

ANNUAL REPORT 2006 - 2007

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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2007

Your Directors have pleasure in presenting the Twenty Second Annual Report and the audited statement of accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Total Income	21,652,443	25,085,378
Profit/(Loss) before Interest , Depreciation and Tax	12,499,584	19,949,383
Less: Interest	0	0
Gross Profit/(Loss)	12,499,584	19,949,383
Less : Depreciation	750,725	754,796
Profit/(Loss) before Taxation	17,748,859	19,194,587
Less : Taxation and Non Tax Bearing items	2,450,526	2,739,366
Profit/ (Loss) after Taxation	15,298,332	16,455,221
Less: Transfer to Statutory Reserve	3,059,666	3,291,044
Profit /(Loss) after Appropriation	12,238,666	13,164,177
Less: Transferred from General Reserve	0	0
Balance Carried Forward	12,238,666	13,164,177

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Your Company earned a net profit of of Rs.152.98 Lacs for the financial year ended 31st March, 2007 as compared to previous year's net profit of Rs. 164.55 lacs. Depreciation during the year was Rs 7.51 Lacs as compared to Rs. 7.55 Lacs in the previous year. Provision for taxation during the year is Rs. 5.50 Lacs including Deferred Tax Provision.

OPPORTUNITIES

The Indian Economy is in a very vibrant and acceleration mode as regards growth and development. The GDP growth is expected to rise over 8% in the coming years and this provides substantial growth potential to all sectors of the economy and in particular to the financial sector. Your company being in the financial services sector hopes to capitalize on the favourable business climate and vibrant growth by providing financial services to the growth oriented industries and investing in companies which has the potential to grow at a rapid pace in the coming years.

Challenges

Indian financial markets are no longer independent of the Global Financial Markets. With the thrust on Globalisation right from the year 1991, our financial markets are inter-mingled with the Global Markets resulting in reactions in the domestic markets pursuant to the happenings in the Global Markets. This has increased the volatility and un-predictability of the Indian Financial Markets. However, this challenge is faced by your company, by focusing on the long term perspective of the Indian Economy, which is bullish and strong. This has enabled your company to insulate itself from the wild fluctuations in the Financial and Stock Markets. By focusing on the longer term, your company has also been able to increase the asset value and net worth of your company. Your company, with the expertise gained during the last twenty two years of its operations, is confident of facing all challenges that may be posed in the highly volatile financial markets.

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.4.45 Lacs as compared to loss of Rs.7.17 Lacs during the previous year.

DIRECTORS

Mr. Vijay Vora who retires by rotation and being eligible, offer 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' RESPONSIBILITY STATEMENT

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

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2007, 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, 2007 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 and have shown their willingness to be reappointed as such, have been offered them selves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

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 with The Stock Exchanges, Cash Flow Statement for the year ended 31st March, 2007 duly examined by the Auditors of the Company is furnished along with the audited financial statements of the Company.

ACKNOWLEDGMENTS

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 THE BOARD

Sd/-

**Place : Mumbai.
Date : 24/08/2007**

**MUKESH BABU
CHAIRMAN**

CORPORATE GOVERNANCE REPORT

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

1. Company's Philosophy on Code of Governance:

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

2. Board of Directors

- (a) The Company has an executive Chairman. None of the Directors on the Board is a Member on more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- (b) The Board of Directors of the Company appointed Mr. Mukesh C. Babu as Managing Director of the company for the period of five years with effect from 26th May 2003.

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, 2007 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	4	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 28th April, 2006, 28th July, 2006, 25th August, 2006, 23rd October, 2006, 18th January, 2006.

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

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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. (Appointment w.e.f. 22.12.2005)	F.C.A. A.C.S.	5	5	Yes
Mr. Vijay Vora. (Appointment w.e.f. 22.12.2005)	B.Com	5	5	Yes

During the financial year 2006-07, Mr. Vijay Vora, who retires by rotation and being eligible, offers himself for re-appointment.

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 52 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 53 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 52 years is Chartered Accountant. He is having 26 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 53 years is Commerce Graduate, having 23 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 was 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	4
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 Intime Spectrum Share Registry Limited, the Registrars and Share Transfer Agents of the Company.

Mr. K. Chandrasekhar, Director of the Company is designated as the Compliance Officer.

During the year 2006-07, 3 complaints regarding non-receipt of share certificates, non-receipt of Demat credit, non-receipt of rejected demat requisition forms and non-receipt of Annual Report were received from the shareholders, all of which have been resolved. The Company has no transfers pending at the close of the financial year.

(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. 13 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
Twentyfirst	29.09.06	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Twentieth	30.09.05	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion ((W), Mumbai-400 021.
Nineteenth	30.09.04	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.sebiedifar.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 Friday, 28th September, 2007 at 4 p.m.
Venue 12/A-1, New Sion Co-op. Hsg. Ltd.,
Sion (W), Mumbai-400 022.

Actual / Expected dates of Quarterly Results for F.Y.2007-08

a. 1st Quarterly Results July 27, 2007
b. 2nd Quarterly Results On or before 31.10.2007
c. 3rd Quarterly Results On or before 31.01.2008
d. 4th Quarterly Results On or before 30.04.2008

Book Closure Period: Thursday, 20th September, 2007 to
Friday, 28th September, 2007.

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	The Saurashtra and Kutch Stock Exchange Ltd. Popatbhai Sorathia Bhavan, Sadar Bazar , Rajkot-360 001.
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Annual Listing fees for the year 2007-08 (as applicable) have been paid by the Company to The Mumbai Stock Exchange, The Stock Exchange, Ahmedabad and Saurashtra & Kutch Stock Exchange Ltd.

