

**26TH ANNUAL REPORT
2010-2011**



**RAJATH
FINANCE LIMITED**

Regd. Office
208-215, "Star Plaza"
Phulchhab Chowk
Rajkot -360 001.

Phone :0281-2447800 Fax: 0281-2454271

RAJATH FINANCE LIMITED

BOARD OF DIRECTORS

Shri Hitesh M. Bagdai
Shri Bhvdeep V. Vala
CA Manish S. Mehta
Dr. K.K.Khakhhar
Shri Ketan G. Dhuiesia

STATUTORY AUDITORS

M/s. SADP & Co.
Chartered Accountants,
Rajkot

SECRETARIAL AUDITORS

M/s. MJP Associates
Practising Company Secretaries
Rajkot

BANKERS

Indusind Bank Ltd. Rajkot
Corporation Bank, Main Branch, Rajkot

RAGISTRARS & SHARE TRANSFER AGENTS

M/s. Link Intime India Pvt. Ltd,
Ahmedabad

REGISTERED OFFICE

208-215, "Star Plaza"
Phulchhab Chowk
Rajkot -360 001.
(Gujarat)

RAJATH FINANCE LIMITED

NOTICE

Notice is hereby given that the Twenty sixth Annual General Meeting of the Members of the Company will be held on Thursday, 29th September, 2011 at 11:00 a.m. at the Registered Office of the Company situated at 208-215, Star Plaza, Phulchhab Chowk, Rajkot-360 001, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt Audited Balance Sheet as on 31st March 2011 and Profit & Loss Account for the year ended on that day along with the Directors' and Auditors Report thereon.
2. To appoint Director in place of Mr. Manish Mehta who is liable to retire by rotation and being eligible, offers himself for reappointment.
3. To appoint Director in place of Mr. Ketan Dhulesia who is liable to retire by rotation and being eligible, offers himself for reappointment.
4. To reappoint, the retiring auditors M/s. SADP & Co., Chartered Accounts, as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Date: 30th May, 2011
Place: Rajkot

By order of the Board of Directors
For, RAJATH FINANCE LIMITED

(HITESH BAGDAJ)
Director

NOTES:-

1. All the members entitled to attend and vote at Meeting are entitled to appoint a proxy to attend and vote at the Meeting on his/her behalf and the proxy need not be a member of the Company. The proxy to be valid must reach at the Registered Office at least 48 hours before the Meeting.
2. The share transfer books will remain closed from 21st September, 2011 to 28th September, 2011 (both days inclusive).
3. Members are requested to address all their correspondence at the Registered office of the Company.
4. To attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting. A member entitled to attend and vote at the Extra Ordinary General Meeting (the Meeting) is entitled to appoint a proxy
5. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
6. Members are requested to bring their Attendance Slip
7. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

Details of Directors seeking appointment/reappointment at the Annual General Meeting

Director's Name	CA Manish Mehta
Date of Birth	13/09/1958
Date of Appointment as Director in Company	10/01/2008
Qualification	B.Sc. FCA
Experience in specific functional area	Practising as Chartered Accountant for more than 25 years.
Directorship held in other public limited Indian Companies (excluding Directorship in Rajath Finance Limited)	Nil
Membership/Chairmanship of Committees public limited Indian Companies (excluding Membership/Chairmanship of Committees in Rajath Finance Limited)	Nil

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Director's Name	MR. KETAN G. DHULESIA
Date of Birth	13/02/1973
Date of Appointment as Director in Company	31/03/2009
Qualification	Under Graduate
Experience in specific functional area	Nil
Directorship held in other public limited Indian Companies (Excluding Directorship in Rajath Finance Limited)	M/s. Primerose Mercantile Pvt. Ltd.
Membership/Chairmanship of Committees public limited Indian Companies (excluding Membership/ Chairmanship of Committees in Rajath Finance Limited)	Nil

Date: 30th May,2011
Place: Rajkot

By order of the Board of Directors
For, RAJATH FINANCE LIMITED

(HITESH BAGDAI)
Director

RAJATH FINANCE LIMITED

REPORT OF BOARD OF DIRECTORS

Your Directors are pleased to present their Twenty Sixth Annual Report for the year ended on 31st March, 2011.

Financial Results

Your Company's performance for the year ended on 31st March 2011 is summarized as under:

Particulars	(Rupees in lacs)	
	For the year ended on 31st March, 2011	For the year ended on 31st March, 2010
Total Income	2,09,97,832	37,23,519
Total Expenditure	1,60,78,537	10,63,774
Profit (Loss) non-cash/non-operating charges	49,19,295	26,59,745
Profit before tax	44,39,591	24,30,405
Provision for current tax	14,45,210	5,29,450
Deferred Taxation	(23,293)	(21,910)
Profit (loss) after taxation	30,17,674	19,22,865
Surplus/(Deficit) from previous years	(36,72,639)	(52,10,931)
Balance transferred to Balance- sheet	(6,76,810)	(32,88,066)

Performance Highlights

During the year under Report, your Company has geared up its operations, and has earned total income of Rs. 2,09,97,832/- as compared to Rs. 37,23,519/- in the previous year. Further, profit after taxation is arrived at Rs. 30,17,674/- as compared to net profit of Rs. 19,22,865/- in the previous year. Further, the accumulated losses are substantially decreased from Rs. 32,88,066/- of previous year to Rs. 6,76,810/- in the current fiscal.

The Company is striving to bring the business in the profits and in the coming years it is envisaged that the performance of the Company will be very good.

PREFERENTIAL ALLOTMENT

Pursuant to approval of Members in the last Annual General Meeting held on 25th August, 2010, the Board of Directors have allotted 4,00,000 fully convertible warrants at price of Rs. 300/- per warrant to M/s N K Chem Plast Pvt. Ltd., Mumbai. The allotment was made on 18th October, 2010.

BUSINESS DEVELOPMENT STRATEGY

During this year also, the Company has witnessed opportunities lying into the business of the micro finance and the Company has taken necessary steps to expand the business activities of the Company into micro finance activities.

SUBSIDIARY

Members are aware that M/s Hitraj Developers Pvt. Ltd. became subsidiary of the Company w.e.f. October, 2010. In accordance with the general circular issued by the Ministry of Corporate Affairs,

Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company

Board's Responsibility Statement

In pursuance of Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- That in the preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same,
- That They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the accounting year and of the profit and loss account for that year;
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- That they have prepared the annual accounts on a going concern basis.

Personnel

Your Company has now recommenced its activities, and is looking to build personnel strength in the organization. Your Company considers human resources as the primary drivers for the growth and development of the Company. During the period under review, your Company has continued its efforts for strengthening the relationships with personnel. Your Company has made the workplace-environment free from any physical, psychological, verbal harassment. All employees of the Company are treated with highest dignity and respect.

Your Board sincerely thanks all the employees who have put in their hard work and helped the Company in this tough periods.

Particulars of Employees

The Company has no employee drawing remuneration exceeding limits as specified in the Companies (Particulars of Employees) Rules, 1975, as amended till date, and hence, particulars as mentioned in Section 217(2A) of the Companies Act, 1956, as amended, are not required to be given.

Directors

Shri Manish Mehta, and Shri Ketan Dhulesia, Directors of the Company, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. A brief Resume of Directors is attached with Notice of the AGM.

Corporate Governance

Your Company has adopted Corporate Governance Practices. The Company believes that the Corporate Governance is all about effective management of relationship among constituents of the system, i.e. shareholders, management, employees, customers, vendors, regulatory and the society at large. The Company has strong belief that this relationship can only be built and strengthen through corporate fairness, transparency, and accountability. A detailed report on Corporate Governance is attached to this Report. The Securities and Exchange Board of India

(SEBI) has made efforts to strengthen the Clause 49 of the Listing Agreement. Accordingly, a separate Report on Corporate Governance as well as the Certificate from M/s. SADP & Co, Chartered Accountants, and the statutory Auditors of the Company are annexed to this Report of Board.

Auditors

M/s SADP & Co. Chartered Accountants, and retiring statutory auditors of the Company, being eligible offer themselves for reappointment. Members are requested to appoint them as auditors of the Company to hold office from the conclusion of ensuing General Meeting until the conclusion of the next Annual General Meeting of the Company, and to authorize the Board to fix the remuneration of auditors.

Secretarial Audit

As directed by the Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by M/s. MJP Associates, Practising Company Secretaries, Rajkot.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC SCENARIO

The financial year 2010-11, saw credit growth restored across the World. India saw the return of over 8 per cent growth in Gross Domestic Product (GDP). The Indian economy continued to remain resilient owing to proactive actions on the part of the country's policymakers. GDP Growth The GDP growth in the first half of the financial year 2010-11 was a robust 8.9 per cent year on year and moderated to 8.2 per cent in the third quarter due to lower industrial growth. According to the advance estimates of the Central Statistical Organization (CSO), India's GDP is expected to clock a growth of 8.5 per cent in the financial year 2010-11, thanks to contributions from all the three sectors viz., Agriculture, Industries and Services. Industrial Production For the fiscal year 2010-11, the index of Industrial Production (IIP) grew at 7.8 per cent compared to 10.5 per cent in the financial year 2009-10. The new IIP series launched in June 2011, with 2004-05 as the base year, is expected to address the shortcomings of the old series, and help economists get a more accurate picture of industrial growth in the years to come.

SEGMENTS

The Company does not have any segments, and hence, comments are not required.

