajanand College,Ahmedabad-380 015 Security Code:38196
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Annual Listing fees for the year 2008-09 (as applicable) have been paid by the Company to The Mumbai Stock Exchange and Ahmedabad Stock Exchange.

9. Market Price Data

The Company's shares are listed on The Stock Exchange, Mumbai & The Stock Exchange, Ahmedabad. There was no trading of the Company's Shares in The Stock Exchange, Ahmedabad during the financial year 2008-2009. The monthly high & low quotation as well as the volume of shares traded during the year 2008-2009 at the Stock Exchange, Mumbai, is as below:

Month	High	Low	Volume(Shares)
April, 2008	19.65	11.95	26111
May, 2008	25.10	15.75	18655
June, 2008	19.15	13.55	15862
July, 2008	20.30	11.15	11911
August, 2008	15.48	12.02	57815
September, 2008	16.50	10.05	28785
October, 2008	15.30	11.64	119904
November, 2008	17.00	11.79	212
December, 2008	12.50	11.88	1040
January, 2009	12.00	09.90	24
February, 2009.	13.85	10.30	585
March, 2009	14.64	08.38	1594

10. The Registrar and Share Transfer Agent of the Company

Link Intime India Private Limited.

(Formerly known as Intime Spectrum Share Registry Limited)

C-13, Pannalal Silk Mills Compound,

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

Telephone No. 2596 3838

11. Share Transfer System

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

12. The Share Holding Pattern and Distribution of Shareholding as on 31st March, 2009

SHAREHOLDING PATTERN AS ON 31.03.2009			DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2009					
Category Shareholding	No.of Shares	%to the total paid up Capital	No. of Shares		Shareholders		Shares	
					Number	%	Amount in (Rs.)	% to Equity
Promoters	4381600	62.86	Up to- 500		1744	79.67	4049170	5.81
Mutual Funds, UTI	197500	02.83	501-1000		207	9.46	1715730	2.46
Financial Institutions & Banks	11700	00.17	1001- 2000		104	4.75	1582620	2.27
Bodies Corporate	751896	10.79	2001- 3000		40	1.83	1036380	1.49
Individuals	1355315	19.44	3001- 4000		20	0.91	722940	1.04
Market Maker	1455	00.02	4001- 5000		27	1.23	1311230	1.88
NRIs and NRN	191797	02.75	5001- 10000		18	0.82	1412370	2.03
Overseas Bodies corporates	32900	00.47	10001- Above		29	1.33	57878560	83.02
HUF	46737	00.67						
Total	6970900	100.00	Total		2189	100.00	69709000	100.00

Dematerialisation of Equity Shares and Liquidity

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

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

National Securities Depository Ltd. (NSDL) : 7,700 Equity shares

Central Depository Services (India) Ltd. (CDSL) : 7,200 Equity shares

ISIN No. : INE596B01017

13. Address for Correspondence For matters related to shares

Link Intime India Private Limited.

(Formerly known as Intime Spectrum Share Registry Limited)

C-13, Pannalal Silk Mills Compound,

Bhandup (W), Mumbai-400 058

Telephone No.: 2596 3838

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

Compliance Certificate of the Auditors.

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

The above report was placed before and approved by the Board at its meeting held on 31st July 2009.

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

Sd/-

**Place : Mumbai
Date: 31/07/2009**

**Mukesh Babu
Chairman**

Declaration by Chairman and Managing Director

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

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

All the Board Members and senior management personnel have affirmed their compliance with the said code of conduct for the year ended 31st March, 2009.

Sd/-

Place : Mumbai
Date : 31/07/2009

Mukesh Babu
Chairman & Managing Director

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

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

We have examined the compliance of conditions of Corporate Governance by Mukesh Babu Financial Services Limited, for the year ended 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the stock exchanges in India.

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

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

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

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

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

Sd/

**(Mehul C. Shah)
Proprietor
Membership No. 49361**

Mumbai : 31/07/2009

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

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

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

- a) We have reviewed the financial statements and the cash flow statement of the Company for the year 2008-09 and that to the best of our knowledge and belief:
 - (i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated wherever applicable to the auditors and the audit committee:-
 - (i) significant changes in internal control over financial reporting, if any during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the company's internal control system over the financial reporting.

Sd/-

Sd/-

Mukesh Babu
Managing Director

K. Chandrasekhar
Director

Place: Mumbai
Date: 31/07/2009

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

We have audited the attached Balance Sheet of Mukesh Babu Financial Services Limited as at 31st March 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.

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

- (i) we have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) the Balance Sheet and Profit and Loss Account and cash flow statement with by this report are in agreement with the books of account;
- (iv) in our opinion the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; except mentioned separately;
- (v) on the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2009 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- (vi) Neither provision has been made for retirement benefits as stated in Significant accounting polices under the notes to accounts nor amount has been quantified;

- (vii) Reference is made to note no. 9 on Contingent liability. The liability with respect to bank overdraft has been understated by adjusting Rs. 384.86 million against the amount receivable; and neither interest has been provided on the overdraft balance nor is the amount confirmed; and we are unable to form our opinion on to it;
- (viii) the composite effect of qualifications above on financial results of the is not quantifiable or ascertainable;
- (ix) subject to the matter stated in para (vi), (vii), and (viii) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required and in conformity with the accounting principles generally accepted in India and give a true and fair view :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For SHAH, SHAH & SHAH
Chartered Accountants

Sd/-

(MEHUL C. SHAH)
Partner
M. No. 49361
Mumbai: 31/07/2009

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

- (i) (a) The Company is maintaining proper records showing full particulars of, including quantitative details and situation, of fixed assets.

(b) The management at reasonable intervals has verified the fixed assets. We have been informed that, no material discrepancies on such verification have been noticed.

(c) The Company has not disposed substantial portion of its fixed assets during the year; accordingly the going concern status of the Company is not affected.
- (ii) (a) As per the records maintained, the management has conducted physical verification of inventory at reasonable intervals.

(b) In our view, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) In our view, the Company has maintained proper records of inventory. No material discrepancies have been noticed on physical verification of stocks as compared to the book records.
- (iii) (a) The company has granted unsecured loans to four companies covered in the register maintained under section 301 of the Act involving RS. 35.51 million, which are interest free.

(b) Other terms and conditions of these loans are prima facie not prejudicial interest of the Company.

(c) In respect of the loans given, the parties are repaying the principal amounts as stipulated; whereas there is no stipulation as to payment of interest.

(d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One lac.

(e) The Company has not taken loans from companies covered in the register maintained under Section 301 of the Act. Hence the clause as to repayment of principal and interest is not applicable.

(f) Since no loans are taken from the aforesaid parties, the sub-clause dealing with rate of interest and other terms and conditions of loans given by the company are not applicable.

(g) Since no loans are taken as aforesaid, the sub-clause dealing with receipt of the principal amount and interest on regular basis is not applicable.
- (iv) In our view, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets, and for sale of goods and services. In our view, there has been no continuing failure to correct major weakness in internal control systems of the Company.

- (v) (a) The contracts or arrangements exceeding the value of Rs. 500,000 referred to in Section 301 of the Act to be entered in the register required to be maintained under that Section have been so entered; and
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Sections 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from public within the meaning of the provisions of section 58A and section 58AA or any other provisions of the Companies Act, 1956 and the rules made there under and as mentioned in directives issued by the reserve bank of India. We have been informed by the management that there has been no order passed by the Company law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company with respect to compliance of the provisions of section 58A or 58AA or any other provisions of the Companies Act 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have been informed by the management that, the Central Government has not prescribed the method of maintenance of cost records u/s. 209 (1) (d) of the Companies Act, 1956 to the industry to which the Company pertains.
- (ix) (a) We have been informed by the management that, the Company is generally regular in depositing all undisputed statutory dues with the appropriate authorities and there have been no arrears of outstanding dues as at the last day of this financial year for more than six months from the date they became payable.
- (b) We have been informed by the management that, there has been no disputes pending with any forums as regards any of the statutory dues including sales-tax, income tax, customs duty, wealth tax, service tax, excise duty or cess.
- (x) There are no accumulated losses at the end of the financial year. Also, the company has not reported any cash losses during the year, but had reported cash losses in immediately preceding financial year.
- (xi) According to the records of the company as examined by us and information and explanation given to us, there is a dispute between the Company and Madhavpura Mercantile Co-operative Bank Ltd. on certain issues relating to the repayment of dues of Rs. 24.33 million and as reported in note no. 9. We are unable to determine whether there is a default in repayment of dues to Madhavpura Mercantile Co-operative Bank Ltd.
- (xii) We have been informed that, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; accordingly, there is no necessity as to maintaining documents and records in this respect.

- (xiii) The provisions of any special statute in respect of chit fund, nidhi, mutual benefit funds or societies are not applicable to the Company.
- (xiv) The company has maintained proper records of transactions and contracts in respect of trading in shares, debentures, and other securities and timely entries have been made therein. The investments are held by the company in its own names, except allowable under section 49 of the Companies Act, 1956.
- (xv) The management has informed us that, the Company has not given any guarantee for loans taken by others from any bank or financial institutions.
- (xvi) As per the explanation given by the management, the Company has not taken any term loans during the year.
- (xvii) As explained to us by the management, there were no funds that were raised on a short-term basis, which have been applied for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
- (xix) The Company has not issued any debentures; hence no security or charges have been created in respect of the same.
- (xx) The Company has not made any public issue during the year of shares; hence disclosure requirement as to end utilization of public issue money is not required.
- (xxi) As informed by the management, there has not been noticed or reported any fraud on or by the Company during the year.