9. Market Price Data

The Company's shares are listed on The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, Saurashtra & Kutch Stock Exchange. There was no trading of the Company's Shares in The Stock Exchange, Ahmedabad and Saurashtra & Kutch Stock Exchange during the financial year 2006-2007. The monthly high & low quotation as well as the volume of shares traded during the year 2006-2007 at the Stock Exchange, Mumbai, is as below:

Month	High	Low	Volume(Shares)
April, 2006	4.20	3.87	3,400
May, 2006	7.45	4.01	15,487
June, 2006	7.19	5.14	5,390
July, 2006	10.10	6.99	409
August, 2006	10.60	7.06	5,365
September, 2006	6.71	4.01	14,626
October, 2006	8.79	4.10	16,868
November, 2006	7.40	5.15	31,472
December, 2006	8.41	5.70	17,873
January, 2007	8.79	6.30	20,106
February, 2007	7.80	6.16	35,134
March, 2007	8.56	4.72	21,212

10. The Registrar and Share Transfer Agent of the Company

Intime Spectrum Share Registry Ltd.
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, 2007

SHAREHOLDING PATTERN AS ON 31.03.2007			DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007				
Category Shareholding	No.of Shares	%to the total paid up Capital	No. of Shares	Shareholders		Shares	
				Number	%	Amount in (Rs.)	% to Equity
Promoters	3431600	49.23	Up to- 2500	1304	57.75	2403840	3.45
NRIs/OCBs	232900	3.34	2501-5000	528	23.38	2030580	2.91
Persons acting in concert	950000	13.63	5001-10000	214	9.48	1733520	2.49
Indian Public	1375243	19.73	10001- 20000	86	3.81	1318700	1.89
Bodies Corporate	745309	10.69	20001-30000	34	1.51	887830	1.27
Others:			30001-40000	17	0.75	618750	0.89
Market Maker	1648	0.02	40001-50000	25	1.11	1211000	1.74
Mutual Funds & UTI	197500	2.83	50001-100000	20	0.89	1554250	2.23
Banks & Financial Institutions	36700	0.53	100001 & Above	30	1.33	57950530	83.13
			-----	-----	-----	-----	-----
			Totals	2368	100.00	69709000	100.00
Total	6970900	100					

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, 2,600 shares were dematerialised in the following depositories:

National Securities Depository Ltd. (NSDL) : 624 Equity shares

Central Depository Services (India) Ltd. (CDSL) : 1,976 Equity shares

ISIN No. : INE596B01017

13. Address for Correspondence

- **For matters related to shares**
Intime Spectrum Share Registry Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
Bhandup (W), Mumbai-400 058
Telephone No.: 2596 3838

E-mail at : rnt.helpdesk@intimespectrum.com

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 24th August 2007.

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

Sd/-

**Mukesh Babu
Chairman**

**Place : Mumbai
Date: 24/08/2007**

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:

- 1) 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.
- 2) All the Board Members and senior management personnel have affirmed their compliance with the said code of conduct for the year ended 31st March, 2007.

Sd/-

Place : Mumbai
Date :24/08/2007

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, 2007 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 : 24/08/2007

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 2006-07 and that to the best of our knowledge and belief:
 - (i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated wherever applicable to the auditors and the audit committee:-
 - (i) significant changes in internal control over financial reporting, if any during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the company's internal control system over the financial reporting.

Sd/-

Mukesh Babu
Managing Director

Sd/-

K. Chandrasekhar
Director

Place: Mumbai
Date: 24/08/2007.

**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 2007 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 2007 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. 10 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, 2007 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: 24/08/2007

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 five companies covered in the register maintained under section 301 of the Act involving RS. 30.85 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. 10. 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 hat, 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: 24/08/2007.**

MUKESH BABU FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2007

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>134,486,793</u>	204,159,293	<u>119,389,587</u>	189,062,087
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
TOTAL FUNDS EMPLOYED			<u>204,159,293</u>		<u>189,062,087</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	3				
Gross Block		24,913,904		23,925,274	
Less : Depreciation		<u>13,517,905</u>		<u>12,767,180</u>	
Net Block			11,395,999		11,158,094
2. INVESTMENTS	4		37,309,960		37,309,960
3. DEFERRED TAX ASSETS			3,478,541		5,418,828
4. CURRENT ASSETS, LOANS AND ADVANCES:	5				
a. Inventories		110,991,995		99,015,340	
b. Sundry Debtors		5,753		146,143	
c. Cash and Bank Balance		5,890,458		7,074,771	
d. Other Current Assets		7,852,242		1,522,445	
e. Loans & Advances		<u>58,847,475</u>		<u>53,846,010</u>	
		<u>183,587,923</u>		<u>161,604,709</u>	
5. LESS : CURRENT LIABILITIES AND PROVISIONS:	6				
a. Current Liabilities		30,234,630		25,622,504	
b. Provisions		<u>1,378,500</u>		<u>807,000</u>	
		<u>31,613,130</u>		<u>26,429,504</u>	
NET CURRENT ASSETS			151,974,793		135,175,205
6. MISCELLANEOUS EXPENDITURE			-		-
TOTAL ASSETS			<u>204,159,293</u>		<u>189,062,087</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/-