PERFORMANCE

During the year under Report, your Company has geared up its operations, and has earned total income of Rs. 2,09,97,832/- as compared to Rs. 37,23,519/- in the previous year. Further, profit after taxation is arrived at Rs. 30,17,674/- as compared to net profit of Rs. 19,22,865/- in the previous year. Further, the accumulated losses are substantially decreased from Rs. 32,88,066/- of previous year to Rs. 6,76,810/- in the current fiscal.

RAJATH FINANCE LIMITED

INTERNAL AUDIT SYSTEM

The Company has implemented proper and adequate systems of internal control to ensure that all assets are safeguarded and protected against loss from any unauthorised use or disposition and all transactions are authorised, recorded and reported correctly. The System ensures appropriate information flow to facilitate effective monitoring. The internal audit system also ensures formation and implementation of corporate policies for financial reporting, accounting, and information security.

OUTLOOK FOR 2011-2012

The economy is predicted to continue the strong performance seen in 2010-2011 and the business outlook for Rajath is robust. In 2011-12, the company's approach would be to continue to grow by focusing on returns while balancing risk. It will launch new product lines, such as construction equipment finance and retail loans against securities; further strengthen risk management practices; maintain investments in technology and human resources to consolidate its position in the Industry.

CAUTIONARY STATEMENTS

All statements made in Management and Discussion Analysis have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Management envisages in terms of performance and outlook. Market data, industry information etc. contained in this

Report have been based on information gathered from various published and unpublished reports and their accuracy, reliability, and completeness cannot be assured.

Factors such as economic conditions affecting demand/supply and priced conditions in domestic & international markets in which the Company operates, and changes in Government regulations, tax laws, other statutes and other incidental factors, may affect the final results and performance of the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

As the Company is engaged in service sector, and since few years activities have been closed down, details of consumption of energy are not required to be given. However the Company has made enough efforts for minimizing the electricity expenses at its office, and thereby putting efforts for conservation of energy. The Company has not taken any significant steps for adoption of new technology during the year under Report.

Acknowledgement

Your directors put on record their whole hearted gratitude to bankers, employees of the Company for their sincere efforts for the Company.

Date: 30th May,2011
Place: Rajkot

By order of the Board of Directors
For, **RAJATH FINANCE LIMITED,**

(HITESH BAGDAJ) (BHAVDIP VALA)
Director Director

ANNEXURE 'C' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE

Your directors present the Company's Report on Corporate Governance.

1. Company's Philosophy on Corporate Governance:

The Company believes in setting the highest standard of good and ethical corporate governance practices to enhance the long-term shareholder value and protect the interest of shareholders, customers and others.

The main objectives of Corporate Governance are:

1. Maximizing long-term shareholder value in a legal and ethical manner.
2. Ensuring fairness, courtesy and dignity in all transactions within and outside the Bank with customers, investors, employees, competitors, government and the general public.
3. Open, transparent and merit-based management.

The Company is committed to following high standards of transparency, accountability and propriety. The Company has formed various committees of the Board of Directors to monitor the various aspects of the business.

2. Board of Directors:

Composition of the Board:-

The Company's Board of Directors comprises of Five Directors. Out of them, three directors, Mr. Manish Mehta and Dr. Kantilal Khakhar, & Mr. Ketan Dhulesia are Non-executive & independent directors of the Company. Mr. Hitesh Bagdai and Mr. Bhavdeep Vala are Non-Independent & Promoter-Directors.

Meetings:

Your Company is regularly convening and holding the Board Meetings and all business transacted therein have been duly recorded in the Minutes book maintained for the purpose.

3. Remuneration to Directors:

Looking into the performance of the Company, the Company has not paid any remuneration, including sitting fees to any of its Directors. The Company does not have any Employee Stock Option Scheme at present.

4. Details of Directorship/Committee Membership or Chairmanship:

Name of Director	Designation	Number of Shares held in Company (as on 31 st March, 2011)	Directorship in all Public Limited Companies #	Membership in Committee in all public limited Companies #	Chairmanship of Committee in all Public limited Companies #
Shri Hitesh Bagdai	Director	996853	1	2	Nil
Shri Bhavdeep Vala	Director	996851	1	Nil	Nil
Shri Manish Mehta	Independent Director	Nil	1	2	2
Dr. Kantilal Khakhar	Independent Director	Nil	1	2	Nil
Shri Ketan Dhulesia**	Independent Director	Nil	1	2	Nil

includes Directorship/Membership or Chairmanship of Committee in Rajath Finance Ltd but excludes Directorship in or Membership or Chairmanship of any Committee in any Private Limited Companies/Foreign Companies.

Information placed before the Board of Directors:

The Company circulates alongwith Notice of the Board Meeting, a detailed Agenda which, interalia, contain following items, as and when applicable:

- a) Review of annual business plans of the business, capital budgets, and updates,
- b) Quarterly (including periodic) results of the Company,
- c) Materially important show cause, demand, prosecution and penalty notices, if any.
- d) Fatal or serious accidents or dangerous occurrences,
- e) Any material significant effluent or pollution problems,
- f) Any issue which involves possible public or product liability claims of a substantial nature.
- g) Significant development in the human resources and industrial relations fronts,
- h) Status of compliance with all regulatory, statutory and material contractual requirements.

RAJATH FINANCE LIMITED

The Board of Rajath Finance Limited is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board Meetings.

1. Materially significant related party transactions:

There have been no materially significant related party transaction, pecuniary transaction or relationships between Rajath Finance Limited and its directors for the year ended on 31st March, 2011 that may have a potential conflict with the interests of the Company at large.

Please refer Schedule 11 – Notes to the Accounts

2. Composition of Various Committees:

3.

AUDIT COMMITTEE :

a) Composition

The Company has set up Audit committee of three Directors – Shri Ketan Dhulesia, CA Manish Mehta and Dr. K K Khakhar. CA Manish Mehta being professionally qualified as a Chartered Accountant, acted as the Chairman of the Audit.

b) Terms of Reference:

The Terms of reference as stipulated by the Board to the Audit Committee are, as contained in the Clause 49 of the Listing Agreement are as follows:

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information,
- 2) Review of Company's financial and risk management policies,
- 3) Review of accounting and financial policies and practices,
- 4) Review of internal control and internal audit systems,
- 5) Discussion with Internal Auditor and Statutory Auditors on any significant findings and follow-up thereon.
- 6) Reviewing the Company's financial statements and risk management policies.

Shareholders' Grievance Committee

a) Terms of Reference:-

The Committee has been given responsibility to look after complaints, if any, of investors to redress the same expeditiously. The Committee also approves requests for issue of duplicate share certificates, splitting/consolidation of share certificates, transfer and transmission of shares etc.

b) Composition:-

The Committee comprises of CA Manish Mehta, Dr. K K Khakhar, and Shri Ketan Dhulesia. CA Manish Mehta is the Chairman of the Committee.

c) The Committee has resolved almost all complaints received during the year.

Remuneration Committee

The Company is not making any payment to any of Directors, and hence, has not formed the Remuneration Committee.

Communication to shareholders

The quarterly results of the Company are published in any two of leading newspapers of Gujarati and English language.

General Body Meeting

Details of the last three annual general meetings are given below:

Financial Year	Date	Time	Venue	Special Resolution passed
2009-2010	25 th Day of August, 2010	11:00 am	208-215 Star Plaza, Phulchhab Chowk, Rajkot-1	1. Approval of Members u/s 81(1A) of the Companies Act, 1956 for making Preferential allotment of convertible warrants 2. Alteration of Clause V of the Memorandum of Association of the Company consequent to increase in authorised share capital of the Company
2008-2009	26 th Day of September, 2009	11:00 am	208-215 Star Plaza, Phulchhab Chowk, Rajkot-1	No special Resolution was passed
2007-2008	27 th Day of September, 2008	11:00 am	208-215 Star Plaza, Phulchhab Chowk, Rajkot-1	No special Resolution was passed

4. Shareholder information

Registered Office

Rajath Finance Limited, 208-215, Star Plaza, Phulchhab Chowk, Rajkot-360 001

Annual General Meeting

The 26th Annual General Meeting (AGM) of the Company will be held on Thursday, 29th September, 2011 at 11:00 A.M. at registered office of the Company, 208-215 Star Plaza, Phulchhab Chowk, Rajkot-360 001

Financial calendar

- | | |
|--|---------------------------------------|
| 1. Annual General Meeting | : 29 th September, 2011 |
| 2. Results for Quarter ending 30 th June, 2011 | : First/second week of August, 2011 |
| 3. Results for Quarter ending 30 th September, 2011 | : First/second week of November, 2011 |
| 4. Results for Quarter ending 31 st December, 2010 | : First/second week of February, 2012 |
| 5. Results for year 31 st March, 2012 | : Last week of May, 2012 |

Dates of book Closure

The Company's transfer books will be closed from 21st September, 2011 to 28th September, 2011 (both days inclusive) for purpose of Annual General.

Stock Exchange Listing

The Company's shares are presently listed on the Bombay Stock Exchange Ltd, Mumbai. The Company has already passed Resolution for delisting of its Securities from the Ahmedabad Stock Exchange Ltd., Ahmedabad, and Saurashtra Kutch Stock Exchange Ltd, Rajkot, and the approval is awaited from the Stock Exchanges.