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

Sd/-

**(MEHUL C. SHAH)
Partner
M. No. 49361
Mumbai: 31/07/2009**

MUKESH BABU FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2009

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
1. SHAREHOLDER'S FUNDS					
a. Share Capital	1	69,672,500		69,672,500	
b. Reserves and Surplus	2	<u>159,934,073</u>	229,606,573	<u>151,612,860</u>	221,285,360
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
TOTAL FUNDS EMPLOYED			<u>229,606,573</u>		<u>221,285,360</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	3				
Gross Block		25,083,074		25,010,827	
Less : Depreciation		<u>12,892,534</u>		<u>14,427,302</u>	
Net Block			12,190,540		10,583,525
2. INVESTMENTS	4		37,309,960		37,309,960
3. DEFERRED TAX ASSETS			1,179,587		1,332,260
4. CURRENT ASSETS, LOANS AND ADVANCES:	5				
a. Inventories		113,068,601		132,785,091	
b. Sundry Debtors		-		5,753	
c. Cash and Bank Balance		4,263,679		10,129,247	
d. Other Current Assets		9,950,778		14,417,016	
e. Loans & Advances		<u>84,605,452</u>		<u>53,429,879</u>	
		<u>211,888,510</u>		<u>210,766,986</u>	
5. LESS : CURRENT LIABILITIES AND PROVISIONS:	6				
a. Current Liabilities		31,288,524		36,296,870	
b. Provisions		<u>1,673,500</u>		<u>2,410,500</u>	
		<u>32,962,024</u>		<u>38,707,370</u>	
NET CURRENT ASSETS			178,926,486		172,059,615
6. MISCELLANEOUS EXPENDITURE			-		-
TOTAL ASSETS			<u>229,606,573</u>		<u>221,285,360</u>

Notes to Accounts 9
As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361

Place : Mumbai

Date : 31.07.2009

Sd/-

(DIPALI SHAH)
Company Secretary

Place : Mumbai

Date : 31.07.2009

Sd/-

(MUKESH BABU)
Managing Director

Sd/-

(K. CHANDRASEKHAR)
Director

MUKESH BABU FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

PARTICULARS	SCHEDULE	CURRENT YEAR	CURRENT YEAR Rs.	PREVIOUS YEAR	PREVIOUS YEAR Rs.
I. INCOME					
Income from Operations	7	14,541,020		26,809,967	
Other Income		<u>265,863</u>	14,806,883	<u>21,012</u>	26,830,979
Total			<u>14,806,883</u>		<u>26,830,979</u>
II. EXPENSES					
Administrative and General Expenses	8	5,377,325		5,452,835	
Depreciation		<u>866,676</u>	6,244,001	<u>909,397</u>	6,362,232
PROFIT/(LOSS) BEFORE TAXATION			<u>8,562,882</u>		<u>20,468,747</u>
(Add)/Less : Taxation & Non Tax Bearing Items					
Current Tax		-		960,000	
Deferred Tax		152,673		2,146,281	
Fringe Benefit Tax		70,000		72,000	
Security Transaction Tax		-		133,879	
Taxation of Earlier Years		<u>18,995</u>	241,668	<u>30,519</u>	3,342,679
PROFIT/(LOSS) AFTER TAXATION			<u>8,321,214</u>		<u>17,126,068</u>
Less: Transferred to Statutory Reserve			<u>1,664,243</u>		<u>3,425,214</u>
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION			<u>6,656,971</u>		<u>13,700,854</u>
Add/(Less) : Transferred from/(to) General Reserve			-		-
Transferred to Profit & Loss Credit Balance			<u>6,656,971</u>		<u>13,700,854</u>
BALANCE CARRIED TO BALANCE SHEET			<u>-</u>		<u>13,700,854</u>
Earning per share (Basic/Diluted)			1.19		2.46

Notes to Accounts 9
As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-
(Mehul C. Shah)
Partner
Membership No. 49361

Sd/-
(DIPALI SHAH)
Company Secretary

Sd/-
(MUKESH BABU)
Managing Director

Sd/-
(K. CHANDRASEKHAR)
Director

Place : Mumbai
Date : 31.07.2009

Place : Mumbai
Date : 31.07.2009

MUKESH BABU FINANCIAL SERVICES LIMITED
SCHEDULE "1" TO "9" FORMING AN INTEGRAL PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009.

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE " 1" - SHARE CAPITAL				
Authorised capital :				
10,000,000 (10,000,000) Equity Shares of Rs. 10/- each.		100,000,000		100,000,000
 Issued, Subscribed and Paid up Capital :				
6,970,900(6,970,900) Equity Shares of Rs. 10/- each.	69,709,000		69,709,000	
Less : Unpaid Calls	36,500	69,672,500	36,500	69,672,500
 As per Balance Sheet		69,672,500		69,672,500
 SCHEDULE "2" - RESERVES & SURPLUS				
Capital Reserve				
Balance as per last Balance Sheet	7,088,500		7,088,500	
Add: Transfer from Share Forfeiture A/c	-	7,088,500	-	7,088,500
 Share Premium Account :				
Balance as per last Balance Sheet	73,628,000		73,628,000	
Less: Unpaid Calls	73,000	73,555,000	73,000	73,555,000
 General Reserve :				
Balance as per last Balance Sheet	21,082,871		21,082,871	
Add: Transfer from Profit & Loss A/c	-	21,082,871	-	21,082,871
 Profit & Loss Account credit Balance :				
Balance as per last Balance Sheet	38,942,795		25,241,941	
Add: Transfer from Profit & Loss A/c	6,656,971	45,599,766	13,700,854	38,942,795
 Statutory Reserve :				
Balance as per last Balance Sheet	10,943,694		7,518,480	
Add: Transfer from Profit & Loss A/c	1,664,243	12,607,936	3,425,214	10,943,694
 As per Balance Sheet		159,934,073		151,612,860

SCHEDULE "3" - FIXED ASSETS

SR.	PARTICULARS	G R O S S B L O C K				D E P R E C I A T I O N				N E T B L O C K	
		AS ON 1.4.2008	ADD	LESS	AS ON 31.03.2009	UP TO 1.4.2008	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2009	AS AT 31.03.2009	AS AT 31.03.2008
1	Office Premises	14,883,250	-	-	14,883,250	7,929,774	347,674	-	8,277,448	6,605,802	6,953,476
2	Guest House	2,100,000	-	-	2,100,000	299,512	90,024	-	389,536	1,710,464	1,800,488
3	Flat at Panvel	360,000	-	360,000	-	51,344	7,716	59,060	-	-	308,656
4	Furniture & Fixtures	2,249,021	1,268,835	-	3,517,856	1,830,725	94,850	-	1,925,575	1,592,281	418,296
5	Electrical Fittings	100,355	212,421	-	312,776	94,078	1,136	-	95,214	217,562	6,277
6	Office Equipments	1,429,154	48,500	-	1,477,654	1,163,457	38,923	-	1,202,380	275,274	265,697
7	Computers	2,500,126	271,967	2,403,203	368,890	2,357,233	85,994	2,342,384	100,843	268,047	142,893
8	Vehicles	1,388,921	1,033,727	-	2,422,648	701,179	200,359	-	901,538	1,521,110	687,742
	Total Rs.	25,010,827	2,835,450	2,763,203	25,083,074	14,427,302	866,676	2,401,444	12,892,534	12,190,540	10,583,525
	Previous Year	24,913,904	96,923	-	25,010,827	13,517,905	909,397	-	14,427,302	10,583,525	11,395,999

SCHEDULE "4" - INVESTMENTS (AT COST)

Scrip Name	CURRENT YEAR		PREVIOUS YEAR	
	Current Year No.	Current Year Rs.	Previous Year No.	Previous Year Rs.
<u>LONG TERM INVESTMENTS</u>				
<u>SHARES AND DEBENTURES</u>				
A. Shares (Quoted)				
Steelcast Ltd	10,000	450,000	10,000	450,000
		450,000		450,000
B. Shares (Unquoted)				
Rushil Industries Ltd.	500,000	5,000,000	500,000	5,000,000
Dianamic Air Products P.Ltd.	35,000	3,500,000	35,000	3,500,000
Units - UTI - IEF	5,000	50,000	5,000	50,000
Omni Engineering Industries P.ltd (Share appplicaion Money)	25,000	2,500,000	25,000	2,500,000
		11,050,000		11,050,000
B. Shares (Unquoted Subsidiary Company)				
Mukesh Babu Securities Ltd.	2,580,996	25,809,960	2,580,996	25,809,960
		25,809,960		25,809,960
AS PER BALANCE SHEET	(A+B+C)	37,309,960		37,309,960

Note : Market Value of Quoted Investment as of 31st March,2009 is Rs. 3,460,000 (Previous Year Rs.22,12,500)

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "5" - CURRENT ASSETS, LOANS & ADVANCES				
a) Closing Stock		113,068,601		132,785,091
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	-		-	
Others Considered good	<u>-</u>	-	<u>5,753</u>	5,753
c) Cash and Bank Balance				
Cash on hand (As certified by the management)	797,934		612,755	
In Current Account with Scheduled Banks	<u>3,465,745</u>	4,263,679	<u>9,516,492</u>	10,129,247
d) Other Current Assets				
Advance Tax & TDS	2,117,765		1,559,637	
Sundry deposits	<u>7,833,013</u>	9,950,778	<u>12,857,379</u>	14,417,016
e) Loans and Advances (Unsecured Considered Good)				
Loans - Inter Corporate :	26,593,466		14,027,616	
Others	9,789,404		2,551,952	
Advances to Staff & Associates	2,227,500		1,965,300	
Dues from Subsidiaries	24,064,082		11,064,082	
Dues from company under the same Management	400,000		1,000,000	
Advances Recoverable in Cash or Kind Or for Value to be received	<u>21,531,000</u>	84,605,452	<u>22,820,929</u>	53,429,879
As per Balance Sheet		211,888,510		210,766,985
SCHEDULE "6" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Bank Over Draft	24,327,229		24,327,229	
Sundry Creditors	6,805,016		11,816,289	
Other Liabilities	<u>156,279</u>	31,288,524	<u>153,352</u>	36,296,870
b. provisions				
Provision for Taxation	<u>1,673,500</u>	1,673,500	<u>2,410,500</u>	2,410,500
As per Balance Sheet		32,962,024		38,707,370