(Mehul C. Shah)
Partner
Membership No. 49361

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

Place : Mumbai

Place : Mumbai

Date : 24/08/2007

Date : 24/08/2007

MUKESH BABU FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

PARTICULARS	SCHEDULE	CURRENT YEAR	CURRENT YEAR Rs.	PREVIOUS YEAR	PREVIOUS YEAR Rs.
I. INCOME					
Income from Operations	7	21,619,442		24,960,057	
Other Income		33,000	21,652,442	125,321	25,085,378
Total			21,652,442		25,085,378
II. EXPENSES					
Administrative and General Expenses	8	3,152,859		5,095,390	
Depreciation		750,725		754,796	
			3,903,584		5,850,186
PROFIT/(LOSS) BEFORE TAXATION			17,748,859		19,235,192
(Add)/Less : Taxation & Non Tax Bearing Items					
Current Tax		550,000		775,000	
Deferred Tax		1,940,287		1,935,160	
Fringe Benefit Tax		21,500		32,000	
Security Transaction Tax		137,665		40,605	
Taxation of Earlier Years		2,201	2,651,653	(2,794)	2,779,971
PROFIT/(LOSS) AFTER TAXATION			15,097,205		16,455,221
Less: Transferred to Statutory Reserve			3,019,441		3,291,044
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION			12,077,764		13,164,177
Add/(Less) : Transferred from/(to) General Reserve			-		-
Transferred to Profit & Loss Credit Balance			12,077,764		13,164,177
BALANCE CARRIED TO BALANCE SHEET			-		13,164,177
Earning per share (Basic/Diluted)			2.17		2.36

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

FOR SHAH SHAH & SHAH
Chartered Accountants

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361

Place : Mumbai

Date : 24/08/2007

FOR AND ON BEHALF OF THE BOARD

Sd/-

(MUKESH BABU)
Managing Director

Place : Mumbai

Date : 24/08/2007

Sd/-

(K. CHANDRASEKHAR)
Director

MUKESH BABU FINANCIAL SERVICES LIMITED

SCHEDULE "1" TO "9" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007.

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
Amount paid up on Share Forfeiture A/c				
Balance As per Last balance sheet	-		7,105,000	
Less: Call money returned.	-		16,500	
	-		7,088,500	
Less: balance transferred to Capital Reserve	-	-	7,088,500	-
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		-	
Add: Transfer from Share Forfeiture A/c	-	7,088,500	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	13,164,177		-	
Add: Transfer from Profit & Loss A/c	12,077,764	25,241,941	13,164,177	13,164,177
Statutory Reserve :				
Balance as per last Balance Sheet	4,499,039		1,207,995	
Add: Transfer from Profit & Loss A/c	3,019,441	7,518,480	3,291,044	4,499,039
As per Balance Sheet		134,486,793		119,389,587

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 1.4.2006	ADD	LESS	AS ON 31.03.2007	UP TO 1.4.2006	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
1	Office Premises	14,883,250	-	-	14,883,250	7,178,570	385,232	-	7,563,802	7,319,448	7,704,680
2	Guest House	2,100,000	-	-	2,100,000	105,000	99,748	-	204,748	1,895,252	1,995,000
3	Flat at Panvel	360,000	-	-	360,000	18,000	17,100	-	35,100	324,900	342,000
4	Furniture & Fixtures	2,249,021	-	-	2,249,021	1,625,401	112,876	-	1,738,277	510,744	623,620
5	Electrical Fittings	100,355	-	-	100,355	90,994	1,696	-	92,690	7,665	9,361
6	Office Equipments	1,429,154	-	-	1,429,154	1,070,661	49,868	-	1,120,529	308,625	358,493
7	Computers	2,364,573	38,630	-	2,403,203	2,251,435	50,405	-	2,301,840	101,363	113,138
8	Vehicles	438,921	950,000	-	1,388,921	427,119	33,800	-	460,919	928,002	11,802
	Total Rs.	23,925,274	988,630	-	24,913,904	12,767,180	750,725	-	13,517,905	11,395,999	11,158,094
	Previous Year	23,837,754	87,520	-	23,925,274	12,012,384	754,796	-	12,767,180	11,158,094	11,825,370

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.	50,000	5,000,000	50,000	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 applicaion 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,2007 is Rs. 2,600,000 (Previous Year Rs.2,119,500)

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "5" - CURRENT ASSETS, LOANS & ADVANCES				
a) Closing Stock		110,991,995		99,015,340
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	-		-	
Others Considered good	5,753	5,753	146,143	146,143
c) Cash and Bank Balance				
Cash on hand				
(As certified by the management)	626,256		571,881	
In Current Account with				
Scheduled Banks	5,264,202	5,890,458	6,502,890	7,074,771
d) Other Current Assets				
Advance Tax & TDS	1,201,319		524,318	
Sundry deposits	6,650,923	7,852,242	998,127	1,522,445
e) Loans and Advances				
(Unsecured Considered Good)				
Loans - Inter Corporate :				
Others	10,312,293		9,929,888	
Advances to Staff & Associates	5,095,000		6,148,421	
Dues from Subsidiaries	1,997,500		903,000	
Dues from Subsidiaries	13,064,082		15,564,082	
Dues from company under the same				
Management	1,175,000		1,175,000	
Advances Recoverable in Cash or Kind				
Or for Value to be received	27,203,600	58,847,475	20,125,619	53,846,010
As per Balance Sheet		183,587,923		161,604,709

SCHEDULE "6" - CURRENT LIABILITIES & PROVISIONS

a. Current Liabilities				
Bank Over Draft	24,327,229		24,327,229	
Sundry Creditors	5,807,364		1,194,816	
Other Liabilities	100,037	30,234,630	100,459	25,622,504
b. provisions				
Provision for Taxation	1,378,500	1,378,500	807,000	807,000
As per Balance Sheet		31,613,130		26,429,504

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "7" - INCOME FROM OPERATION				
Interest on loans granted		931,158		1,353,697
Dividend Income		11,919,398		9,924,000
Profit on Shares & Securities		8,768,886		13,682,360
As per Profit & Loss Account		21,619,442		24,960,057