Stock code

	Code
Bombay Stock Exchange Ltd.	507962
ISIN	INE455H01013

Registrar and Transfer Agents

Company has appointed Registrar and Transfer Agent, the name and address is as follow:

Link Intime India Pvt. Ltd
211, Sudarshan Complex,
Nr. Mithakhali Under Bridge,
Ellisbridge,
Ahmedabad-380 009
Phone/Fax- 079-26465179

Share Transfer System

The processing activities with respect to requests received for share transfer are normally completed within 15 working days from the date of request.

Distribution Schedule as on 31st March, 2011:

SHARE OR DEBENTURE	NUMBER OF HOLDERS	% OF HOLDERS	TOTAL SHARES	% OF SHARES/ DEBENTURES
01 to 500	703	93.3600	106621	2.6660
501 to 1000	19	2.5230	16500	0.4130
1001 to 2000	4	0.5310	5800	0.1450
2001 to 3000	2	0.2660	4401	0.1100
3001 to 4000	1	0.1330	4000	0.1000
4001 to 5000	1	0.1330	5000	0.1250
5001 to 10000	4	0.5310	40000	1.0000
10001 & above	19	2.5230	3817678	95.4420
TOTAL	753	100.00	40,00,000	100.00

RAJATH FINANCE LIMITED

Dematerialization of shares

As on 31st March, 2011 out of total holding of 40,00,000 equity shares , 38,76,503 equity shares representing 96.9126% of the paid up capital of the Company are in dematerialized form and balance 1,23,497 equity shares representing 3.0874% are in physical form.

Shareholders seeking any information/solution of any problem of query related to shares, share transfer, dematerialisation of shares etc. may kindly contact the Registrar and Transfer Agent of the Company.

ADDRESS FOR CORRESPONDENCE:

Company's Registered Office	Share Transfer Agent
Rajath Finance Ltd 208-215, Star Plaza, Phuichhab Chowk, Rajkot-360 001 Phone-0281-2447800	Link Intime India Pvt. Ltd (formerly known as Intime Spectrum Registry Ltd.) 211, Sudarshan Complex, Nr. Mithakhali Under Bridge, Ellisbridge, Ahmedabad-380 009 Phone/Fax- 079-26465179

DECLARATION REGARDING COMPLIANCE WITH CODE OF CONDUCT [Clause 49(I)(d)]

The Company has laid down and adopted "Code of Conduct" for all Board Members and core management team of the Company. The Company believes that such Code of Conduct is necessary for best Corporate Governance practices, and expects that all Board Members and Core management team adhere to this Code of Conduct.

It is hereby affirmed that all the Directors and Senior Management personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Date: 30th May,2011
Place: Rajkot

By order of the Board of Directors
For, **RAJATH FINANCE LIMITED,**

(HITESH BAGDAI) (BHAVDEEP VALA)
Director Director

**MANAGING DIRECTOR/JOINT MANAGING DIRECTOR CERTIFICATION FOR
FINANCIAL STATEMENTS
(CLAUSE 49V OF LISTING AGREEMENT)**

We have reviewed financial statements and cash flow statements for the financial year 2010-2011 ended on 31st March, 2011, and to the best of our knowledge and belief:

- (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (b) These statements together present true and fair view of the Company's affairs and in compliance with existing accounting standards, applicable laws and regulations;
- (c) No transactions entered into by the Company during the aforesaid year, which are fraudulent, illegal or in violation of the Company's code of conduct.

Further, we accept that it is our responsibility to establish and maintain internal controls. We have evaluated the effectiveness of internal control system of the Company and have disclosed to the auditors and the Audit Committee, wherever applicable:

- (a) deficiencies in the design or operation of internal controls, if any, which came to our notice and steps have been taken/proposed to be taken to rectify these deficiencies.
- (b) Significant changes in the internal control during the year.
- (c) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.
- (d) Instances of significant fraud of which we became aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Date: 30th May,2011
Place: Rajkot

By order of the Board of Directors
For, **RAJATH FINANCE LIMITED,**

(HITESH BAGDAI) (BHAVDEEP VALA)
Director Director

RAJATH FINANCE LIMITED

Auditors' Certificate on Corporate Governance

To the members of Rajath Finance Limited, Rajkot.

We have examined the compliance of corporate governance by RAJATH FINANCE LIMITED, for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the other conditions of Corporate Governance as stipulated in the abovementioned listing Agreement. As per the records maintained by the Company no investor grievance is pending for a period exceeding one month.

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

For and on behalf of
SADP & Co,
Chartered Accountants

(P.G. Bhuptani)
Partner
M.No.: 122330
Place: Rajkot

Date: 30th May,2011

AUDITORS' REPORT TO THE MEMBERS OF RAJATH FINANCE LIMITED

- 1 We have audited the attached Balance Sheet of **Rajath Finance Limited** as at **31st March 2011** and the Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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.
- 3 As required by the Companies (Auditors' Report), 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of such books.
 - c. The Balance Sheet referred to in this report is in agreement with the books of account.
 - d. In our opinion, this financial statement have been prepared in compliance with the applicable accounting standards referred to in section 211(3C) of the Companies Act, 1956.
 - e. Based on the representations made by all the Directors of the company as on March 31, 2011 and taken on record by the Directors of the company and in accordance with the information and explanations as made available the Directors of the company do not prima facie have any disqualification as referred to in clause (g) of subsection (1) to section 274 of the Act.
 - f. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance-Sheet and Profit & Loss Account read together with the notes thereon give the information required and give a true and fair view:
 - i. In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2011; and
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - iii. In case of cash flow statement of cash flows for the year ended on that date.

For **SADP & Co.**
Chartered Accountants

Place: - Rajkot
Date: - 30th May,2011

P G Bhuptani
Partner
Membership No. 122330

RAJATH FINANCE LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT ON THE ACCOUNTS OF M/s Rajath Finance Limited FOR THE YEAR ENDING 31st March 2011

As required by the Companies (Auditor's report) Order, 2003 issued by the central Government of India in terms of section 227(4-A) of the Companies Act, 1956, we report that:

- 1 In respect of fixed assets:
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.]
 - b) As explained to us, all the fixed assets have been physically verified by the management during the year at reasonable intervals, which in our opinion, is reasonable having regard to the size of the company and the nature of assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion the Company has not disposed off any substantial/major part of fixed assets during the year and the going concern status of the company is not affected.
- 2 Since the company does not have any inventory, the requirement of reporting on physical verification of inventory and maintenance of inventory records, in our opinion, does not arise.
- 3 In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956:
 - a) The company has granted Loans to four parties. At the year end the outstanding balance of such loans granted was Rs.1,00,00,000/- and the maximum amount involved during the year was Rs. 1,05,00,000/-
 - b) In our opinion and according to the information and explanations given to us, the rate of interest, wherever applicable and other the terms and conditions are prima-facie prejudicial to the interest of the company since there is no stipulation regarding repayment of Principle and interest.
 - c) In respect of loans granted by the company, the interest and the principal amount is repayable on demand.
 - d) Since the loans granted by the company are repayable on demand, no question of overdue amounts arises.
 - e) The company has not taken any new loans during the year.
 - f) Since the company has not taken any new loans during the year hence Not Applicable.
 - g) Since the company has not taken any loans during the year hence Not Applicable
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and with regard for the sale of goods and services. During the course of audit, no major weakness has been noticed in the internal control.
- 5 In our opinion and according to the information and explanation given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- 6 In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore, the provisions of Section 58A and 58AA of the Companies Act, 1956 and Rules made there under are not applicable to the Company.
- 7 In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- 8 As explained to us, the provisions section 209(1) (d) are not applicable to the company as the company is not in production, processing, manufacturing or mining activities.
- 9 In respect of statutory dues:
 - a) According to the information and explanations given to us, the company was generally regular in depositing dues in respect of Employees Provident Fund, Employees State Insurance Fund, Income Tax, and other statutory dues with the appropriate authority during the year.
 - b) According to the records examined by us and the information and explanations given to us, there are no disputed amounts due in respect of income tax, wealth tax, sales tax, excise duty, Employees provident fund, Employee state insurance fund and other statutory dues at the end of the year.

- 10 The Company does not have accumulated losses more than fifty percent of its net worth as at the end of the year and the company has not incurred cash losses during current year or in the year immediately preceding the previous year.
- 11 Since no fund is raised/ outstanding to banks, financial institution and debenture holders, hence Not Applicable.
- 12 In our opinion and according to information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other security.
- 13 In our opinion the company is not a Chit Fund, Nidhi or Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(XIII) of the CARO,2003 are not applicable to the company.
- 14 The company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments and timely entries have been made there in. All shares, debentures and other investments have been held by the company in its own name.
- 15 According to the records of the company and information and explanations given to us, the company has not given guarantees for loans taken by others from banks and financial institutions.
- 16 In our opinion and according to information and explanation given to us, the Company has not availed of any term loans during the year. There were no term loans outstanding as at the beginning and as at end of the year.
- 17 According to the information and explanations given to us and on examination of balance sheet, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa.
- 18 The company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956, during the year.