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "7" - INCOME FROM OPERATION				
Interest on loans granted		3,151,781		1,123,865
Dividend Income		12,217,957		11,777,699
Commodity trading		-		(28,128)
Bad debts recovery		987,865		-
Profit on Shares & Securities		(1,816,583)		13,936,531
As per Profit & Loss Account		14,541,020		26,809,967

SCHEDULE "8" - ADMINISTRATIVE AND GENERAL EXPENSES

Annual Membership Fees		25,472		25,472
Auditors' Remuneration				
For Certification & Other work	12,923		15,166	
For Statutory Audit	<u>22,060</u>	34,983	<u>22,472</u>	37,638
Business Promotion Expenses		229,182		261,525
Computer Expenses		131,230		101,921
Conveyance & Travelling Expenses		547,808		791,232
Directors' Remunerations		1,235,000		1,234,500
Electricity Expenses		132,837		163,156
Guest House Expenses		36,000		36,000
Professional & Consultancy Fees		968,130		709,211
Listing Fees		27,861		33,000
Office Expenses		73,669		76,699
Postage and Courier		32,425		31,820
Printing and Stationery Expenses		126,884		100,986
Rent, Rates & Taxes		113,839		113,839
Repairs and Maintenance		189,017		266,361
Salary Expenses		857,800		768,515
Staff welfare Expenses		67,208		34,014
Mess & Refreshment Expenses		262,164		313,390
Computer Written off		60,819		-
Telephone Expenses		77,477		68,673
Sundry Expenses		147,520		284,883
As per Profit & Loss Account		5,377,325		5,452,835

SCHEDULE "9" – NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

1. SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONCEPTS:

The Company follows mercantile system of accounting, and recognizes materially all income and expenses on accrual basis except retirement benefits.

FIXED ASSETS:

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

DEPRECIATION:

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

INVESTMENTS:

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

INVENTORIES:

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

REVENUE RECOGNITION:

Sale of shares is recognized on receipt of contract note from the broker and are recorded exclusive of securities transaction tax that is in nature of advance income-tax. Dividends are recorded in the year of declaration and receipt. Interest on loans granted is recognized as income on completion at the time it is not unreasonable to expect ultimate collection. Other revenue items are recognized as income on their accrual basis.

TAXES ON INCOME:

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

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

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

STATUTORY RESERVE:

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

PRUDENTIAL NORMS:

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

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

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Mukesh Babu Securities Limited (Subsidiary)	24,064,082	11,064,082
Sagar Systech Limited	400,000	1,000,000
Istaa Infotech Private Limited	6,300,000	8,000,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Mukesh Babu Securities Limited (Subsidiary)	25,014,082	13,064,082
Sagar Systech Limited	1,000,000	1,175,000
Istaa Impex Private Limited	1,500,000	1,500,000
Istaa Infotech Private Limited	8,000,000	8,662,293

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

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	2,424,596	1,847,833	115,556	4,156,873
Value (Amount Rs.)	132,785,091	6,869,868	35,229,431	113,068,601

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

Consolidated transaction value (purchases and sales) on account of cash and derivative transactions amounts to Rs. 406,710,234. In case of derivatives transactions, purchases and sales are accounted after netting off.

5. During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, which has resulted in a Deferred Tax Liability amounting to Rs. 152,673/- as at the year end. The components of Deferred Tax Assets and (liability) are given hereunder.

Particulars	Amount of Tax Effect
Depreciation	(1,400,317)
Brought Forward losses and depreciation	534,411
MAT Credit	2,045,493
	1,179,587

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

PARTICULARS	Current Year	Previous year
Profit/(Loss) After Tax Rs.	8,321,213	17,126,068
Number of Equity Shares Fully Paid Up	6,963,600	6,963,600
Number of Equity Shares Party Paid Up	7,300	7,300
Weighted Average number of Equity Shares	6,967,250	6,967,250
Earning Per Share – Basic and Diluted Rs.	1.19	2.46
Face Value per Equity Share Rs.	10	10

8. The Company is mainly engaged in the business of providing commercial finance and dealing in shares and securities. All other activities of the Company revolve around the main business, and as such in the opinion of the management, there are no separate reportable segments as per Accounting Standard – AS – 17-“Segment Reporting” Issued by ICAI.
9. Contingent Liability
The management has set-off the amount receivable from Madhur Shares and Stocks Limited against the amount payable to M/s. Madhavpura Mercantile Co-operative Bank Limited. This amount was advanced by the said bank on behalf of Madhur Shares and Stocks Limited for meeting their liabilities. The said bank has initiated arbitration proceedings. However An ad-interim relief by way of stay of the Arbitration proceedings has been granted by the Hon'ble High Court of Gujarat. There may be a liability of Rs. 384.86 million apart from interest, if any, there on, if the management's stand is not accepted. In such an eventuality, such amount, in turn, will be recoverable from Madhur Shares and Stocks Limited. In view of this, no interest has been provided on the overdraft balance with the said bank as the liability is not ascertainable.
10. Loans and advances given to the employees and associates and for projects do not carry any stipulation as to repayment of principal or payment of interest; and are being repaid periodically. Accordingly, these are considered as good and not considered as part of non-performing assets.
11. Directors' remuneration RS. 1,235,000/-(Previous year RS. 1,234,500/-) is within the limits of Schedule XIII to the Companies Act 1956.
12. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties with whom transactions entered:

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

Transactions During the year	Relationship	Rupees
		in Lacs
Opening Balances	Subsidiary Company	110.64
	Associates	244.00
Loans & Advances further given during the year	Subsidiary Company	655.00
	Associates	1.50
Amounts received back as loans and Advances	Subsidiary Company	525.00
	Associates	23.00
Interest charged on loans and advances	Associates	00.00.
Remuneration & Sitting Fees	Key Managerial Personnel	12.35
Closing Balances	Subsidiary Company	240.64
	Associates	222.50

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

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

(Rs. in lakhs)

Particulars			
Liabilities side :			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Only interest part on Inter-corporate loans.	--	--
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NIL	NIL
Assets side :		Amount outstanding	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	NIL	
	(b) Unsecured	846.05	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments :	NIL	
	<u>Current Investments :</u>		
	<u>Long Term investments :</u>		
	1. <u>Quoted :</u>		
	(i) Share : (a) Equity	4.50	
	(b) Preference	NIL	
	(ii) Units of mutual funds	NIL	
	2. <u>Unquoted :</u>		
	(i) Shares : (a) Equity	368.60	
	(b) Preference	NIL	

(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :		
	NIL		
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	258.10	258.10
	(c) Other related parties		
	2. Other than related parties	136.50	115.00
	<i>Total</i>	394.60	373.10

(8) Other information

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

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

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

Signature to the Schedules “1” to “9”

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

(Mukesh Babu)
Managing Director

(K. Chandrasekhar)
Director

(Dipali Shah)
Company Secretary

Place: Mumbai.
Date: 31.07.2009.

MUKESH BABU FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR YEAR ENDED 31ST MARCH 2009

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		8,562,882		20,468,747
Adjustments for :				
Depreciation & Misc. Exp. Written off	866,676		909,397	
Bad Debts written off	-		-	
Excess Provision for Taxation	-	866,676	-	909,397
Operating Profit Before Working Capital Changes		9,429,557		21,378,144
Changes in Working Capital:				
Inventories	19,716,490		(21,793,096)	
Sundry Debtors	5,753		-	
Loans and Advances	(31,175,573)		5,417,596	
Other Current Assets	4,466,238		(6,564,774)	
Sundry Creditors	(5,011,274)		6,008,925	
Other Liabilities	2,927	(11,995,439)	53,315	(16,878,034)
Cash Generated from Operations		(2,565,882)		4,500,110
Direct Taxes Paid		(825,995)		(30,519)
Cash Flow Before Extraordinary Items		(3,391,877)		4,469,591
Extraordinary Items		-		(133,879)
NET CASH FROM OPERATING ACTIVITIES		(3,391,877)		4,335,712
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(2,835,450)		(96,923)	
Sale of Fixed Assets	361,759		-	
Purchase of Investments	-		-	
Sale of Investments	-	(2,473,691)	-	(96,923)
NET CASH USED IN INVESTING ACTIVITIES		(2,473,691)		(96,923)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	-		-	
Repayment of Loan	-		-	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-		-	
NET CASH USED IN FINANCING ACTIVITIES		-		-
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(5,865,568)		4,238,789
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		10,129,247		5,890,458
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		<u>4,263,679</u>		<u>10,129,247</u>

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Mehul C. Shah)
Partner
Membership No.49361

(DIPALI SHAH)
Company Secretary

(MUKESH BABU)
Managing Director

(K. CHANDRASEKHAR)
Director

Place : Mumbai

Place : Mumbai

Date : 31.07.2009

Date : 31.07.2009

MUKESH BABU FINANCIAL SERVICES LIMITED

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

NAME OF THE SUBSIDIARY COMPANY	MUKESH BABU SECURITIES LIMITED
1 Financial year of the subsidiary ended on	31st March 2009
2 Shares of the Subsidiary held by the company on the above date	
a) Number and face value	2,580,996 Equity Shares of Rs. 10 each fully paid.
b) Extent of Holding	51%
3 Net aggregate amount of profit/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the company.:	
a) Dealt with in the accounts of the company for the year ended 31st March 2009	Rs. NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2009	Rs. 3,038,692
4 Net aggregate amount of profit/(losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the company.:	
a) Dealt with in the accounts of the company for the year ended 31st March 2009	Rs. NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2009	Rs. 86,279,157