SCHEDULE "8" - ADMINISTRATIVE AND GENERAL EXPENSES

Annual Membership Fees		24,448		24,040
Auditors' Remuneration				
For Certification & Other work	22,958		14,444	
For Statutory Audit	<u>22,472</u>	45,430	<u>22,448</u>	36,892
Bad Debts		-		1,974,016
Computer Expenses		81,293		104,395
Conveyance & Travelling Expenses		132,958		170,613
Demat and Depository Exp.		14,989		9,557
Directors' Remunerations		1,241,000		1,204,000
Electricity Expenses		128,140		117,864
Guest House Expenses		36,000		36,000
Professional & Consultancy Fees		181,458		188,139
Legal Compliance Expenses		21,444		21,504
Listing Fees		33,000		33,000
Office Expenses		19,202		26,533
Postage and Courier		33,371		61,062
Printing and Stationery Expenses		113,064		153,470
Rent, Rates & Taxes		83,433		98,657
Repairs and Maintenance		79,084		156,860
Salary Expenses		321,565		282,060
Staff welfare Expenses		9,300		
Mess & Refreshment Expenses		207,788		214,460
Telephone Expenses		54,355		51,657
Sundry Expenses		291,538		130,611
As per Profit & Loss Account		3,152,859		5,095,390

SCHEDULE "9" – NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

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)	13,064,082	15,564,082
Sagar Systech Limited	1,175,000	1,175,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Mukesh Babu Securities Limited (Subsidiary)	15,564,082	15,862,959
Sagar Systech Limited	1,175,000	1,175,000

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

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	2,392,019	327,999	420,707	2,299,311
Value (Amount Rs.)	99,015,340	24,963,231	26,729,144	110,991,995

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

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. 1,739,160 as at the year end. The Deferred Tax Assets is arrived as follows.

Particulars	Amount of Tax Effect Rs.	Amount of Tax Effect Rs.
	Current Year	Previous year
1. Timing Difference provided for earlier year	98,403	(103,375)
2. Current Year Timing difference in Depreciation	27,144	42,294
3. Earlier years' Unabsorbed Depreciation	201,127	0
4. Last year's business loss reversed	(2,065,833)	(1,874,079)
Total Deferred Tax Assets for current Year	(1,837,563)	(1,831,785)
Net Deferred Tax Assets Accounted in books	(1,739,160)	(19,35,160)

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. The documents with respect to property at Panvel have been lodged with the appropriate authority pending its approval. The said property was obtained pursuant to court order against realization of loans. The Company has obtained possession of the flat and claimed depreciation on the same.

8. Earning Per Share

PARTICULARS	YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
Profit/(Loss) After Tax Rs.	15,298,332	16,455,221
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.	2.19	2.36
Face Value per Equity Share Rs.	10	10

9. 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.
10. 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.
11. 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.
12. Directors' remuneration RS. 1,241,000/-(Previous year RS. 1,204,000/-) is within the limits of Schedule XIII to the Companies Act 1956.
13. 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: Istaafashions Pvt. Ltd., Ashtavinayaka Alloys P. Ltd., Arya Marine Academy (Trust), Babu & Parekh Securities Private Limited, Istaafashions Private Limited, Sagar Systech Limited, Istaafashions Impex Private Limited.
- (iii) Key Managerial Personnel: Mukesh Babu

Transactions During the year	Relationship	Rupees in Lacs
Opening Balances	Subsidiary Company	155.64
	Associates	257.87
Loans & Advances further given during the year	Associates	138.50
	Subsidiary Company	40.00
Amounts received back as loans and Advances	Subsidiary Company	65.00
	Associates	100.34
Interest charged on loans and advances	Associates	1.30
Remuneration & Sitting Fees	Key Managerial Personnel	12.00
Closing Balances	Subsidiary Company	130.64
	Associates	297.33

14. 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.

15. 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	548.47	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments :		
	<u>Current Investments :</u>	NIL	
	<u>Long Term investments :</u>		
	1. <u>Quoted :</u>		
	(i) Share : (a) Equity	4.50	
	(b) Preference	NIL	
	(ii) Units of mutual funds	NIL	
	2. <u>Unquoted :</u>		
	(i) Shares : (a) Equity	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. <i>Other than related parties</i>	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>	--	

16. 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.

17. 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/-

Managing Director
(Mukesh Babu)

Director
(K. Chandrasekhar)

Place: Mumbai.
Date: 24/08/2007

MUKESH BABU FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR YEAR ENDED 31ST MARCH 2007

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		17,748,859		19,194,587
Adjustments for :				
Depreciation & Misc. Exp. Written off	750,725		754,796	
Bad Debts written off	-		1,974,016	
Excess Provision for Taxation	-	750,725	2,794	2,731,606
Operating Profit Before Working Capital Changes		18,499,584		21,926,193
Changes in Working Capital:				
Inventories	(11,976,655)		(2,348,035)	
Sundry Debtors	140,390		(146,143)	
Loans and Advances	(5,001,465)		(15,710,433)	
Other Current Assets	(6,329,797)		1,363,952	
Sundry Creditors	4,612,549		1,063,328	
Other Liabilities	(422)	(18,555,400)	31,367	(15,745,964)
Cash Generated from Operations		(55,817)		6,180,229
Direct Taxes Paid		(2,201)		(135,000)
Cash Flow Before Extraordinary Items		(58,018)		6,045,229
Extraordinary Items		(137,665)		(16,500)
NET CASH FROM OPERATING ACTIVITIES		(195,683)		6,028,729
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(988,630)		(87,520)	
Sale of Fixed Assets	-		-	
Purchase of Investments	-		(5,000,000)	
Sale of Investments	-	(988,630)	-	(5,087,520)
NET CASH USED IN INVESTING ACTIVITIES		(988,630)		(5,087,520)
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		(1,184,313)		941,209
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		7,074,771		6,133,562
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		5,890,458		7,074,771

FOR SHAH SHAH & SHAH
Chartered Accountants

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

Place : Mumbai

Date : 24/08/2007

FOR AND ON BEHALF OF THE BOARD

Sd/-
(MUKESH BABU)
Director

Sd/-
(K. CHANDRASEKHAR)
Director

Place : Mumbai

Date : 24/08/2007

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 2007
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 2007	Rs. NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2007	Rs. 655,820
4 Net aggregate amount of profit/(losses) for previous financial years of the subsidiary, since it become a subsidiary so far as they concern members of the company:	
a) Dealt with in the accounts of the company for the year ended 31st March 2007	Rs. NIL
b) Not dealt with in the accounts of the company for year ended 31st March 2007	Rs. 75,641,123

FOR AND ON BEHALF OF THE BOARD

Sd/-

Sd/-

DIRECTOR

(Mukesh Babu)

DIRECTOR

(K. Chandrasekhar)

Place : Mumbai.