- 19 The company has not issued any debentures during the year, hence question of creation of securities does not arise.
- 20 The Company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- 21 In our opinion and according to the information and explanations given to us no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For **SADP &Co.**
Chartered Accountants

(P.G. Bhuptani)
Partner
Membership No. 122330
Firm Reg. No. 112625w

Place : Rajkot
Date : 30th May,2011

RAJATH FINANCE LIMITED

BALANCE SHEET AS ON 31st MARCH, 2011

PARTICULARS		SCH. NO.	AMOUNT Rs. 31.03.11	AMOUNT Rs. 31.03.10
A SOURCE OF FUND:				
I	SHARE HOLDERS' FUND:			
	(a) Share Capital	1	40,000,000	40,000,000
	(b) Convertible equity share warrants issued & Subscribed (see note 5)		30,000,000	-
	(C) Reserves & Surplus	2	7,570,913	6,971,747
II	DEFERRED TAX LIABILITY		719,023	742,316
	TOTAL...		78,289,936	47,714,063
B APPLICATION OF FUND:				
I	FIXED ASSETS	3	6,762,907	6,759,407
	Less: Accumulated Depreciation		(3,190,788)	(2,974,359)
	NET BLOCK		3,572,119	3,785,048
II	INVESTMENTS	4	408,263	310,763
III	CURRENT ASSETS, LOANS & ADVANCES	5	74,229,214	40,220,445
IV	LESS: CURRENT LIABILITIES & PROVISIONS	6	1,635,996	274,832
	NET CURRENT ASSET...		72,593,218	39,945,613
V	MISCELLANEOUS EXPENDITURES (TO THE EXTENT NOT WRITTEN OFF)	7	440,360	-
VI	PROFIT & LOSS ACCOUNT		1,275,976	3,672,639
	TOTAL...		78,289,936	47,714,063
	NOTES ON ACCOUNTS	12		

AS PER OUR REPORT OF
EVEN DATE ATTACHED

For S A D P & Co.
Firm Reg No. 112625W
Chartered Accountants

P. G. Bhuptani
(Partner)
M.No.: 122330

Place: Rajkot
Date : 30/05/2011

FOR RAJATH FINANCE LIMITED

DIRECTORS

DIRECTORS

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2011

PARTICULARS	SCH. NO.	AMOUNT Rs. 2011	AMOUNT Rs. 2010
A INCOME			
1 Share Sale & Income From Operations	8	20,747,223	3,723,519
2 Closing Stock		209,430	-
4 Other income	9	41,179	-
Total...		20,997,832	3,723,519
B EXPENDITURE			
1 Shre Purchase & Direct Expenses		15,397,528	-
2 Operating expenditure	10	681,009	1,063,774
		16,078,537	1,063,774
Profit/(Loss) before Non-cash/ Non-operating charges		4,919,295	2,659,745
Less: Non-cash/ Non-operating charges	11	479,704	229,340
Profit/ (Loss) before tax		4,439,591	2,430,405
Less: Provision for Current Tax		1,445,210	529,450
Provision for Deffered Tax		(23,293)	(21,910)
Profit/ (Loss) after tax		3,017,674	1,922,865
Less: Taxation adjustment of previous year		21,845	-
		2,995,829	1,922,865
Add: Surplus/ (Deficit) of the previous year		(3,672,639)	(5,210,931)
Profit/(Loss) Before Appropriations		(676,810)	(3,288,066)
C APPROPRIATIONS			
1 General Reserves		-	-
2 Speical reserves u/s. 45 IC of the RBI Act, 1934		599,166	384,573
3 Proposed dividend		-	-
4 Dividend tax		-	-
5 Deficit carried forward		(676,810)	(3,288,066)
Balance carried to Balance Sheet		(1,275,976)	(3,672,639)
Basic Earning per Share		0.75	0.48
Diluted Earning Per Share		0.71	0.48

NOTES ON ACCOUNTS

12

AS PER OUR REPORT OF
EVEN DATE ATTACHED

For S A D P & Co.
Firm Reg No. 112625W
Chartered Accountants

FOR RAJATH FINANCE LIMITED

P. G. Bhuptani
(Partner)
M.No.: 122330

DIRECTORS

Place: Rajkot
Date: 30/05/2011

DIRECTORS

RAJATH FINANCE LIMITED

SCHEDULES FORMING THE PART OF BALANCE SHEET & PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011

PARTICULARS		AMOUNT Rs.	
		2011	2010
SCHEDULE-1 SHARE CAPITAL:			
A	AUTHORISED SHARE CAPITAL:		
	7500000 Equity share each of Rs. 10/-	75,000,000	
	5000000 Equity share each of Rs. 10/-		50,000,000
		<u>75,000,000</u>	<u>50,000,000</u>
B	ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL:		
	4000000 Equity share each of Rs. 10/-	40,000,000	40,000,000
	Total...	40,000,000	40,000,000
SCHEDULE-2 RESERVES & SURPLUS:			
	1 Capital Reserve		56,500
	2 General Reserve		2,730,931
	3 Special Reserve		
	Opening Balance	2010-11 4,184,316	2009-10 3,799,743
	Add. Addition during the year	599,166	384,573
	Closing Balance		4,783,482
	Total...		6,971,747
SCHEDULE-4 INVESTMENTS (At Cost)			
		Nos.	Nos.
		31.03.11	31.03.11
A	Investments (Quoted)		
	UTI Master Gain	23300	23300
			309,263
			309,263
	<i>Average Market Value of Quoted Investment as on 31.03.2011 was Rs. 12.94 Lacs and Previous year was Rs. 11.27 lacs</i>		
B	Investments (Unquoted)		
	Kesoram Textiles Ltd.	6000	6000
			1,500
			1,500
C	Investments in subsidiary Company (Unquoted)		
	Hitraj Devlopers Pvt. Ltd. (Share)	9750	-
			97,500
			-
	Total...		408,263
			310,763

SCHEDULE-3**FIXED ASSETS**

Sl.	ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		Balance as on 01.04.10	Addition during the year	Deduction during the year	Balance as on 31.03.11	Balance as on 01.04.10	Addition during the year	Written back during the year	Balance as on 31.03.11	Balance as on 31.03.10	Balance as on 31.03.11
1	Premises	3,698,563	-	-	3,698,563	668,062	60,286	-	728,348	3,030,501	2,970,215
2	Furniture & fixture	2,173,163	-	-	2,173,163	1,529,782	136,585	-	1,666,367	643,381	506,796
3	Office equipments	171,444	-	-	171,444	104,475	8,143	-	112,618	66,969	58,826
4	Air conditioners	39,131	-	-	39,131	15,180	1,859	-	17,039	23,951	22,092
5	Computers	677,106	3,500	-	680,606	656,860	9,556	-	666,416	20,246	14,190
	Total...	6,759,407	3,500	-	6,762,907	2,974,359	216,429	-	3,190,788	3,785,048	3,572,119
	Previous Year	6,791,507	4,000	36,100	6,759,407	2,774,718	216,173	16,533	2,974,359	4,016,780	3,785,048

RAJATH FINANCE LIMITED

SCHEDULE-5 CURRENT ASSETS, LOANS & ADVANCES:

A Cash & Bank Balance				
1	Cash on hand		9,680	52,960
2	Balance with Scheduled Banks (Current Account)		863,341	8,266,356
	Sub Total...		873,021	8,319,316
B Closing Stock				
			209,430	-
C Others				
1	Short Term Loans (Unsecured considered good)			
	to other	48,221,000	27,500,000	
	to directors	4,500,000	-	
	to subsidiary Company	5,500,000	-	
			58,221,000	27,500,000
2	Advances receivable in cash or kind or for value to be received		-	19,828
3	Income Tax		1,677,748	1,713,742
4	Interest Receivable		3,052,946	2,472,490
5	Deposits		195,069	195,069
6	Advance for Property		10,000,000	-
	Sub Total...		73,146,763	31,901,129
Total...			74,229,214	40,220,445

SCHEDULE-6 CURRENT LIABILITIES & PROVISION:

A Current Liabilities				
1	Statutory Liabilities		-	45,343
2	Audit Fees		11,030	11,030
3	Sundry Expenses		1,088	1,048
4	Salary payable		25,483	-
5	Contigent Provision against Standard Assets		153,185	-
6	Sundry Creditors		-	-
7	Income Tax Provision		1,445,210	217,411
Total...			1,635,996	274,832

SCHEDULE-7 MISCELLANEOUS EXPENDITURES:

Miscellaneous Exp.	550,450	-
Less Write off During the year	(110,090)	-
Total...	440,360	-

SCHEDULE-8 SHARE SALES & INCOME FORM OPERATIONS:

1	Share Sales	14,027,923	-
2	Interest Income	5,516,103	3,723,519
3	Brokerage Rebate	86,000	-
4	Derivative Profit/Loss	9,612	-
5	Hedging Profit/Loss	1,106,420	-
6	Dividend	1,164	-
Total...		20,747,223	3,723,519

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SCHEDULE-9 OTHER INCOME:

1 Interest on Income-tax Refund	36,779	-
2 Miscellaneous Income	4,400	-
Total...	41,179	-

SCHEDULE-10 OPERATING EXPENSES:

1 Advertisement	60,293	47,021
2 Annual Custodial Fee	13,236	-
3 Audit fees	11,030	11,030
4 Bank charges	2,601	1,010
5 Bonus Expenses	17,180	16,830
6 Building Maintance Exp.	5,500	-
7 Conveyance & travelling	12,949	8,100
8 Conveyance & travelling to directors	115,685	59,034
9 D-Mat Charges	551	7,170
10 Donation	10,000	10,000
11 Electricity charges	20,603	18,980
12 Entertainment Exp.	1,000	-
13 Interest on TDS Late Payment	61	35
14 Internet Exp.	6,076	-
15 Legal & Professional fees	65,502	547,019
16 Listing fees	19,928	19,303
17 Miscellaneous expenses	6,052	652
18 Office expenses	15,373	15,296
19 Periodicals & news papers	1,004	1,061
20 Postage & telephone & telex	20,900	28,116
21 Printing & Stationery	45,966	43,469
22 Repairs & renewals	8,150	4,300
23 Salaries & Allowances	162,103	162,001
24 Insurance	-	6,070
25 Rates & Taxes	59,266	57,276
Total...	681,009	1,063,774

SCHEDULE-11 NON-CASH/ NON-OPERATING CHARGES WRITTEN OFF:

1 Depreciation	216,429	216,173
2 NPA Provision	153,185	-
3 Misc. Expenses Write Off	110,090	-
4 Loss on Sale of Asset	-	13,167
Total...	479,704	229,340

RAJATH FINANCE LIMITED

SCHEDULE- 12: NOTES TO THE ACCOUNTS

(Forming Part of the Accounts for the Year ended 31st March, 2011)

1 Significant Accounting Policies:

The accounts are prepared in accordance with accounting policies and principles generally accepted in India. The Company follows the accrual method of accounting as per the Companies Act, 1956 and complies with the Reserve Bank of India guidelines for Non Banking Financial Companies. The accounts have been prepared on going concern basis.