FOR AND ON BEHALF OF THE BOARD

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

Place : Mumbai.
Date : 31.07.2009

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

I. Registration Details :	Registration No.	Status Code
	35504	11
	Balance Sheet Date	
	31.03.2009	
II. Capital raised during the year (Amount in Rs. Thousand)	Public issue	Right Issue
	-	-
	Bonus Issue	Private Placement
	-	-
III. Position of Mobilisation and Development of Funds (Amount in Rs. Thousand)	Total Liabilities	Total Assets
Sources of Funds	229,607	229,607
	Paidup Capital	Reserves and Surplus
	69,672	159,934
	Secured Loans	Unsecured Loans
	-	-
Application of Funds	Net Fixed Assets	Investment
	12,191	37,310
	Net Current Assets	Miscellaneous Expenditure
	178,926	-
	Accumulated Losses	
	-	
IV. Performance of Company (Amount in Rs. Thousand)	Turnover	Total Expenditure
	14,807	6,243
	Profit or (Loss) before Tax	Profit or (Loss) after Tax
	8,563	8,321
	Earning Per Share in Rs.	Dividend Rate in (%)
	1.19	-
V. Generic Names of three Principal Products/Services of Company (as per monetary terms)	Item Code No. (ITC Code)	
	659939999	
	Service Description	
	COMMERCIAL FINANCE & TRADING IN SHARES	

FOR AND ON BEHALF OF THE BOARD

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

Place : Mumbai.

Date : 31.07.2009

NOTICE IS HEREBY GIVEN THAT THE TWENTYFOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUKESH BABU FINANCIAL SERVICES LIMITED WILL BE HELD ON TUESDAY, 22ND SEPTEMBER, 2009 AT 5.00 P.M. AT 301, SAGAR AVENUE, S.V. ROAD, OPP: SHOPPERS STOP, ANDHERI – WEST, MUMBAI – 400 058. TO TRANSACT THE FOLLOWING BUSINESS.

ORDINARY BUSINESS :

1. ADOPTION OF DIRECTORS'REPORT AND ANNUAL ACCOUNTS

To consider and adopt the Balance Sheet as at 31st March, 2009 the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

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

To appoint Mr. K.Chandrasekhar, Director who retires by rotation and being eligible offers himself for re-appointment as a Director of the Company.

3. APPOINTMENT OF AUDITORS OF THE COMPANY

To appoint M/s. Shah Shah & Shah, Chartered Accountants, Mumbai, for the Financial Year 2009-2010 who shall hold office from the conclusion of the Annual General meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Shah Shah & Shah, Chartered Accountants, Mumbai the retiring Auditors of the Company are eligible for re-appointment.

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

**Place: Mumbai
Date : 31/07/2009**

**Sd/-
Mukesh C. Babu.
Chairman & Managing Director.**

NOTES:

- 1. A Member entitled to attend and Vote at the 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 Proxy in order to be effective should be duly stamped. Completed and signed and must be deposited at the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.**
- A blank Proxy Form is sent herewith.
- The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, 15th September 2009 to Tuesday, 22st September 2009** (both days inclusive).
- Members are requested to advise the Company immediately of any change of their address.
- Members attending the Annual General Meeting are requested to bring their copies of Annual Report at the Meeting.
- Members are advised to consolidate their ledger folios where they are holding shares in different folios in the same order of names.
- 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.
- The Company's Equity Shares are listed on The Stock Exchange, Mumbai, the Stock Exchange, Ahmedabad, Stock Exchange. Further, the Listing fees in respect of shares of the Company have been paid to the aforesaid Stock Exchanges upto to the financial year 2009-10.
- All members are requested to send their correspondence in respect of shares to the Share Transfer Agent of the Company. viz:

Link Time India Pvt. Ltd: (Previous name: Intime Spectrum Share Registry Pvt. Ltd)
260-A, Shanti Industrial Estate, Mulund (W), Mumbai-400 080.

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

**Place: Mumbai
Date :31/07/2009**

**Sd/-
Mukesh C. Babu.
Chairman & Managing Director.**

ANNUAL REPORT 2008 - 09

MUKESH BABU SECURITIES LIMITED

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Board of Directors

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

Company Secretary

Mr. K. Chandrasekhar

Main Bankers

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

Registered Office

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

Auditors

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2009

Your Directors have pleasure in presenting the Annual Report of the Company and audited statement of accounts for the year ended 31st March 2009

FINANCIAL RESULTS	CURRENT YEAR AMOUNT RS.	PREVIOUS YEAR AMOUNT RS.
GROSS TOTAL INCOME	16,215,557	27,681,531
	=====	=====
Profit before Interest, Depreciation & Tax	6,456,524	17,353,407
Less: Interest Paid	3,007,950	433,735
Gross Profit	3,448,574	16,919,672
Less: Depreciation	262,755	335,864
Profit before Taxation	3,185,819	16,583,808
Less: Provision for Taxation including Deferred Tax	148,507	1,439,150
Net Profit After Taxation	3,037,312	15,144,658
Less: Items relating to Earlier years	(1,380)	7,545,316
Balance Transferred to/(From) General Reserve	3,038,692	7,599,342

YEAR IN RETROSPECT

During the year, your company earned the total income of Rs. 162.16 lacs as compared to previous year's total income of Rs. 276.82 lacs. The gross profit during the year was Rs. 34.49 lacs as against the gross profit of Rs. 169.20 lacs during the previous year. The net profit for the year was Rs. 30.37 lacs as against the net profit of Rs. 151.45 lacs in the previous year.

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

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies (Amendment) Act, 2008 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis.

AUDIT COMMITTEE

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

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

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

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

FIXED DEPOSITS

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

AUDITORS

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

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

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

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

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGEMENTS

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

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

FOR AND ON BEHALF OF THE BOARD

Sd/-

Place : Mumbai
Date : 16th June 2009

Mukesh Babu
Chairman

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MUKESH BABU SECURITIES LIMITED**

We have audited the attached Balance Sheet of **Mukesh Babu Securities Limited** as at 31st March 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on 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 the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.

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

- (i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books
- (iii) The Balance Sheet and Profit and Loss Account and cash flow statement with by this report are in agreement with the books of account
- (iv) In our opinion the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (v) On the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2009 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to the notes thereon give the information required by the Companies Act, 1956, in the manner so required and in conformity with the accounting principles generally accepted in India and give a true and fair view :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

Sd/-

**(Chaitanya C. Dalal)
Partner
Membership No. 35809**

Place : Mumbai

Date : 16th June 2009.

ANNEXURE REFERRED TO IN PARAGRAPH OF OUR REPORT OF EVEN DATE

- i). (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
(b) These fixed assets have been physically verified by the management at reasonable intervals; and no material discrepancies were noticed on such verification.
(c) As per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets that would affect the going concern.
- ii) (a) The Company has neither taken nor granted any unsecured loans to any party covered in the register maintained under section 301 of the Act. Since unsecured loans neither taken nor granted to any party covered in the register maintained under section 301 of the Act reporting under Clause (b) , (c), and (d) are not required.
- 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 the nature of its business for the purchase of fixed assets and revenue recognition. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal procedures.
- iv) (a) In our opinion and according to the information and explanations given to us. The transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Sections 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- v) The Company has not accepted any deposits from public, hence question of complying with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules,1975 with regard to the deposits accepted from the public are not applicable.
- vi) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business
- vii) According to the information and explanations given to us and the records of the company examined by us, in our opinion , the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance , income tax , sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable in respect of such statutory dues were outstanding as at 31st March 2009, for a period of more then six months from the date they became payable.
- viii) The Company has no accumulated losses as at March 31, 2009 and it has not incurred cash loss in the financial year ended on that date. The company has not incurred cash loss in the immediately preceding financial year.
- ix) According to the records of the company examined by us and information and explanation given to us there is there is a dispute between the company and Madhavpura Mercantile Co-operative Bank Ltd. on certain issues relating to the repayment of dues of Rs. 30.70 million and as reported in note no. 8, it is not possible for us to determine whether there is a default in repayment of dues to Madhavpura Mercantile Co-operative Bank Ltd.

- x) Company has not granted any loans, hence question of Maintenance of adequate documents and records of pledge of shares, debentures and other securities, does not arise.
- xi) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- xii) The Company has not availed any term loans facility during the year, hence, question of using of it for the purposes for which they were obtained does not arise.
- xiii) 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 investment are held by the company in its own names except allowable under section 49 of the Companies Act, 1956.
- xiv) On the basis of an overall examination of the balance sheet of the Company , in our opinion and according to the information and explanations given to us, there are no funds raised as working capital loans (short term loans) that have been used for long-term investment and vice versa.
- xv) The Company has not made any preferential allotments of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xvi) 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.
- xvii) The other clauses, namely (ii),(viii), (xiii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003 are not applicable in the current year .since in our opinion there is no matter which arises to be reported in the aforesaid order.

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

Sd/-

**(Chaitanya C. Dalal)
Partner
Membership No. 35809**

Place : Mumbai

Date : 16th June 2009.