Date : 24/08/2007

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

I. Registration Details

Registration No.	35504	Status Code	11
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Balance Sheet Date 31.03.2007

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	204,159	Total Assets	204,159
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Paidup Capital	69,672	Reserves and Surplus	134,487
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Secured Loans	-	Unsecured Loans	-
---------------	---	-----------------	---

Application of Funds

Net Fixed Assets	11,396	Investment	37,310
------------------	--------	------------	--------

Net Current Assets	151,975	Miscellaneous Expenditure	-
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Accumulated Losses	-
--------------------	---

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

Turnover	21,652	Total Expenditure	3,903
----------	--------	-------------------	-------

Profit or (Loss) before Tax	17,749	Profit or (Loss) after Tax	15,097
-----------------------------	--------	----------------------------	--------

Earning Per Share in Rs.	2.17	Dividend Rate in (%)	-
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V. Generic Names of three Principal Products/Services of Company (as per monetary terms)

Item Code No. 659939999
(ITC Code)

Service Description COMMERCIAL FINANCE & TRADING IN SHARES

Sd/-

Sd/-

CHAIRMAN
(Mukesh Babu)

DIRECTOR
(K. Chandrasekhar)

Place : Mumbai.

Date : 24/08/2007

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF MUKESH BABU FINANCIAL SERVICES LIMITED WILL BE HELD ON FRIDAY, 28TH SEPTEMBER, 2007 AT 4.00 P.M. AT 12A/1, NEW SION CO-OP. HSG. SOC. LTD., SION – WEST, MUMBAI – 400022 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, 2007 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 a director in place of Mr. Vijay Vora 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 Shah, Shah & Shah, Chartered Accountants, Mumbai, for the Financial Year 2007-2008 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 Shah, Shah & Shah, Chartered Accountants, Mumbai, the retiring Auditors of the Company are eligible for appointment.

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

**Place: Mumbai
Date : 24.08.2007**

**Mukesh C. Babu
Chairman & Managing Director.**

NOTES:

1. A MEMBER ENTITLED TO ATTEND & 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.
2. A blank Proxy Form is sent herewith.
The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 20th September, 2007 to Friday, 28th September, 2007 (both days inclusive).
3. Members are requested to advise the Company immediately of any change of their address.
4. Members attending the Annual General Meeting are requested to bring their copies of Annual Report at the Meeting.
5. Members are advised to consolidate their ledger folios where they are holding shares in different folios in the same order of names.
6. 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.
7. The Company's Equity Shares are listed on The Stock Exchange, Mumbai, the Stock Exchange, Ahmedabad, Saurashtra & Kutch Stock Exchange. Further, the Listing fees in respect of shares of the Company have been paid to the aforesaid Stock Exchanges upto the financial year 2007-08.
8. All members are requested to send their correspondence in respect of shares to the Share Transfer Agent of the Company. viz:

Intime Spectrum Share Registry Pvt. Ltd;

C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai-400 078.

INFORMATION AS REQUIRED BY CLAUSE 49(VIA) OF THE LISTING AGREEMENT:

As required by Clause 49(VIA) of the Listing Agreement with the Stock Exchange, the information relating to the Directors proposed to be appointed/ reappointed is provided hereunder:

Mr. Vijay Vora, aged 53 years, is a commerce graduate. He is having 23 years of experience in the field of investment. He is a Director in Mukesh Babu Financial Services Ltd.

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

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

**Place: Mumbai.
Date : 24.08.2007**

**Mukesh C. Babu
Chairman & Managing Director**

ANNUAL REPORT 2006-07

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
UTI Bank
ICICI Bank

Auditors

M/s. Chaitanya C. Dalal & Co.

Registered Office

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2007

Your Directors have pleasure in presenting the Annual Report of the Company and audited statement of accounts for the year ended 31st March 2007

FINANCIAL RESULTS	CURRENT YEAR	PREVIOUS YEAR
	Rs.	Rs.
Total Income	12,041,902	9,795,816
Profit/Loss: before Interest, Depreciation and Tax	1,538,717	(116,099)
Less: Interest	(650,908)	--
Gross profit / (Loss)	887,809	(116,099)
Less : Depreciation	(442,791)	(601,332)
Profit / (Loss) before Taxation	445,018	(717,431)
Less : Provision for FBT	(60,650)	(65000)
Add/(Less) : Deferred Tax (Assets)	271,452	650,353
Net Profit /(Loss) after Taxation	655,820	(132,078)
Less : Items relating to earlier years	--	14,299
Balance Transferred To/(from) General Reserve	655,820	(117,779)

YEAR IN RETROSPECT

During the year, your company earned the total income of Rs. 120.42 lacs as compared to previous year's total income of Rs. 97.96 lacs. The gross profit during the year was Rs. 8.88 lacs as against the gross loss of Rs. 1.16 lacs during the previous year. The net profit for the year was Rs. 6.56 lacs as against the net loss of Rs. 1.18 lacs in the previous year.

Due to voluntary closure of Broking activities from July 2003, company has not earned any income from Broking Activities during the year. The company has made application to the stock exchanges for recommencement of business and the approvals of the Stock Exchanges are awaited.