(a) **Income:**

Income is recognised on accrual basis. Dividend is accounted for as income when right to receive dividend is established.

(b) **Expenditure:**

The Expenses incurred by the Company are accounted for on accrual basis. Provision has been made for the expenses which can be determined with reasonable certainty.

(c) **Investments:**

All investments are for long term holding and are valued at cost.

(d) **Fixed Assets:**

Fixed Assets are accounted for in the books at cost including incidental charges, if any, less accumulated depreciation.

(e) **Depreciation on Fixed Assets:**

The Company provides depreciation on straight line method at the rates prescribed under Schedule XVI to the Companies Act, 1956 with reference to completed months of installation.

(f) **Taxes On Income:**

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

(ii) Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income & accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(g) **Valuation of inventory**

Closing stock has been valued at cost or market price which ever is lower.

2 Related Party Disclosures:

(a) **List of related Parties and Relationship**

Sr. No.	Parties	Relation
1	Hitraj Developers Pvt. Ltd.	Subsidiary
2	Hitraj Realities Pvt. Ltd.	Associates
3	Hitraj Traders	
4	Balaji Nandan Infracon Developers Pvt. Ltd.	
5	Akash Enterprise	
6	Chaitanya Cineworld Pvt. Ltd.	
7	Bleach Marketing Pvt. Ltd.	
8	Radheshyam Land Developers Pvt. Ltd.	
9	Maruti Nandan Hotel Estate Pvt. Ltd.	
10	Megsal Consultants Pvt. Ltd.	
11	Mehtas International Pvt. Ltd.	
12	Tarun Estate Development Pvt. Ltd.	
13	Primerose Mercantile Pvt. Ltd.	

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Key Management Personnel:		
1	Mr. Hitesh M. Bagdai	Directors
2	Kantilal Kalidas Khakar	
3	Ketanbhai Dhuleshia	
4	Manish Sampat Mehta	
5	Bhavdeep V. Vala	
Relatives		
1	Poonam H Bagdai	Wife of Mr. Hitesh Bagdai
2	Mansukhbhai Bagdai	Father of Mr. Hitesh Bagdai
3	Ashmitaben Bagdai	Mother of Mr. Hitesh Bagdai
4	Ajay Bagdai	Brother of Mr. Hitesh Bagdai
5	Nilimaben Mashru	Sister of Mr. Hitesh Bagdai
6	Jhanvi Bagdai	Daughter of Mr. Hitesh Bagdai
7	Shivani Bagdai	Daughter of Mr. Hitesh Bagdai

(b) Related Parties Transactions

(Rupees in Lacs)			
Sr.No.	Relationship	Nature of transaction	Transaciton Amt Rs.
1	Subsidiary	Investment in shares	0.97
2	Subsidiary	Loan provided	55.00
3	Subsidiary	Interest Income	4.22
4	Director	Loan provided	45.00
5	Director	Interest Income	3.20
	Total		108.39

Amt Rs. In Lac

3 Earning Per Share

Particulars	Mar-11	Mar-10
Net profit after tax	29.96	19.23
Weighted average number of equity shares of Rs.10 each	4,000,000.00	4,000,000.00
Basic EPS	0.75	0.48
Weighted average number of equity shares of Rs.10 each (Diluted)	4,200,000.00	4,000,000.00
Diluted EPS	0.71	0.48

RAJATH FINANCE LIMITED

4 Other Notes:

(a) Audit Fees and Legal Expenses include auditors' remuneration as follows:

(in Rs.)

Sr. No.	Particulars	F.Y. 2010-11	F.Y. 2009-10
1	As Auditors	11,030	11,030
2	As Advisors	-	-
3	In any other capacity	10,977	7,722
	Total	22,007	18,752

(b) Deferred Tax:

(I) Deferred Tax has been provided in accordance with AS-22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India with effect from 1st April 2001.

(II) The break-up of net deferred tax liability as on 31st March, 2010 is as under:

Particulars	31-03-11 Amt.	31-03-10 Amt.
	Rs.	Rs.
WDV as per book	3,572,119	3,785,048
WDV as per IT	1,245,185	1,382,731
Difference in WDV	2,326,934	2,402,317
Applicable Tax Rate	30.90%	30.90%
Deferred Tax Liability	719,023	742,316
Increase/(Decrease) in Deferred Tax Liability	(23,293)	(21,910)

(c)

The Hon'ble Gujarat High Court has admitted appeal of the Income-tax Department against the order of the Income-tax Appellate Tribunal deciding the Interest Tax matter in favour of the company related to A. Y. 1988-89 to 1994-95. In view of ITAT's order in favour of the company no provision for tax liability has been made.

(d) The Company had purchased 23,300 nos. of Master Gain. The same were misappropriated in transit. The Company had filed suit before the Hon'ble Civil Court Rajkot. The same was disposed in favour of the Company and an execution application has also been filed, which is pending for disposal before the Hon'ble Civil Court Rajkot.

(e) The figures have been rounded off to the nearest rupee and figures of previous year have been regrouped or rearranged wherever necessary to make them comparable with current year's figures.

(f) The balance of short term loan and advances receivable in cash or kind are subject to reconciliation and confirmation.

(g) The company has provided adequate provision on standard asset in accordance with the guidelines issued by the Reserve Bank of India

5 Allotment of convertible share warrant

During the year company has issued and allotted 4,00,000 convertible share warrant each of Rs.300 (out of which Rs.75/warrant to be paid on application and balance to be paid before the date of conversion) on preferential basis convertible into 1 equity share of Rs.10 each.

6 Investments:

During the year, the company, acquired 97.50% stake in Hitraj Developers Pvt. Ltd. and hence, it becomes subsidiary company of Rajath Finance Ltd.

As per our Report of even date attached

For S A D P & Co.
Firm Reg No. 112625W
Chartered Accountants

FOR RAJATH FINANCE LIMITED

P. G. Bhuptani
(Partner)
M.No.: 122330

DIRECTORS

Place: Rajkot
Date: 30/05/2011

DIRECTORS

RAJATH FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

Sl.	Particulars	2010-11	2009-10
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit/ (Loss) after tax	2,995,829	1,922,865
	Add:		
	Provision for current tax	1,445,210	529,450
	Provision for Deferred Tax	(23,293)	(21,910)
	Provision of NPA	153,185	-
	Misc. Expenses Written off	110,090	-
	Depreciation	216,429	216,173
	(Profit)/ Loss on sale of assets	-	13,167
	Income from Investments/Interest	-	-
	Operating profit before working capital changes	4,897,450	2,659,745
	(Increase)/ Decrease in Loans and Advances	(30,721,000)	6,377,549
	(Increase)/Decrease in stock	(209,430)	-
	(Increase)/ Decrease in other receivables	(10,524,634)	(322,520)
	Increase/ (Decrease) in current liabilities	(19,820)	(487,747)
	Cash generated from operations	(36,577,434)	8,227,027
	Less: Direct tax paid	(217,411)	-
	Net cash flow from operating activities	(36,794,845)	8,227,027
B.	CASH FLOW FROM INVESTMENT ACTIVITIES:		
	Purchase of fixed assets	(3,500)	(4,000)
	Sale of fixed assets	-	6,400
	Purchase of investments	(97,500)	-
	Sale of investments in RMC Bonds	-	-
	Sale of investments in group companies	-	-
	Investment Income received	-	-
	Net cash flow in Investing Activities	(101,000)	2,400
C.	CASH FLOW FROM FINANCING ACTIVITIES:		
	Increase/ (Decrease) in Bank borrowing	-	-
	Miscellaneous Expenditure paid	(550,450)	-
	issued Convertible share warrants	30,000,000	-
	Increase/ (Decrease) in fixed deposits	-	-
	Dividend paid	-	-
	Dividend tax paid	-	-
	Net cash flow from financing activities	29,449,550	-
	Net increase/ (decrease) in cash and cash equivalents: (A+B+C)	(7,446,295)	8,229,427
	Cash and cash equivalents at the beginning of the year	8,319,316	89,888
	Cash and cash equivalents at the end of the year	873,021	8,319,316

CERTIFICATE

To
The Member of
RAJATH FINANCE LIMITED
RAJKOT

We have examined the attached Cash Flow Statement of Rajath Finance Limited for the year ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirement of listing agreement Clause 32 with Bombay Stock Exchange, Ahmedabad Stock Exchange and Saurashtra-Kutch Stock Exchange Limited, Rajkot and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the Members of the Company.