MUKESH BABU SECURITIES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2009

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
1. SHAREHOLDER'S FUNDS					
a. Share Capital	A	50,000,000		50,000,000	
b. Reserves and Surplus	B	<u>86,279,157</u>	136,279,157	<u>83,240,465</u>	133,240,465
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
TOTAL FUNDS EMPLOYED			<u>136,279,157</u>		<u>133,240,465</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS					
Gross Block		26,583,331		26,562,031	
Less : Depreciation		<u>11,795,620</u>		<u>11,532,865</u>	
Net Block	C		14,787,711		15,029,166
2. INVESTMENTS	D		66,098,154		61,098,154
3. DEFERREED TAX ASSETS			2,033,602		2,057,109
4. CURRENT ASSETS, LOANS AND ADVANCES:	E	312,808,695		248,491,243	
5. LESS : CURRENT LIABILITIES AND PROVISIONS:	F	<u>259,449,005</u>		<u>193,435,207</u>	
NET CURRENT ASSETS			53,359,690		55,056,036
6. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			-		-
TOTAL ASSETS			<u>136,279,157</u>		<u>133,240,465</u>

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

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitanya C. Dalal)
Partner
Membership No.35809

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place : Mumbai

Place : Mumbai

Date : 16th June, 2009

Date : 16th June, 2009

MUKESH BABU SECURITIES LIMITED
PROFIT AND LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2009

PARTICULARS	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
I. INCOME			
Income From Brokerage		-	-
Other Income		16,215,557	27,681,531
Total		16,215,557	27,681,531
II. EXPENSES			
Administrative and General Expenses	G	9,759,033	10,328,124
Depreciation		262,755	335,864
Intrest		3,007,950	433,735
Total		13,029,738	11,097,723
PROFIT/(LOSS) BEFORE TAXATION		3,185,819	16,583,808
Less : Current Tax Provision		(75,000)	(1,420,000)
Less : Provision for F.B. T.		(50,000)	(80,000)
Add/Less : Deferred Tax Assets/(Liabilities)		(23,507)	60,850
PROFIT/(LOSS) AFTER TAXATION		3,037,312	15,144,658
Add/Less : Taxation relating to earlier years		1,380	(7,545,316)
		3,038,692	7,599,342
Less : Transferred to/(from) General Reserve		(3,038,692)	(7,599,342)
BALANCE CARRIED TO BALANCE SHEET		-	-
Earning per Share as per AC-20 (Basic & Diluted)		0.61	3.03

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

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitanya C. Dalal)
Partner
Membership No.35809

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place : Mumbai

Place : Mumbai

Date : 16th June, 2009

Date : 16th June, 2009

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

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

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

SCHEDULE "B" - RESERVES & SURPLUS

General Reserve :

Balance as per last Balance Sheet		83,240,465		75,641,123
Add/(less): Transfer from/(to) Profit & Loss A/c		<u>3,038,692</u>	86,279,157	<u>7,599,342</u> 83,240,465

As per Balance Sheet

		<u>86,279,157</u>		<u>83,240,465</u>
--	--	--------------------------	--	--------------------------

SCHEDULE "C" - FIXED ASSETS

Particulars	G R O S S B L O C K			D E P R E C I A T I O N				N E T B L O C K		
	As on 1.4.2008	Add	Less	As On 31.3.2009	Up to 1.4.2008	For the year	Written Back	Up to 31.3.2009	As at 31.3.2009	As at 31.3.2008
Office Premises	11,430,390	-	-	11,430,390	-	-	-	-	11,430,390	11,430,390
Premises	2,227,500	-	-	2,227,500	-	-	-	-	2,227,500	2,227,500
Office Equipments	2,196,277	7,000	-	2,203,277	1,490,531	99,143	-	1,589,674	613,603	705,746
Vehicles	2,296,735	-	-	2,296,735	2,100,372	50,838	-	2,151,210	145,525	196,363
Computers	6,285,652	14,300	-	6,299,952	6,174,046	48,055	-	6,222,101	77,851	111,606
Furniture & Fittings	1,741,442	-	-	1,741,442	1,448,628	53,000	-	1,501,628	239,814	292,814
Electric Equipment	384,035	-	-	384,035	319,288	11,719	-	331,007	53,028	64,747
Total Rs.	26,562,031	21,300	-	26,583,331	11,532,865	262,755	-	11,795,620	14,787,711	15,029,166
Previous Year	26,548,131	-	-	26,548,131	10,754,210	442,791	-	11,197,001	15,351,130	15,793,921

SCHEDULE "D" - INVESTMENT (AT COST)

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
I. QUOTED SHARES				
Investment in Shares of Public Limited Companies	892,831	50,404,316	866,521	50,404,316
		<u>50,404,316</u>		<u>50,404,316</u>
II. UNQUOTED SHARES, UNITS, BONDS				
UTI Index Equity Fund	50,000	500,000	50,000	500,000
SBI Mutual Fund	30,000	300,000	30,000	300,000
Secured Bonds of Dena Bank	10	100,000	10	100,000
Bombay Stock Exchange Ltd	70,694	9,793,838	5,438	9,793,838
Rushil Industries Limited (Share Application Money)	500,000	5,000,000	-	-
		<u>15,693,838</u>		<u>10,693,838</u>
As per Balance Sheet		<u>66,098,154</u>		<u>61,098,154</u>

Note: Aggregate market value of the Quoted Investment as on 31.3.2009 is Rs 125,459,777 (Previous Year 275,619,741)

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "E" - CURRENT ASSETS, & LOANS & ADVANCES				
a) Sundry Debtors (Unsecured)				
(Unsecured considered good)				
Sundry Debtors - More than Six Month	22,287,282		22,288,228	
Sundry Debtors - Less than Six Month	-	22,287,282	-	22,288,228
c) Cash and Bank Balance				
Cash on hand (As certified by Director)	2,431,950		1,852,031	
Balance With Scheduled Banks	5,851,418	8,283,368	6,827,556	8,679,587
d) Other Current Assets				
Advance Tax & TDS	6,649,787		5,557,641	
Deposit - Interest Free	30,801,117		30,455,960	
- Others	115,420,248	152,871,152	127,118,034	163,131,635
e) Loans and Advances				
(Unsecured Considered Good)				
Loans and advances to staff	583,330		564,330	
Prepaid Expenses	15,539		4,000	
Other Advances	128,768,024	129,366,893	53,823,463	54,391,793
As per Balance Sheet		312,808,695		248,491,243
SCHEDULE "F" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Sundry Creditors	1,003,639		1,003,627	
Deposit from Clients	60,000		60,000	
Margin accounts	150,000,000		150,000,000	
Dues to Holding Company (Mukesh Babu Financial Services Ltd.)	24,064,082		11,064,082	
Other Liabilities	222,442		185,056	
Bank Overdraft	82,413,192	257,763,355	29,496,792	191,809,557
b. provisions				
Provision for Taxation		1,685,650		1,625,650
As per Balance Sheet		259,449,005		193,435,207
SCHEDULE "G" - ADMININSTATIVE AND GENERAL EXPENSES				
Auditors Remuneration for Audit Fees	22,060		22,497	
for Consultancy Fees	22,060	44,120	22,497	44,994
Directors Remuneration		1,200,000		1,200,000
Electricity expenses		524,307		246,301
Staffwelfare Expenses		409,977		438,086
Conveyance & Travelling		349,135		662,152
Insurance		1,973,028		1,979,209
Membership and Subscription		334,321		355,000
VSAT and Lease Line Charges		166,164		157,343
Telephone & Courier Exp		187,346		216,713
Printing and Stationery		24,431		56,367
Professional and Consultancy fees		104,248		1,532,267
Rent, Rates and Taxes		1,288,367		82,418
Repairs & Maintenance		245,408		341,318
Salary & Wages		1,244,300		1,153,970
Sundry Expenses		76,799		365,085
Trade Execution Charges		1,293,000		1,297,500
Transaction Charges		294,082		199,401
As per Profit and Loss Account		9,759,033		10,328,124

SCHEDULE – H NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

A. SIGNIFICANT ACCOUNTING POLICIES.

1. **Basis of Preparation of Financial Statements:**
The financial statements are prepared on historical cost basis and as a going concern. Accounting Policies not referred to otherwise are consistent with generally accepted accounting principles in India, the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.
2. **Revenue Recognition:**
Company follows Mercantile System of accounting and recognizes Income and Expenditure on accrual basis with necessary provisions for all known liabilities. Accounting Policies not referred to otherwise, are consistent with generally accepted accounting principles.
3. **Fixed Assets and Depreciation**
Fixed Assets are stated at cost. Fixed Asset of the Company has not been revalued during the year. Depreciation on Fixed Asset of the year has been provided on the written down value method in accordance in rates and manner provided in schedule XVI of Companies Act, 1956 wherever applicable.
4. **Investments**
Investments are stated at cost of acquisition. No provision has been made in the accounts of the company for the depletion or appreciation in the value of the investments.
5. **Provision for Taxation**
Provision for tax comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.
6. **Deferred Tax Assets**
Deferred Tax Assets are accounted in accordance with the Accounting Standard – 22.
7. **Cash and Cash Equivalent:**
Cash and Cash Equivalent in the Balance Sheet comprise of cash at bank and cash at hand.

B. NOTES TO THE ACCOUNTS:

8. **Contingent Liability:**
Bank overdraft balance is subject to reconciliation and confirmation.
9. **Related Party Disclosure:**
Related Party Disclosures to comply with Accounting Standard – 18 – Related Party disclosure by ICAI.

- i. **Holding Company** : Mukesh Babu Financial Services Limited
- ii. **Key Managerial Personnel** : Ms. Meena Mukesh Babu (Managing Director)

iii. **Transactions During the Year:**

Particulars	A.Y- 2008-09 (Rs. in Lacs)	A.Y.-2007-08 Rs. In Lacs
A. Mukesh Babu Financial Services Ltd. (Holding Company)		
Opening Balance	110.64	90.64
Amount refunded against loans and advances	525.00	220.00
Amount received during the year	655.00	240.00
Credit Closing balance Payable at the year end	240.64	110.64
B. Ms. Meena Mukesh Babu (Managing Director)		
Remuneration paid during the year	12.00	12.00

10. **Deferred Tax Assets**

During the year, on accounting of Deferred Tax in accordance with the Accounting Standard – 22, the Deferred Tax Assets of the Company Comes to Rs. 20,33,602/- (Previous Year Rs. 20,57,109/-).