Directors' Responsibility Statement

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

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2007, 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, 2007 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.

Sr. 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 EXCHANGE EARNING AND OUTGO

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

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 : 23rd July, 2007**

**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 2007 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 2007 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, 2007 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 : 23rd July, 2007.

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 2007, 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, 2007 and it has not incurred cash loss in the financial year ended on that date. The company has also 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. 2, 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 : 23rd July, 2007.

MUKESH BABU SECURITIES LIMITED

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2007

PARTICULARS	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
I. INCOME			
Income From Depository Services		11,821	68,696
Other Income		12,030,081	9,727,120
Total		<u>12,041,902</u>	<u>9,795,816</u>
II. EXPENSES			
Administrative and General Expenses	G	10,503,185	9,911,915
Depreciation		442,791	601,332
Intrest		650,908	
Total		<u>11,596,884</u>	<u>10,513,247</u>
PROFIT/(LOSS) BEFORE TAXATION		445,018	(717,431)
Less : Current Tax Provision		(60,650)	(65,000)
Add/Less : Deferred Tax Assets/Liabilities		271,452	650,353
PROFIT/(LOSS) AFTER TAXATION		655,820	(132,078)
Add/Less : Items relating to earlier years		-	14,299
		<u>655,820</u>	<u>(117,779)</u>
Less : Transferred to/(from) General Reserve		(655,820)	117,779
BALANCE CARRIED TO BALANCE SHEET		<u>-</u>	<u>-</u>
Earning per Share as per AC-22 (Basic & Diluted)		0.13	(0.03)

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)
Director

Place : Mumbai

Place : Mumbai

Date : 23rd July, 2007

Date : 23rd July, 2007

MUKESH BABU SECURITIES LIMITED

SCHEDULE "A" TO "H" FORMING AN INTEGRAL PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007.

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.		50,000,000		50,000,000
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		50,000,000		50,000,000

Note: 2,580,996 (Previous Year 2,580,996) Equity Shares of Rs.10 each are held by the holding company.

SCHEDULE "B" - RESERVES & SURPLUS

General Reserve :				
Balance as per last Balance Sheet		74,985,303		75,103,082
Add/(less):Transfer from/(to) Profit & Loss A/c	655,820	75,641,123	(117,779)	74,985,303
As per Balance Sheet		75,641,123		74,985,303

SCHEDULE "C" - 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 1.4.2006	ADD	LESS	AS ON 31.03.2007	UP TO 1.4.2006	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
1	Membership Card Bse	18,000,000	-	-	18,000,000	-	-	-	-	18,000,000	18,000,000
2	Office Premises	11,430,390	-	-	11,430,390	-	-	-	-	11,430,390	11,430,390
3	Premises	2,227,500	-	-	2,227,500	-	-	-	-	2,227,500	2,227,500
4	Office Equipments	2,182,377	-	-	2,182,377	1,246,513	130,177		1,376,690	805,687	935,864
5	Vehicles	2,296,735	-	-	2,296,735	1,939,211	92,563		2,031,774	264,961	357,524
6	Computers	6,285,652	-	-	6,285,652	5,975,634	124,007		6,099,641	186,011	310,018
7	Furniture & Fittings	1,741,442	-	-	1,741,442	1,304,904	79,013		1,383,917	357,525	436,538
9	Electric Equipment	384,035	-	-	384,035	287,948	17,031		304,979	79,056	96,087
	Total Rs.	44,548,131	-	-	44,548,131	10,754,210	442,791	-	11,197,001	33,351,130	33,793,921
	Previous Year	44,541,381	6,750	-	44,548,131	10,152,878	601,332	-	10,754,210	33,793,921	34,388,503

SCHEDULE "D" - INVESTMENT (AT COST)

	CURRENT YEAR		PREVIOUS YEAR	
	Nos.	Rs.	Nos.	Rs.
<u>I. QUOTED SHARES</u>				
Investment in Shares of Public Limited Listed Companies	547,239	50,344,367	547,239	50,315,547
		<u>50,344,367</u>		<u>50,315,547</u>
II. UNQUOTED QUOTED 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	10,000	10,000	10,000	10,000
		<u>910,000</u>		<u>910,000</u>
As per Balance Sheet		<u><u>51,254,367</u></u>		<u><u>51,225,547</u></u>

NOTE : Aggregate market value of the company's Quoted Investment as on 31st March 2007 is
Rs.264,327,062 (Previous Year 175,858,189)

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "E" - CURRENT ASSETS, LOANS & ANVANCES				
a) Sundry Debtors (Unsecured) (Unsecured considered good)				
Sundry Debtors - More than Six Month	22,298,469		22,381,671	
Sundry Debtors - Less than Six Month	<u>11,821</u>	22,310,290	<u>13,143</u>	22,394,814
c) Cash and Bank Balance				
Cash on hand (As certified by Director)	1,959,628		4,429,300	
Balance With Scheduled Banks	<u>6,441,927</u>	8,401,555	<u>14,319,178</u>	18,748,478
d) Other Current Assets				
Advance Tax & TDS	11,234,874		11,068,766	
Deposit - Interest Free	30,471,960		29,979,960	
- Others	124,849,150	166,555,984	<u>129,795,603</u>	170,844,329
e) Loans and Advances (Unsecured Considered Good)				
Loans and advances to staff	732,330		680,250	
Prepaid Expenses	54,899		40,933	
Other Advances	<u>43,027,107</u>	43,814,335	<u>20,606,187</u>	21,327,370
As per Balance Sheet		241,082,165		233,314,991