For S A D P & Co.
Firm Reg. No: 112625w
Chartered Accountants

Place: Rajkot
Date:- 30th May, 2011

P.G. Bhuptani
(Partner)
M.No.: 122330

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**1 REGISTRATION DETAILS:**

Registration No.	7486	State Code	04
Balance Sheet Date	31.03.2011		

2 CAPITAL RAISED DURING THE YEAR (AMOUNT IN THOUSAND):

Public Issue	Nil	Right Issued	Nil
Bonus Issue	Nil	Private Placement	Nil

3 POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (AMOUNT IN THOUSAND):

Total Liabilities	78,289.94	Total Assets	78,289.94
<u>Source of Funds:</u>		Reserves & Surplus	7,570.91
Paid-up Capital	40,000.00	Deferred Tax Liability	719.02
Secured Loan	Nil	Share Application	-
<u>Application of Funds:</u>		Investments	408.26
Net Fixed Assets	3,572.12	Miscellaneous Exp.	-
Net Current Assets	72,593.22		
Accumulated Losses	1,275.98		

4 PERFORMANCE OF COMPANY (AMOUNT IN THOUSAND):

Turnover (Incl. other Income)	20,997.83	Total Expenditure	1,160.71
Profit/Loss before tax	4,439.59	Profit/Loss after tax	3,017.67
Earning per share	0.75	Dividend per share	Nil

5 GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS):

Item Code No. (ITC Code)	Nil
Product Description	Loan

RAJATH FINANCE LIMITED

Schedule of the Balance sheet of a non-deposit taking non-banking financial company for the year ended 31st March, 2011

(as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) companies Prudential (Rs. In lakhs)

		Particulars	
Liabilities side:			
(1)	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
	(a) Debentures Secured	Nil	Nil
	Unsecured	Nil	Nil
	(other than falling within the Meaning of public deposits*)	Nil	Nil
	(b) Deffered Credits	Nil	Nil
	(c) Term Loans	Nil	Nil
	(d) Inter corporate loans and borrowing	Nil	Nil
	(e) Commercial paper	Nil	Nil
	(f) Other Loans(Specify nature)	Nil	Nil
* Please see Note 1 below			

		Amount outstanding
Asset side :		
(2)	Break up of loans and advances including bills receivables (Other than those included in (4) below):	
	(a) Secured	Nil
	(b) Unsecured	582.21
(3)	Breakup of Leased Assets and stock on hire and other assets counting towards AFC activities	
	(i) Lease assets including lease rentals under sundry debtors:	
	(a) Financial lease	Nil
	(b) Operating lease	Nil
	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	Nil
	(b) Repossessed assets	Nil
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	Nil
	(b) Loans other than (a) above	Nil

(4)	Break up of Investments:			
	<u>Current investments:</u>			
	<u>1. Quoted</u>			
	(i) Shares : (a) Equity	Nil		
	(b) Preference	Nil		
	(ii) Debentures and Bonds	Nil		
	(iii) Units of mutual funds	Nil		
	(iv) Government securities	Nil		
	(v) Others (Please specify)	Nil		
	<u>2.Unquoted :</u>			
	(i) Shares : (a) Equity	Nil		
	(b) Preference	Nil		
	(ii) Debentures and Bonds	Nil		
	(iii) Units of mutual funds	Nil		
	(iv) Government Securities	Nil		
	(v) Others(Please specify)	Nil		
	<u>Long term investments:</u>			
	<u>1. Quoted</u>			
	(i) Shares : (a) Equity	3.09		
	(b) Preference	Nil		
	(ii) Debentures and Bonds	Nil		
	(iii) Units of mutual funds	Nil		
	(iv) Government securities	Nil		
	(v) Others(Please specify)	Nil		
	<u>2.Unquoted :</u>			
	(i) Shares : (a) Equity	0.99		
	(b) Preference	Nil		
	(ii) Debentures and Bonds	Nil		
	(iii) Units of mutual funds	Nil		
	(iv) Government Securities	Nil		
	(v) Others(Please specify)	Nil		
(5)	Borrowing group wise classification of assets financed as in (2) and (3) above:			
	Please see note 2 below			
	Category	Amount net of provisions		
		Secured	Unsecured	Total
	1.Related parties**			
	(a) Subsidiaries	Nil	55.00	55.00
	(b) Companies in the same group	Nil	0.00	0.00
	© Other related parties	Nil	45.00	45.00
	2.Other than related parties	Nil	482.21	482.21
	Total	Nil	582.21	582.21

RAJATH FINANCE LIMITED

(6)	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/ fair value/ NAV	Book value (net of provisions)
	1.Related parties**		
	(a) Subsidiaries	0.975	0.975
	(b) Companies in the same group	Nil	Nil
	© Other related parties	Nil	Nil
	2.Other than related parties	12.995	3.11
	Total	13.97	4.08

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other Information

	Particulars	Amount
(i)	Gross Non performing assets	
	(a) Related parties	Nil
	(b) Other than related parties	Nil
(ii)	Net non performing assets	
	(a) Related parties	Nil
	(b) Other than related parties	Nil
(iii)	Assets acquired in satisfaction of debt	Nil

Notes :

- As defined in paragraph 2(1)(xii) of the Non Banking Financial Companies Acceptance of Public Deposits
- Provisions norms shall be applicable as prescribed in non bankng financial (Non deposit accepting or holding) companies prudential norms (Reserve Bank) Directions, 2007.
- All accounting standards and guidance note issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/ fair value/ NAV in respect of unquoted investments should be disclosed irrespective of whether they are

For S A D P & Co.

Firm Reg. No. 112625W

Chartered Accountants

P.G. Bhuptani

(Partner)

M.No.: 122330

Place: Rajkot

Date : 30th May, 2011

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF RAJATH FINANCE LIMITED ON CONSOLIDATED FINANCIAL STATEMENT OF RAJATH FINANCE LTD. , & ITS SBSIDIARIES.

1. we have audited the attached consolidated Balance Sheet of Rajath Finance Limited I its subsidiaries as at 31st March 2011 and the consolidated Profit and Loss Account and consolidated cash flow statement for the year ended on that date which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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.
3. Without qualifying our opinion we draw attention that company has incurred director remuneration of Rs. 6.00 Lac during the year which is in excess of limit specified by the relevant provision of the Companies Act 1956. We have been informed by the BoD that they are in process to get the approval from relevant authority for excess remuneration paid. In view of BoD's opinion of seeking approval from relevant authority no adjustment has been made to accompanying financial statement in this regard.
4. Based on our audit to the best of our information of the components and to the best of our information and according to the explanation given to us we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of consolidated Balance Sheet, of the state of affairs of Rajath Finance Ltd. and its subsidiary as at 31st March 2011; and
 - ii. In the case of the consolidated Profit and Loss Account, of the loss for the year ended on that date.
 - iii. In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S A D P & Co.
Chartered Accountants

P.G. Bhuptani
Partner

Membership No. 122330
Firm Reg. No. 112625W

Place : Rajkot
Date: 30th May, 2011

RAJATH FINANCE LIMITED

Consolidated Balance Sheet as on 31st March,2011

PARTICULARS		SCH. NO.	Amount as on 31.03.2011
A	<u>SOURCE OF FUND:</u>		
I	SHARE HOLDERS' FUND:		
	(a) Share Capital	1	40,000,000
	(b) Conveertible equity share warrants issued & subscribed (see note 1)		30,000,000
	(C) Reserves & Surplus	2	7,570,913
II	MINORITY INTEREST		2,500
III	LOANS FUND:		
	(a) Secured	3	2,166,047
	(b) Unsecured	4	42,621,524
	TOTAL...		<u><u>122,360,984</u></u>
B	<u>APPLICATION OF FUND:</u>		
I	FIXED ASSETS	5	6,861,173
II	INVESTMENTS	6	310,763
III	CURRENT ASSETS, LOANS & ADVANCES	7	132,031,328
IV	LESS: CURRENT LIABILITIES & PROVISIONS NET CURRENT ASSET...	8	<u>26,204,167</u> 105,827,161
V	MISCELLANEOUS EXPENDITURES (TO THE EXTENT NOT WRITTEN OFF)	9	442,025
VII	DIFERRED TAX ASSETS		2,049,137
VIII	PROFIT & LOSS ACCOUNT		6,870,725
	TOTAL...		<u><u>122,360,984</u></u>
	NOTES ON ACCOUNTS	15	

AS PER OUR REPORT OF
EVEN DATE ATTACHED

For S A D P & Co.
Firm Reg No. 112625W
Chartered Accountants

P. G. Bhuptani
(Partner)
M.No.: 122330

Place: Rajkot
Date : 30th May, 2011

FOR RAJATH FINANCE LIMITED

DIRECTORS

DIRECTORS

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Consolidated Profit & Loss Account for the year ended on 31st March,2011

PARTICULARS	SCH. NO.	Amount as on 31.03.2011
A INCOME		
1 Sale		14,027,923
2 Closing Stock		59,552,133
3 Income from operations	10	6,296,999
4 Other income	11	70,215
Total...		79,947,270
B EXPENDITURE		
1 Opening Stock		28,433,164
2 Purchase		34,457,588
3 Direct Expenses	12	11,849,479
4 Operating expenditure	13	5,714,185
		80,454,416
Profit/(Loss) before Non-cash/ Non-operating charges		(507,146)
Less: Non-cash/ Non-operating charges	14	1,619,657
Profit/ (Loss) before tax		(2,126,803)
Less: Provision for Current Tax		1,445,210
Provision for Deffered Tax		(2,239,392)
Profit/ (Loss) after tax		(1,332,621)
Less: Taxation adjustment of previous year		21,845
		(1,354,466)
Add: Surplus/ (Deficit) of the previous year		(4,917,093)
Profit/(Loss) Before Appropriations		(6,271,559)
C APPROPRIATIONS		
1 General Reserves		-
2 Speical reserves u/s. 45 IC of the RBI Act, 1934		599,166
3 Proposed dividend		-
4 Dividend tax		-
5 Deficit carried forward		(6,271,559)
Balance carried to Balance Sheet		(6,870,725)
Basic Earning per Share		(0.33)
Diluted Earning per Share		(0.32)