Particulars	Amount of Tax Effect for the A.Y. 2009-10	Amount of Tax Effect for A.Y. 2008-09
Brought Forward Losses (05-06)	8,97,343	9,48,678
Brought Forward Losses (06-07)	5,69,018	5,69,018
Brought Forward Losses (07-08)	5,89,921	5,89,921
Liabilities on account of depreciation	(22,680)	(50,508)
Total Deferred Tax Assets	20,33,602	20,57,109

11. **Current Assets Loans and Advances.**

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

12. **Sundry Debtors and Creditors:**

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

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

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

15. The maximum amount outstanding during the year to the holding company is Rs. 25014082/-. (Previous Year amount being Rs.13064082).

16. **Earning Per Share**

PARTICULARS	Current Year	Previous year
Profit/(Loss) After Tax Rs.	3,037,312	15,144,658
Number of Equity Shares Fully Paid Up	5,000,000	5,000,000
Earning Per Share – Basic and Diluted Rs.	0.61	3.03

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

18. **Auditor’s Remuneration**

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

Particulars	2008-2009	2007-2008
Audit Fees	22060	22497
Consultancy Fees	22060	22497
Total	44120	44994

19. Foreign Currency Transactions :

There were no foreign exchange transactions during the year.

20. Prior Period Comparatives:

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

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

22. Quantitative Information.

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

AS PER OUR REPORT ATTACHED

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

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

Chaitanya C. Dalal & Co.
Partner
Membership No. 35809

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place: Mumbai
Date: 16th June 2009

Place: Mumbai
Date: 16th June 2009.

MUKESH BABU SECURITIES LIMITED.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009.

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		3,185,819		16,583,808
Adjustments for :				
Depreciation & Misc. Exp. Written off	262,755		335,864	
Foreign Exchange	-		-	
Loss/(Profit) on Sale on Investments	-		-	
Profit on Trading	-		-	
Interest/Dividend (Received)	(16,215,557)		(27,681,531)	
Interest paid	3,007,950		433,735	
Excess Provision for Taxation	-	(12,944,852)	-	(26,911,932)
Operating Profit Before Working Capital Changes		(9,759,033)		(10,328,124)
Adjustments for:				
Sundry Debtors	946		22,063	
Loans and Advances	(74,975,101)		(10,577,457)	
Other Current Assets	10,260,483		3,424,348	
Sundry Creditors	13,000,012		(3,324)	
Other Liabilities	37,386	(51,676,274)	(2,003,389)	(9,137,759)
Cash Generated from Operations		(61,435,307)		(19,465,883)
Interest Paid		(3,007,950)		(433,735)
Direct Taxes Paid		(65,000)		(7,545,317)
Cash Flow Before Extraordinary Items		(64,508,258)		(27,444,935)
Extraordinary Items		1,382		-
NET CASH FROM OPERATING ACTIVITIES		(64,506,876)		(27,444,935)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(21,300)		(13,900)	
Sale of Fixed Assets	-		-	
Purchase of Investments	(5,000,000)		(59,949)	
Purchase of Stock -in -Trade	-		-	
Sale of Investments	-		8,216,162	
Sale of Stock - in -Trade	-		-	
Profit on Share Trading (Speculation)	-		-	
Interest & Dividend Received	16,215,557	11,194,257	27,681,531	35,823,844
NET CASH USED IN INVESTING ACTIVITIES		11,194,257		35,823,844
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	52,916,399		-	
Repayment of Loan	-		-	
Repayment of Finance Lease Liabilities	-		(8,100,878)	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-	52,916,399	-	(8,100,878)
NET CASH USED IN FINANCING ACTIVITIES		52,916,399		(8,100,878)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(396,219)		278,031
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,679,587		8,401,556
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		8,283,368		8,679,587

For Chaitanya C. Dalal & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Chaitany C. Dalal)
Partner

(K.Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Membership No. 35809

Place: Mumbai.

Date : 16th June, 2009

Place: Mumbai.

Date : 16th June, 2009

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

I. Registration Details

Registration No.	76455	Status Code	11
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Balance Sheet Date

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

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

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

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

Sources of Funds	Total Liabilities	136,279	Total Assets	136,279
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Paidup Capital	50,000	Reserves and Surplus	86,279
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Secured Loans	-	Unsecured Loans	-
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Application of Funds

Net Fixed Assets	14,788	Investment	66,098
------------------	--------	------------	--------

Net Current Assets	55,393	Miscellaneous Expenditure	-
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Accumulated Losses	-
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IV. Performance of Company (Amount in Rs. Thousand)

Turnover	16,216	Total Expenditure	13,030
----------	--------	-------------------	--------

Profit or (Loss) before Tax	3,186	Profit or (Loss) after Tax	3,037
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Earning Per Share in Rs.	0.61	Dividend Rate in (%)	-
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V. Generic Names of three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Service Description

Sd/-

Sd/-

Sd/-

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Managing Director

Place: Mumbai.

Date : 16th June, 2009

Mukesh Babu Financial Services Limited.

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

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

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

DP. Id*

Regd. Folio No.

Client Id*

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at an Annual General Meeting of the company held on Tuesday, 22nd September 2009 at 5 p.m. at 301, Sagar Avenue, S.V. Road, Opp: Shoppers Stop, Andheri – West, Mumbai – 400 058.

Signature of the shareholder or proxy

*Applicable for investors holding shares in electronic form.

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

Mukesh Babu Financial Services Limited

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

DP. Id*

Client Id*

I/We _____ of _____ being a member/members of Mukesh Babu Financial Services Limited hereby appoint _____ of _____ or failing him _____ as my /our proxy to vote for me/us and on my/our behalf at an Annual General meeting to be held on Tuesday 22nd September 2009 or at any adjournment thereof.

Signed this _____ day of September 2009

Affix a
Rs. 1/--
Revenue
Stamp

- Applicable for investors holding shares in electronic form.

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

ANNUAL REPORT 2008 - 2009

MUKESH BABU FINANCIAL SERVICES LIMITED (CONSOLIDATED ACCOUNTS)

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Board of Directors

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

Main Bankers

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

Registered Office

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

Auditors

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

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

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

1. We have examined the attached consolidated Balance Sheet of Mukesh Babu Financial services Ltd., ("The Company") and its subsidiary Mukesh Babu Securities Limited as at 31st March 2009 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year then ended annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflects total gross assets of Rs. 3,957.28 lacs as at 31st March, 2009 and total gross revenues of Rs. 162,.16 lacs for the year then ended. This financial statement has been audited by other auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statement issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements except herein under written.
5. Neither provision has been made for retirement benefits as stated in Significant accounting polices under the notes to accounts nor amount has been quantified.
6. Reference is made to note no. 9 on Contingent liability. The liability with respect to bank overdraft has been understated by adjusting Rs. 384.86 million against the amount receivable; and neither interest has been provided on the overdraft balance nor is the amount confirmed; and we are unable to form our opinion on to it,

7. the composite effect of qualifications above is not quantifiable or ascertainable;
8. Subject to the matter stated in para (5) to (7) above, on the basis of the information and explanations given to us and on the consideration of the separated audit reports on individual audited financial statements of the Company, and its subsidiary, we are of the opinion that the said consolidated financial statements read with notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 31st March, 2009 and
 - b. in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended.
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

**For Shah Shah & Shah
Chartered Accountants**

Sd/-

**(Mehul C. Shah)
Proprietor
Membership No. 49361**

Mumbai: 31.07.2009

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31.03.2009

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
1. SHAREHOLDER'S FUNDS					
a. Share Capital	1	69,672,500		69,672,500	
b. Reserves and Surplus	2	<u>204,471,374</u>	274,143,874	<u>194,581,587</u>	264,254,087
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
3. MINORITY INTEREST			65,931,896		64,461,779
TOTAL FUNDS EMPLOYED			<u>340,075,770</u>		<u>328,715,866</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	3				
Gross Block		51,666,405		51,572,858	
Less : Depreciation		<u>24,688,154</u>		<u>25,960,167</u>	
Net Block			26,978,251		25,612,691
2. INVESTMENTS	4		77,598,154		72,598,154
3. DEFERRED TAX ASSETS			3,213,189		3,389,369
4. CURRENT ASSETS, LOANS AND ADVANCES:	5				
a. Inventories		113,068,601		132,785,091	
b. Sundry Debtors		22,287,282		22,293,981	
c. Cash and Bank Balance		12,547,047		18,808,832	
d. Other Current Assets		162,821,930		177,548,652	
e. Loans & Advances		<u>189,908,263</u>		<u>96,757,590</u>	
		<u>500,633,123</u>		<u>448,194,146</u>	
5. LESS : CURRENT LIABILITIES AND PROVISIONS:	6				
a. Current Liabilities		264,987,797		217,042,345	
b. Provisions		<u>3,359,150</u>		<u>4,036,150</u>	
		<u>268,346,947</u>		<u>221,078,495</u>	
NET CURRENT ASSETS			232,286,176		227,115,651
6. MISCELLANEOUS EXPENDITURE			-		-
TOTAL ASSETS			<u>340,075,770</u>		<u>328,715,866</u>