**SCHEDULE "F" - CURRENT LIABILITIES
& PROVISIONS**

a. Current Liabilities				
Sundry Creditors	1,006,951		1,007,368	
Deposit from Clients	60,000		60,000	
Margin accounts	150,000,000		150,000,000	
Dues of Holding Company (Mukesh Babu Financial Services Ltd.)	13,064,082		15,564,082	
Other Liabilities	188,444		180,521	
Bank Overdraft	<u>37,597,670</u>	201,917,147	<u>28,196,991</u>	195,008,962
b. provisions				
Provision for Taxation		125,650		65,000
As per Balance Sheet		202,042,797		195,073,962

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "G" - ADMINISTATIVE AND GENERAL EXPENSES				
Auditors Remuneration				
for Audit Fees	22,472		23,960	
for Consultancy Fees	<u>22,472</u>	44,944	<u>23,960</u>	47,920
Directors Remuneration		1,200,000		1,200,000
Electricity expenses		117,586		182,569
Staffwelfare Expenses		316,343		385,546
Conveyance & Travelling		518,537		455,415
Insurance		1,964,048		1,962,451
Membership and subscription		100,000		301,506
Miscellaneous Expenses		375,208		186,507
VSAT and Lease Line Charges		275,344		300,000
Telephone & Courier Exp		248,240		316,534
Printing and Stationery		22,391		31,970
Professional and Consultancy fees		992,528		151,941
Rent, Rates and Taxes		641,299		130,552
Repairs & Maintenance		248,317		169,816
Salary & Wages		1,591,832		1,875,748
Trade Execution Charges		1,050,000		1,350,000
Transaction Charges		726,569		791,440
Turnover fees		70,000		72,000
As per Profit and Loss Account		10,503,185		9,911,915

SCHEDULE --“H” -- NOTES TO ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH, 2007

1. ACCOUNTING POLICIES :

a. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income & Expenditure on an Accrual Basis with necessary provisions for all known liabilities except for Dividend income which is being accounted for with on cash basis. The accounts 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 standard issued by the Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.

b. Valuation of fixed Assets

Fixed assets are carried at historical costs less accumulated depreciation.

c. Depreciation Policy

Depreciation on assets is provided on written down value basis at the rates prescribed in Schedule xiv to the Companies Act, 1956.

No provision for depreciation has been made on Premises as the possession has not been handed over to the company, pending receipt of Occupancy Certificate.

d. 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.

e. Revenue Recognition :

The Company accounts for the income on accrual basis. The brokerage for different exchanges ends on different dates and hence company accounts up to the last valan of the year, as it is the trade practice and it is net of tax.

2. Contingent Liabilities

Bank Overdraft balance is subject to reconciliation and confirmation.

3. The Schedules referred to in the Balance Sheet form an integral part of the accounts.
4. The figures of the previous year are regrouped, rearranged and reclassified wherever necessary to correspond to those of the current year.
5. No provision for gratuity and leave encashment to the employee have 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.
6. Maximum amount outstanding during the year to the holding company - Rs. 15,564,082 (Previous Year Rs. 15,862,959/-).
7. In the opinion of the directors current assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of the business and provisions for all known liabilities are adequate and not in excess of the amounts reasonably necessary.
8. Balances of Sundry Debtors and Balances of Sundry Creditors are subject to confirmations and reconciliation, if any.
9. 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. 271,452. Deferred Tax Assets/Liability comprises of Tax effect of timing differences on account of :

Particulars	Amount of Tax Effect Rs.	Amount of Tax Effect Rs.
	Current Year	Previous year
1. Timing Difference provided for earlier year	31,163	(174,003)
2. Current Year Timing difference in Depreciation	66,286	101,228
3. Earlier year's Timing difference	174,003	0
4. Current year's business loss and Depreciation	0	721,024
Total Deferred Tax Assets for current Year	240,289	822,252
Net Deferred Tax Assets Accounted in books	271,452	648,249

10. Additional information pursuant to part II of Schedule VI to the Companies Act, 1956 is as under:

Foreign Exchange earnings & Out go during the year -Nil (Previous year nil)

11. The company is awaiting sanction and approval from the Stock Exchanges for recommencement of its Broking Business. The Company has already made necessary applications in this regard. Consequently there is no broking income during the year.

12. The Company's application for the renewal of the Certificate of Registration as a Depository Participant of M/s. National Securities Depository Limited has been rejected by the SEBI and the company is filed its appeal in the Securities Appellate Tribunal against the order of SEBI.

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

- (i) Holding Company : Mukesh Babu Financial Services Limited For full year.
- (ii) Managerial Personnel: Ms. Meena M. Babu (Managing Director) For full year
- (iii) Transactions during the year.

Particulars	Amount Rs in Lacs
A. Mukesh Babu Financial Services Limited. (Holding Company)	
Amount refunded against loans and advances	65.00
Amount granted during the year	40.00
Closing Credit balance Payable at the year end	130.64
B. Ms. Meena Mukesh (Managing Director)	
Remuneration paid during the year	12.00

14. 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 the fixed assets.

AS PER OUR REPORT ATTACHED

For Chaitanya C. Dalal & Co. FOR AND ON BEHALF OF THE BOARD
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
(Chaitanya C. Dalal & Co. Partner Membership No. 35809	(K. Chandrasekhar) Company Secretary	(Mukesh Babu) Director	(Meena Mukesh) Director

Place: Mumbai

Place: Mumbai

Date: 23rd July, 2007

Date: 23rd July, 2007

MUKESH BABU SECURITIES LIMITED.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007.