NOTES ON ACCOUNTS

15

AS PER OUR REPORT OF
EVEN DATE ATTACHED

For S A D P & Co.
Firm Reg No. 112625W
Chartered Accountants

FOR RAJATH FINANCE LIMITED

P. G. Bhuptani
(Partner)
M.No.: 122330

DIRECTORS

Place: Rajkot
Date : 30th May, 2011

DIRECTORS

RAJATH FINANCE LIMITED

PARTICULARS		AMOUNT Rs. 2011	
SCHEDULE-1 SHARE CAPITAL:			
A	AUTHORISED SHARE CAPITAL: 7500000 Equity share each of Rs. 10/-		<u>75,000,000</u> <u>75,000,000</u>
B	ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL: 4000000 Equity share each of Rs. 10/-		 40,000,000
Total...			<u>40,000,000</u>
SCHEDULE-2 RESERVES & SURPLUS:			
	1 Capital Reserve		56,500
	2 General Reserve		2,730,931
	3 Special Reserve		
	4 Opening Balance	4,184,316	
	Add. Addition during the year	<u>599,166</u>	
	Closing Balance		4,783,482
Total...			<u>7,570,913</u>
SCHEDULE-3 Secured Loan:			
	Kotak Mahindra Prime Limited		2,166,047
Total...			<u>2,166,047</u>
SCHEDULE-4 Unsecured Loan:			
	<i>From directors:</i>		
	Hiteshbhai M. Bagdai		42,612,154
	<i>From Others:</i>		
	Marwadi Finlease Pvt. Ltd.		9,370
Total...			<u>42,621,524</u>
SCHEDULE-6 INVESTMENTS (At Cost)		Nos.	31.03.11
A	Investments (Quoted)		
	UTI Master Gain	23300	309,263
B	Investments (Unquoted)		
	Kesoram Textiles Ltd.	6000	1,500
Sub Total...			310,763
Average Market Value of Quoted Investment as on 31.03.2011 was Rs. 12.94 Lacs			
Total...			<u>310,763</u>

SCHEDULE-5**FIXED ASSETS**

SI.	ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance as on 01.04.10	Addition during the year	Deduction during the year	Balance as on 31.03.11	Balance as on 01.04.10	Addition during the year	Written back during the year	Balance as on 31.03.11	Balance as on 31.03.10	Balance as on 31.03.11
1	Premises	3,698,563	-	-	3,698,563	668,062	60,286	-	728,348	3,030,501	2,970,215
2	Genrator	66,675	-	-	66,675	2,490	8,928	-	11,418	64,185	55,257
	Telephone										
3	Instrument	1,000	-	-	1,000	97	163	-	260	903	740
4	Furniture & fixture	2,173,163	25,781	-	2,198,944	1,529,782	138,554	-	1,668,336	643,381	530,608
5	Office equipments	171,444	-	-	171,444	104,475	8,143	-	112,618	66,969	58,826
6	Mercedise Benj Car	4,393,899	-	-	4,393,899	89,416	1,114,431	-	1,203,847	4,304,483	3,190,052
7	Air conditioners	39,131	-	-	39,131	15,180	1,859	-	17,039	23,951	22,092
8	Computers	712,036	3,500	-	715,536	659,802	22,351	-	682,153	52,234	33,383
	<i>Total...</i>	11,255,911	29,281	-	11,285,192	3,069,304	1,354,715	-	4,424,018	8,186,607	6,861,173

RAJATH FINANCE LIMITED

SCHEDULE-7 CURRENT ASSETS, LOANS & ADVANCES:

A	Cash Assets & Bank Balance		
	1 Cash on hand		192,958
	2 Balance with Scheduled Banks (Current Account)		<u>1,012,784</u>
	Sub Total...		1,205,742
B	Closing Stock		59,552,133
B	Others		
	1 Short Term Loans (Unsecured considered good)		
	to directors	4,500,000	
	to others	<u>48,221,000</u>	52,721,000
	2 Advances receivable in cash or kind or for value to be received		3,822,860
	3 Income Tax		1,677,748
	4 Interest Receivable		2,672,875
	5 Deposits		378,970
	6 Advanced for Property		<u>10,000,000</u>
	Sub Total...		71,273,453
Total...			132,031,328

SCHEDULE-8 CURRENT LIABILITIES & PROVISION:

A	Current Liabilities		
	1 Sundry Creditors		
	Due to micro, small & Medium Enterprise	1191632	
	Other	<u>21765</u>	1,213,397
B	Provisions:		
	1 Audit Fees		24,817
	2 Sundry Expenses		12,087
	3 Salary payable		58,483
	4 Contigent Provision against Standard Assets		153,185
	5 Sundry Creditors		-
	6 Advanced from customers		22,832,243
	7 Duties & Taxes		464,745
	8 Income Tax Provision		<u>1,445,210</u>
Total...			26,204,167

SCHEDULE-9 Miscellaneous Expenditures:

Miscellaneous Expenditures	553,782
Less Write off During the year	(111,757)
Total...	442,025

SCHEDULE-10 INCOME FORM OPERATIONS:

1 Interest Income	5,093,802
2 Brokerage Rebate	86,000
3 Derivative Profit/Loss	9,612
4 Hedging Profit/Loss	1,106,420
5 Dividend Income	1,164
Total...	
	6,296,999

SCHEDULE-11 OTHER INCOME:

1 Interest on Income-tax Refund	36,779
2 Vatav Kasar	29,036
3 Miscellaneous Income	4,400
Total...	
	70,215

SCHEDULE-12 Direct Expenditures:

1 Advertisement Exp.	220,632
2 AOP Exp.	440
3 Building Structure Construction Charges	300,000
4 Construction Job Work Expense	8,728,085
5 Development Charges RUDA Expense	362,302
6 Diesel Expense	5,695
7 Electric Labour Exp. -Contractor	211,250
8 Electric Expense	307,945
9 Electric Repairing Expense	440
10 Electric Submercible Pump	52,580
11 Garden Plantation Exp.	68,981
12 JCB Rent Exp.	7,000
13 Job Work Expense	27,040
14 Labour Expense	33,645
15 Photo Print Expense	2,600
16 Rixa Rent Expense	5,716
17 Salary	457,298
18 Scrutiny Fees	81,756
19 Security Service Expense	211,776
20 Stationery & Printing	153,243
21 Submarsibal Pump Repairing Exp.	18,500
22 Testing Lab Fee Expense	441
23 Transport Expense	203,979
24 Travelling Exp.	46,000
25 VAT	215,053
26 Water Expense	126,860
27 Share Exp	222
Total...	
	11,849,479

RAJATH FINANCE LIMITED

SCHEDULE-13 OPERATING EXPENSES:

1 Advertisement	60,293
2 Association Fees	2,500
3 Annual Custodial Fee	13,236
4 Audit fees	24,817
5 Bank charges	7,361
6 Bonus Expenses	17,180
7 Computer Exp.	1,468
8 Deposit Interest	3,633,444
9 Director Salary	600,000
10 Building Maintance Exp.	5,500
11 Conveyance & travelling	12,949
12 Conveyance & travelling to directors	115,685
13 D-Mat Charges	551
14 Donation	110,000
15 Electricity charges	39,803
16 Entertainment Exp.	1,000
17 House (Municipal) Taxes	59,266
18 Interest on TDS Late Payment	2,217
19 Internet Exp.	6,076
20 Legal & Professional fees	172,075
21 Listing fees	19,928
22 Miscellaneous expenses	20,835
23 Office expenses	75,387
24 ROC Fee	5,500
25 Service Tax Interest	1,517
26 Service tax Reg. Exp.	1,200
27 Periodicals & news papers	1,004
28 Postage & telephone & telex	51,703
29 Printing & Stationery	45,966
30 Repairs & renewals	8,150
31 Salaries & Allowances	289,866
32 Telephone Repairing Exp.	300
33 Vehicle Exp.	37,294
34 Vehicle Insurance Exp.	61,252
35 Vehicle Loan Interest Exp.	208,861
Total...	5,714,185

SCHEDULE-14 NON-CASH/ NON-OPERATING CHARGES WRITTEN OFF:

1 Depreciation	1,354,715
2 NPA Provision	153,185
3 Misc. Expenses Write Off	111,757
4 Loss on Sale of Asset	-
Total...	1,619,657

SCHEDULE- 12: NOTES TO THE ACCOUNTS

(Forming Part of the Accounts for the Year ended 31st March, 2011)

1 Significant Accounting Policies:

The accounts are prepared in accordance with accounting policies and principles generally accepted in India. The Company follows the accrual method of accounting as per the Companies Act, 1956 and complies with the Reserve Bank of India guidelines for Non Banking Financial Companies. The accounts have been prepared on going concern basis.

(a) Income:

Income is recognised on accrual basis. Dividend is accounted for as income when right to receive dividend is established.