Notes to Accounts 9

As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361

(DIPALI SHAH)
Company Secretary

(MUKESH BABU)(K. CHANDRASEKHAR)
Managing Director Director

Place : Mumbai

Place : Mumbai

Date : 31.07.2009

Date : 31.07.2009

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED PROFIT AND LOSS A/C FOR THE YEAR ENDED 31.03.2009

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Income from Operations	7	14,541,020		26,809,967	
Other Income		<u>16,481,420</u>	31,022,440	<u>27,702,543</u>	54,512,510
Total			<u>31,022,440</u>		<u>54,512,510</u>
II. EXPENSES					
Administrative and General Expenses	8	15,136,358		15,780,960	
Depreciation		1,129,431		1,245,261	
Interest		<u>3,007,950</u>	19,273,739	<u>433,735</u>	17,459,956
Total			<u>19,273,739</u>		<u>17,459,956</u>
PROFIT BEFORE TAXATION			11,748,701		37,052,554
(Add)/Less : Taxation & Non Tax Bearing Items					
Current Tax		75,000		2,380,000	
Deferred Tax		176,180		2,085,431	
Fringe Benefit Tax		120,000		152,000	
Security Transaction Tax		-		133,878	
Taxation for earlier years		<u>18,995</u>	390,175	<u>7,575,836</u>	12,327,145
PROFIT AFTER TAXATION			<u>11,358,526</u>		<u>24,725,409</u>
Less: Taxation for earlier years			1,380		
Less: Transferred to Statutory Reserve			<u>(1,664,243)</u>		<u>(3,425,214)</u>
PROFIT AVAILABLE FOR APPROPRIATION			9,695,663		21,300,195
Add/(Less) : Transferred from/(to) General Reserve			(1,568,573)		(8,002,782)
Transferred to Minority Interest			<u>(1,470,119)</u>		<u>(3,676,562)</u>
BALANCE CARRIED TO BALANCE SHEET			<u>6,656,971</u>		<u>9,620,851</u>
Earning per share (Basic/Diluted)			1.63		3.55

Notes to Accounts 9

As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

Sd/-

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361

(DIPALI SHAH)
Company Secretary

(MUKESH BABU)
Managing Director

(K. CHANDRASEKHAR)
Director

Place : Mumbai

Place : Mumbai

Date : 31.07.2009

-- 55 --

Date : 31.07.2009

MUKESH BABU FINANCIAL SERVICES LIMITED

SCHEDULE "1" TO "9" FORMING AN INTEGRAL PART OF CONSOLIDATED A/C FOR THE YEAR ENDED 31.03.2009

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE " 1" - SHARE CAPITAL				
Authorised capital :				
10,000,000 (10,000,000) Equity Shares of Rs. 10/- each.		<u>100,000,000</u>		<u>100,000,000</u>
 Issued, Subscribed and Paid up Capital :				
6,970,900(6,970,900) Equity Shares of Rs. 10/- each.	69,709,000		69,709,000	
Less : Unpaid Calls	<u>36,500</u>	69,672,500	<u>36,500</u>	69,672,500
 As per Balance Sheet		<u><u>69,672,500</u></u>		<u><u>69,672,500</u></u>
 SCHEDULE "2" - RESERVES & SURPLUS				
Capital Reserve				
Balance as per last Balance Sheet	7,088,500		-	
Add: Transfer from Share Forfeiture A/c	<u>-</u>	7,088,500	<u>7,088,500</u>	7,088,500
 Share Premium Account :				
Balance as per last Balance Sheet	73,628,000		73,628,000	
Less: Unpaid Calls	<u>73,000</u>	73,555,000	<u>73,000</u>	73,555,000
 General Reserve :				
Balance as per last Balance Sheet	68,131,600		60,128,818	
Add: Transfer from Profit & Loss A/c	<u>1,568,573</u>	69,700,173	<u>8,002,782</u>	68,131,600
 Profit & Loss Account credit Balance :				
Balance as per last Balance Sheet	34,862,793		25,241,942	
Add: Transfer from Profit & Loss A/c	<u>6,656,971</u>	41,519,764	<u>9,620,851</u>	34,862,793
 Statutory Reserve :				
Balance as per last Balance Sheet	10,943,694		7,518,480	
Add: Transfer from Profit & Loss A/c	<u>1,664,243</u>	12,607,937	<u>3,425,214</u>	10,943,694
 As per Balance Sheet		<u><u>204,471,374</u></u>		<u><u>194,581,587</u></u>

SCHEDULE "3" - FIXED ASSETS

SR.	PARTICULARS	G R O S S B L O C K				D E P R E C I A T I O N				N E T B L O C K	
		AS ON 1.4.2008	ADD	LESS	AS ON 31.03.2009	UP TO 1.4.2008	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2009	AS AT 31.03.2009	AS AT 31.03.2008
1	Office Premises	26,313,640		-	26,313,640	7,929,774	347,674	-	8,277,448	18,036,192	18,383,866
2	Guest House	2,100,000		-	2,100,000	299,512	90,024	-	389,536	1,710,464	1,800,488
3	Flat at Panvel	360,000		360,000	-	51,344	7,716	59,060	-	-	308,656
4	Furniture & Fixtures	3,990,463	1,268,835	-	5,259,298	3,279,353	147,850	-	3,427,203	1,832,095	711,110
5	Electrical Fittings	484,390	212,421	-	696,811	413,366	12,855	-	426,221	270,590	71,024
6	Office Equipments	3,625,431	55,500	-	3,680,931	2,653,988	138,066	-	2,792,054	888,877	971,443
7	Computers	8,785,778	286,267	2,403,203	6,668,842	8,531,279	134,049	2,342,384	6,322,944	345,898	254,499
8	Premises	2,227,500			2,227,500	-			-	2,227,500	2,227,500
9	Vehicles	3,685,656	1,033,727	-	4,719,383	2,801,551	251,197	-	3,052,748	1,666,635	884,105
	Total Rs.	51,572,858	2,856,750	2,763,203	51,666,405	25,960,167	1,129,431	2,401,444	24,688,154	26,978,251	25,612,691
	Previous Year	51,462,035	110,823	-	51,572,858	24,714,906	1,245,261	-	25,960,167	25,612,691	24,519,629

SCHEDULE "4" - INVESTMENTS (AT COST)

Scrip Name	CURRENT YEAR		PREVIOUS YEAR	
	Current Year No.	Current Year Rs.	Previous Year No.	Previous Year Rs.
<u>LONG TERM INVESTMENTS</u>				
<u>SHARES AND DEBENTURES</u>				
A. Shares (Quoted)				
Investment in Shares of Public Limited Listed Companies	902,831	50,854,316	876,521	50,854,316
		50,854,316		50,854,316
B. Shares (Unquoted), Mutual Funds & Units				
Rushil Industries Ltd.	1,000,000	10,000,000	500,000	5,000,000
Dianamic Air Products P.Ltd.	35,000	3,500,000	35,000	3,500,000
Units - UTI - IEF	55,000	550,000	55,000	550,000
SBI Mutual Fund	30,000	300,000	30,000	300,000
Secured Bonds of Dena Bank	10	100,000	10	100,000
Bombay Stock Exchange Ltd	70,694	9,793,838	5,438	9,793,838
Omni Engineering Industries P.ltd (Share applicaion Money)	25,000	2,500,000	25,000	2,500,000
		26,743,838		21,743,838
AS PER BALANCE SHEET (A+B)		77,598,154		72,598,154

Note : Market Value of Quoted Investment as of 31st March,2008 is Rs. 128,919,777 (Previous Year Rs.277,832,241)

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "5" - CURRENT ASSETS, LOANS & ADVANCES				
a) Closing Stock		113,068,601		132,785,091
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	22,287,282		22,293,981	
Others Considered good		22,287,282	-	22,293,981
c) Cash and Bank Balance				
Cash on hand (As certified by the management)	3,229,884		2,464,784	
In Current Account with Scheduled Banks	9,317,163	12,547,047	16,344,048	18,808,832
d) Other Current Assets				
Advance Tax & TDS	8,767,552		7,117,279	
Deposits : Interest Free	115,420,248		30,455,960	
Other	38,634,130	162,821,930	139,975,413	177,548,652
e) Loans and Advances (Unsecured Considered Good)				
Loans - Inter Corporate :	26,593,466		14,027,616	
Others	9,789,404		2,242,631	
Advances to Staff & Associates	2,810,830		2,838,951	
Company under the same Management	400,000		1,000,000	
Advances Recoverable in Cash or Kind Or for Value to be received	150,314,563	189,908,263	76,648,392	96,757,590
As per Balance Sheet		500,633,123		448,194,146
SCHEDULE "6" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Bank Over Draft	106,740,421		53,824,021	
Sundry Creditors	7,808,655		12,819,916	
Deposit from clients	60,000		60,000	
Margin Deposit	150,000,000		150,000,000	
Other Liabilities	378,721	264,987,797	338,408	217,042,345
b. provisions				
Provision for Taxation	3,359,150	3,359,150	4,036,150	4,036,150
As per Balance Sheet		268,346,947		221,078,495

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "7" - INCOME FROM OPERATIONS				
Interest Income		3,151,781		1,123,865
Dividend Income		12,217,957		11,777,699
Commodity trading		-		(28,128)
Profit on Shares & Securities		(1,816,583)		13,936,531
Bad Debts Recovery		987,865		
As per Profit & Loss Account		14,541,020		26,809,967

SCHEDULE "8" - ADMINISTRATIVE AND GENERAL EXPENSES

Auditors' Remuneration				
For Certification & Other work		34,983		37,663
For Statutory Audit		44,120	79,103	44,969
Computer Expenses			131,230	101,921
Conveyance & Travelling Expenses			896,943	1,298,794
Business Promotion			229,182	10,888
Directors' Remunerations			2,435,000	2,434,500
Electricity Expenses			657,144	409,457
Guest House Expenses			36,000	36,000
Insurance Expenses			1,973,028	1,979,209
Professional & Consultancy Fees			1,072,378	2,241,478
Listing Fees			27,861	33,000
Memberships & Subscription			359,793	380,472
Office Expenses			73,669	76,699
Postage and Courier			32,425	73,070
Printing and Stationery Expenses			151,315	219,503
Rent, Rates & Taxes			1,402,206	196,257
Repairs and Maintenance			434,425	607,679
Salary Expenses			2,102,100	2,172,486
Staff welfare Expenses			477,185	472,100
Mess & Refreshment Expenses			262,164	141,325
Comuter written off			60,819	-
Trade Execution Expenses			1,293,000	1,297,500
Telephone Expenses			264,823	285,386
Transaction Charges			294,082	199,401
Sundry Expenses			224,319	873,860
VSAT and Lease Line Expenses			166,164	157,343
As per Profit & Loss Account			15,136,358	15,780,960

SCHEDULE "9"

1. SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONCEPTS:

The Company follows mercantile system of accounting, and recognizes materially all income and expenses on accrual basis except retirement benefits.