(b) Expenditure:

The Expenses incurred by the Company are accounted for on accrual basis.

Provision has been made for the expenses which can be determined with reasonable certainty.

(c) Investments:

All investments are for long term holding and are valued at cost.

(d) Fixed Assets:

Fixed Assets are accounted for in the books at cost including incidental charges, if any, less accumulated depreciation.

(e) Depreciation on Fixed Assets:

The Company provides depreciation on straight line method at the rates prescribed under Schedule XVI to the Companies Act, 1956 with reference to completed months of installation. In case of subsidiary company depreciation has been provided following writtend down value method

(f) Taxes On Income:

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

(ii) Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income & accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(g) Valuation of inventory

Closing stock has been valued at cost or market price which ever is lower.

RAJATH FINANCE LIMITED

2 Related Party Disclosures:

(a) List of related Parties and Relationship

Sr. No.	Parties	Relation
1	Rajath Finance Ltd	Holding company
2	Hitraj Developers Pvt. Ltd.	Subsidiary
1	Hitraj Realities Pvt. Ltd.	Associates
2	Hitraj Traders	
3	Balaji Nandan Infracon Developers Pvt. Ltd.	
4	Akash Enterprise	
5	Chaitanya Cineworld Pvt. Ltd.	
6	Bleach Marketing Pvt. Ltd.	
7	Radheshyam Land Developers Pvt. Ltd.	
8	Maruti Nandan Hotel Estate Pvt. Ltd.	
9	Megsai Consultants Pvt. Ltd	
10	Mehtas International Pvt. Ltd.	
11	Tarun Estate Development Pvt. Ltd.	
12	Primerose Mercantile Pvt. Ltd.	
	Key Management Personnel:	
1	Mr. Hitesh M. Bagdai	Directors
2	Kantilal Kalidas Khakar	
3	Ketanbhai Dhuleshia	
4	Manish Sampat Mehta	
5	Poonam H Bagdai	
6	Bhavdeep V. Vala	
	Relatives	
1	Poonam H Bagdai	Wife of Mr. Hitesh Bagdai
2	Mansukhbhai Bagdai	Father of Mr. Hitesh Bagdai
3	Ashmitaben Bagdai	Mother of Mr. Hitesh Bagdai
4	Ajay Bagdai	Brother of Mr. Hitesh Bagdai
5	Nilimaben Mashru	Sister of Mr. Hitesh Bagdai
6	Jhanvi Bagdai	Daughter of Mr. Hitesh Bagdai
7	Shivani Bagdai	Daughter of Mr. Hitesh Bagdai

(b) Related Parties Transactions

(Rupees in Lacs)

Sr.No.	Relationship	Nature of transaction	Transaciton Amt Rs.
1	Director	Remunertion	6.00
2	Director	Interest Paid	36.23
3	Director	Loan accepted	247.28
4	Director	Loan repaid	49.37
5	Director	Loan provided	45.00
6	Director	Interest Income	3.20
	Total		387.08

**Amt Rs.
In Lac**

3 Earning Per Share

Particulars	Mar-11
Net profit after tax	(13.33)
Weighted average number of equity shares of Rs.10 each	4,000,000.00
Basic EPS	(0.33)
Weighted average number of equity shares of Rs.10 each (Diluted)	4,200,000.00
Diluted EPS	(0.32)

4 Other Notes:

(a) Audit Fees and Legal Expenses include auditors' remuneration as follows:

(in Rs.)

Sr. No.	Particulars	F.Y. 2010-11
1	As Auditors	24,817
2	As Advisors	-
3	In any other capacity	91,000
	Total	115,817

(b) Deferred Tax:

(I) Deferred Tax has been provided in accordance with AS-22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India with effect from 1st April 2001.

RAJATH FINANCE LIMITED

(II) The break-up of net deferred tax liability as on 31st March, 2010 is as under:

Particulars	31-03-11 Amt.	31-03-10 Amt.
	Rs.	Rs.
WDV as per book	3,572,119	3,785,048
WDV as per IT	1,245,185	1,382,731
Difference in WDV	2,326,934	2,402,317
Applicable Tax Rate	30.90%	30.90%
Deferred Tax Liability	719,023	742,316
Increase/(Decrease) in Deferred Tax Liability	(23,293)	(21,910)

- (c) The Hon'ble Gujarat High Court has admitted appeal of the Income-tax Department against the order of the Income-tax Appellate Tribunal deciding the Interest Tax matter in favour of the holding company related to A. Y. 1988-89 to 1994-95. In view of ITAT's order in favour of the company no provision for tax liability has been made.
- (d) The holding Company had purchased 23,300 nos. of Master Gain. The same were misappropriated in transit. The Company had filed suit before the Hon'ble Civil Court Rajkot. The same was disposed in favour of the Company and an execution application has also been filed, which is pending for disposal before the Hon'ble Civil Court Rajkot.
- (e) The figures have been rounded off to the nearest rupee and figures of previous year have been regrouped or rearranged wherever necessary to make them comparable with current year's figures.
- (f) The balance of short term loan and advances receivable in cash or kind are subject to reconciliation and confirmation.
- (g) Adequate provision on standard asset has been provided in accordance with the guidelines issued by the Reserve Bank of India
- During the year subsidiary of the company has paid remuneration of Rs.6.00 Lac to the
- (h) director which is more than limit prescribed u/s 198 of the Companies Act

5 Allotment of convertible share warrant

During the year holding company has issued and allotted 4,00,000 convertible share warrant each of Rs.300 (out of which Rs.75/warrant to be paid on application and balance to be paid before the date of conversion) on preferential basis convertible into 1 equity share of Rs.10 each.

6 Investments:

During the year, the holding company, has acquired 97.50% stake in Hitraj Developers Pvt. Ltd. and hence, it becomes subsidiary company of Rajath Finance Ltd.

As per our Report of even date attached

For S A D P & Co.
Firm Reg No. 112625W
 Chartered Accountants

FOR RAJATH FINANCE LIMITED

P. G. Bhuptani
 (Partner)
 M.No.: 122330

DIRECTORS

Place: Rajkot
 Date : 30th May, 2011

DIRECTORS

26TH ANNUAL REPORT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

Sl.	Particulars	2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
	Profit/ (Loss) after tax	(1,354,466)
	Add:	
	Provision for current tax	1,445,210
	Provision for Deferred Tax	(2,239,392)
	Provision of NPA	153,185
	Misc. Expenses Written off	111,757
	Depreciation	1,354,715
	(Profit)/ Loss on sale of assets	-
	Income from Investments/Interest	-
	Operating profit before working capital changes	(528,991)
	(Increase)/ Decrease in Loans and Advances	(34,378,525)
	(Increase)/Decrease in stock	(31,118,969)
	(Increase)/ Decrease in other receivables	(10,587,442)
	Increase/ (Decrease) in current liabilities	15,494,742
	Cash generated from operations	(61,119,184)
	Less: Direct tax paid	(217,411)
	Net cash flow from operating activities	(61,336,595)
B CASH FLOW FROM INVESTMENT ACTIVITIES:		
	Purchase of fixed assets	(29,281)
	Sale of fixed assets	-
	Purchase of Investments	(97,500)
	Sale of investments in RMC Bonds	-
	Sale of investments in group companies	-
	Investment Income received	-
	Net cash flow in Investing Activities	(126,781)
C CASH FLOW FROM FINANCING ACTIVITIES:		
	Increase/ (Decrease) in long term borrowing	24,648,354
	Miscellaneous Expenditure paid	(550,450)
	issued Convertible share warrants	30,000,000
	Increase/ (Decrease) in fixed deposits	-
	Dividend paid	-
	Dividend tax paid	-
	Net cash flow from financing activities	54,097,904
	Net increase/ (decrease) in cash and cash equivalents: (A+B+C)	(7,365,472)
	Cash and cash equivalents at the beginning of the year	8,571,215
	Cash and cash equivalents at the end of the year	1,205,743

RAJATH FINANCE LIMITED

REG. OFFICE : 208-215 Star Plaza, Phulchhab Chowk, Rajkot-360 001(Gujarat)

PROXY

Reference Folio :

I/We _____ of
_____ being a member/members of

RAJATH FINANCE LIMITED, hereby appoint _____
of _____ (or failing him) _____ as my/
our

proxy to attend and vote for me/us and on my/our behalf at **26TH ANNUAL GENERAL MEETING**
of the company to be held on **29th September, 2011** or any adjournment thereof.

AS WITNESS my/our hand this _____ day of _____ 2011

Signed by the said _____

1 Rupee
Revenue
Stamp

Signature

NOTE : The Proxy must be deposited at the registered office of the company not less
then 48 hours before the time for holding the meeting.

RAJATH FINANCE LIMITED

REG. OFFICE : 208-215 Star Plaza, Phulchhab Chowk, Rajkot-360 001(Gujarat)

ATTENDANCE SLIP

Please Complete this attendance slip and hand it over at the Entrance of the Hall

I hereby record my presence at the 26TH ANNUAL GENERAL MEETING held at 208-215, Star
Plaza, Phulchhab Chowk, Rajkot. on Thursday the 29th September 2011 at 11:00 a.m.

NAME OF THE SHAREHOLDER : _____
(IN BLOCK LETTERS)

SIGNATURE OF THE SHAREHOLDER OR PROXY : _____

Reference Folio : _____

PLEASE RETAIN THIS COUNTERFOIL TILL THE END OF THE MEETING.

Reference Folio

Jointly with