FIXED ASSETS:

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

DEPRECIATION:

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

INVESTMENTS:

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

INVENTORIES:

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

REVENUE RECOGNITION:

Sale of shares is recognized on receipt of contract note from the broker and are recorded exclusive of securities transaction tax that is in nature of advance income-tax. Dividends are recorded in the year of declaration and receipt. Interest on loans granted is recognized as income on completion at the time it is not unreasonable to expect ultimate collection. Other revenue items are recognized as income on their accrual basis.

TAXES ON INCOME:

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

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

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

STATUTORY RESERVE:

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

PRUDENTIAL NORMS:

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

CASH AND CASH EQUIVALENT:

Cash and cash equivalent in Balance Sheet comprise of Cash and Cash at Hand.

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

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Sagar Systech Limited	400,000	1,000,000
Istaa Infotech Private Limited	6,300,000	8,000,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Sagar Systech Limited	1,000,000	1,175,000
Istaa Impex Private Limited	1,500,000	1,500,000
Istaa Infotech Private Limited	8,000,000	8,662,293

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

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	2,424,596	1,847,833	115,556	4,156,873
Value (Amount Rs.)	132,785,091	6,869,868	35,229,431	113,068,601

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

Consolidated transaction value (purchases and sales) on account of cash and derivative transactions amounts to Rs. 406,710,234. In case of derivatives transactions, purchases and sales are accounted after netting off.

5. During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, which has resulted in a Deferred Tax Liability amounting to Rs. 176,180/- as at the year end. The components of Deferred Tax Assets and (liability) are given hereunder.

Particulars	Amount of Tax Effect
Depreciation	(1,422,997)
Brought Forward losses and depreciation	2,590,693
MAT Credit	2,045,493
	3,233,189

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

PARTICULARS	YEAR ENDED	YEAR ENDED
	31.03.2009	31.03.2008
Profit/(Loss) After Tax Rs.	11,358,526	24,725,409
Number of Equity Shares Fully Paid Up	6963600	6963600
Number of Equity Shares Party Paid Up	7300	7300
Weighted Average number of Equity Shares	6967250	6967250
Earning Per Share – Basic and Diluted Rs.	1.63	3.55
Face Value per Equity Share Rs.	10	10

8. The Company is mainly engaged in the business of providing commercial finance and dealing in shares and securities. All other activities of the Company revolve around the main business, and as such in the opinion of the management, there are no separate reportable segments as per Accounting Standard – AS – 17-“Segment Reporting” Issued by ICAI.
9. **Contingent Liability**
The management has set-off the amount receivable from Madhur Shares and Stocks Limited against the amount payable to M/s. Madhavpura Mercantile Co-operative Bank Limited. This amount was advanced by the said bank on behalf of Madhur Shares and Stocks Limited for meeting their liabilities. The said bank has initiated arbitration proceedings. However An ad-interim relief by way of stay of the Arbitration proceedings has been granted by the Hon'ble High Court of Gujarat. There may be a liability of Rs. 384.86 million apart from interest, if any, there on, if the management's stand is not accepted. In such an eventuality, such amount, in turn, will be recoverable from Madhur Shares and Stocks Limited. In view of this, no interest has been provided on the overdraft balance with the said bank as the liability is not ascertainable.
10. Loans and advances given to the employees and associates and for projects do not carry any stipulation as to repayment of principal or payment of interest; and are being repaid periodically. Accordingly, these are considered as good and not considered as part of non-performing assets.
11. Directors' remuneration RS. 24,35,000/-(Previous year RS. 24,34,500/-) is within the limits of Schedule XIII to the Companies Act 1956.
12. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties with whom transactions entered:.

- (i) Associates: Istaaf Fashions Pvt. Ltd., Babu & Parekh Securities Private Limited, Istaaf Infotech Private Limited, Sagar Systech Limited
- (ii) Key Managerial Personnel: Mukesh Babu, Meena Mukesh

Transactions During the year	Relationship	Rupees
		in Lacs
Opening Balances	Associates	244.00
Loans & Advances further given during the year	Associates	1.50
Amounts received back as loans and Advances	Associates	23.00
Remuneration & Sitting Fees	Key Managerial Personnel	24.35
Closing Balances	Associates	222.50

13. Fixed Assets of company are treated as “Corporate Assets” and are not “Cash Generating Units” as defined by AS-28 issued by Institute of Chartered Accountants of India (ICAI), In view of this, the Management is of Opinion that this Standard is not applicable to the Company.
14. Disclosure of details as required by Para 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998.

(Rs. in lakhs)

Particulars			
Liabilities side :			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid: (a) Only interest part on Inter-corporate loans.	Amount out-standing --	Amount overdue --
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NIL	NIL
Assets side :		Amount outstanding	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] : (a) Secured (b) Unsecured	NIL 846.05	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments : <u>Current Investments :</u> <u>Long Term investments :</u> 1. <u>Quoted :</u> (i) Share : (a) Equity (b) Preference (ii) Units of mutual funds 2. <u>Unquoted :</u> (i) Shares : (a) Equity (b) Preference	NIL 4.50 NIL NIL 368.60 NIL	
(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :	NIL	
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	258.10	258.10
	(c) Other related parties		
	2. Other than related parties	136.50	115.00
	<i>Total</i>	394.60	373.10

(8) Other information

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

15. No interest has been charged on loans and advances given to some associate companies and for projects in view of commercial considerations of the group.
16. The Subsidiary Company do not have broking income as it has not re-commenced its business.
17. There were no Foreign Exchange Transactions during the year.
18. No provision for gratuity and leave encashment to the employee has been made in the accounts. Gratuity payable will be accounted as and when payments are made and as such the liability for the year has not been ascertained. and hence the disclosure required under AS-15 are not applicable.
19. Other information pursuant to paragraph 3, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not applicable.

Signature to the Schedules “1” to “9”

FOR AND ON BEHALF OF THE BOARD

Sd/-

**(Dipali Shah)
Company Secretary**

Sd/-

**(Mukesh Babu)
Managing Director**

Sd/-

**(K. Chandrasekhar)
Director**

**Place: Mumbai.
Date: 31.07.2009.**

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31.03.2009

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		11,748,701		37,052,554
Adjustments for :				
Depreciation & Misc. Exp. Written off	1,129,431		1,245,261	
Bad Debts written off	-		-	
Interest / Dividend Received	(16,481,420)		(27,702,543)	
Interest Paid	3,007,950		433,735	
Excess Provision for Taxation	-	(12,344,039)		(26,023,547)
Operating Profit Before Working Capital Changes		(595,338)		11,029,007
Changes in Working Capital:				
Inventories	19,716,490		(21,793,096)	
Sundry Debtors	6,699		22,062	
Loans and Advances	(93,150,673)		(7,159,861)	
Other Current Assets	14,726,722		(3,140,426)	
Sundry Creditors	(5,011,261)		6,005,601	
Other Liabilities	40,313	(63,671,710)	49,927	(26,015,793)
Cash Generated from Operations		(64,267,048)		(14,986,786)
Interest Paid		(3,007,950)		(433,735)
Direct Taxes Paid		(890,996)		(7,575,836)
Cash Flow Before Extraordinary Items		(68,165,994)		(22,996,357)
Extraordinary Items		1,380		(133,878)
NET CASH FROM OPERATING ACTIVITIES		(68,164,614)		(23,130,235)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(2,856,750)		(110,823)	
Sale of Fixed Assets	361,759		-	
Purchase of Investments	(5,000,000)		(59,949)	
Dividend and Interest	16,481,420		27,702,543	
Sale of Investments	-	8,986,429	8,216,162	35,747,933
NET CASH USED IN INVESTING ACTIVITIES		8,986,429		35,747,933
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	52,916,400		-	
Repayment of Loan	-		(8,100,878)	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-	52,916,400	-	(8,100,878)
NET CASH USED IN FINANCING ACTIVITIES		52,916,400		(8,100,878)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(6,261,785)		4,516,820
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		18,808,832		14,292,012
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		12,547,047		18,808,832

FOR SHAH SHAH & SHAH
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

Sd/-

(Mehul C. Shah)
Partner
Membership No.49361

Sd/-

(DIPALI SHAH)
Company Secretary

Sd/-

(MUKESH BABU)
Managing Director

Sd/-

(K. CHANDRASEKHAR)
Director

Place : Mumbai
Date : 31.07.2009

Place : Mumbai
Date : 31.07.2009

Book Post

If undelivered please return to

Mukesh Babu Financial Services Limited
111, Maker Chambers III
223, Nariman Point,
Mumbai - 400 021.