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		445,018		(717,431)
Adjustments for :				
Depreciation & Misc. Exp. Written off	442,791		601,332	
Foreign Exchange	-		-	
Loss on Sale on Investments	-		-	
Profit on Trading	-		-	
Interest/Dividend (Received)	(12,030,081)		(9,727,120)	
Interest paid	650,908		-	
Excess Provision for Taxation	-	(10,936,382)	-	(9,125,788)
Operating Profit Before Working Capital Changes		(10,491,364)		(9,843,219)
Adjustments for:				
Sundry Debtors	84,523		205,477	
Loans and Advances	(22,486,965)		(171,128)	
Other Current Assets	4,288,345		9,059,085	
Sundry Creditors	(417)		-	
Other Liabilities	(2,492,077)	(20,606,591)	(2,426,432)	6,667,002
Cash Generated from Operations		(31,097,955)		(3,176,217)
Interest Paid		(650,908)		-
Direct Taxes Paid		60,650		(35,000)
Cash Flow Before Extraordinary Items		(31,688,213)		(3,211,217)
Extraordinary Items		(60,650)		(50,701)
NET CASH FROM OPERATING ACTIVITIES		(31,748,863)		(3,261,918)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	-		(6,750)	
Sale of Fixed Assets	-		-	
Purchase of Investments	(28,820)		(1,699,210)	
Purchase of Stock -in -Trade	-		-	
Sale of Investments	-		-	
Sale of Stock - in -Trade	-		-	
Profit on Share Trading (Speculation)	-		-	
Interest & Dividend Received	12,030,081	12,001,261	9,727,120	8,021,160
NET CASH USED IN INVESTING ACTIVITIES		12,001,261		8,021,160
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	9,400,679		-	
Repayment of Loan	-		-	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-	9,400,679	-	-
NET CASH USED IN FINANCING ACTIVITIES		9,400,679		-
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(10,346,923)		4,759,243
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		18,748,478		13,989,235
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		8,401,555		18,748,478

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) (Mukesh Babu) (Meena Mukesh)
Company Secretary Director Director

Place: Mumbai.
Date : 23rd July, 2007

Place: Mumbai.
Date : 23rd July, 2007

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

I. Registration Details

Registration No.	76455	Status Code	11
Balance Sheet Date	31.03.2007		

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	Total Assets
	327,684	327,684
	Paidup Capital	Reserves and Surplus
	50,000	75,641
	Secured Loans	Unsecured Loans
	-	-
Application of Funds	Net Fixed Assets	Investment
	33,351	51,254
	Net Current Assets	Miscellaneous Expenditure
	39,039	-
	Accumulated Losses	
	-	

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

Turnover	12,042	Total Expenditure	11,597
Profit or (Loss) before Tax	445	Profit or (Loss) after Tax	656
Earning Per Share in Rs.	0.13	Dividend Rate in (%)	-

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

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

Sd/-

(K. Chandrasekhar)
COMPANY SECRETARY

Sd/-

(Mukesh Babu)
DIRECTOR

Sd/-

(Meena Mukesh)
DIRECTOR

ANNUAL REPORT 2006 - 2007

MUKESH BABU FINANCIAL SERVICES LIMITED (CONSOLIDATED ACCOUNTS)

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
Bank of India
UTI Bank

CONTENTS

Registered Office

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

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Auditors

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

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

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

1. We have examined the attached consolidated Balance Sheet of Mukesh Babu Financial services Ltd., (“The Company”) and its subsidiary Mukesh Babu Securities Limited as at 31st March 2007 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. 3276.84 lacs as at 31st March, 2007 and total gross revenues of Rs. 120.42 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 policies under the notes to accounts nor amount has been quantified.
6. Reference is made to note no. 10 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, 2007 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 , 24/08/2007

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

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>173,532,740</u>	243,205,240	<u>158,097,000</u>	227,769,500
2. LOAN FUNDS					
a. Secured Loans		-		-	
b. Unsecured Loans		<u>-</u>	-	<u>-</u>	-
3. MINORITY INTEREST			60,785,256		60,467,930
TOTAL FUNDS EMPLOYED			<u>303,990,496</u>		<u>288,237,430</u>
II. APPLICATION OF FUNDS					
1. FIXED ASSETS	3				
Gross Block		69,462,035		68,473,405	
Less : Depreciation		<u>24,714,906</u>		<u>23,521,390</u>	
Net Block			44,747,129		44,952,015
2. INVESTMENTS	4		62,754,367		62,725,547
3. DEFERRED TAX ASSETS			5,474,839		7,143,634
4. CURRENT ASSETS, LOANS AND ADVANCES:	5				
a. Inventories		110,991,995		99,015,340	
b. Sundry Debtors		22,316,043		22,540,957	
c. Cash and Bank Balance		14,292,013		25,823,249	
d. Other Current Assets		174,408,226		172,366,774	
e. Loans & Advances		<u>89,597,729</u>		<u>59,609,298</u>	
		<u>411,606,006</u>		<u>379,355,618</u>	
5. LESS : CURRENT LIABILITIES AND PROVISIONS:	6				
a. Current Liabilities		219,087,695		205,067,384	
b. Provisions		<u>1,504,150</u>		<u>872,000</u>	
		<u>220,591,845</u>		<u>205,939,384</u>	
NET CURRENT ASSETS			191,014,161		173,416,234
6. MISCELLANEOUS EXPENDITURE			-		-
TOTAL ASSETS			<u>303,990,496</u>		<u>288,237,430</u>

Notes to Accounts 9

As per our report of even date.

FOR SHAH SHAH & SHAH
Chartered Accountants

Sd/-

(Mehul C. Shah)
Partner
Membership No. 49361

Place : Mumbai

Date : 24/08/2007

FOR AND ON BEHALF OF THE BOARD

Sd/-

(MUKESH BABU)
Managing Director

Place : Mumbai

Date : 24/08/2007

Sd/-

(K. CHANDRASEKHAR)
Director

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST
MARCH 2007

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Income from Operations	7	21,631,264		26,754,136	
Other Income		12,063,081	33,694,345	8,127,058	34,881,194
Total			33,694,345		34,881,194
II. EXPENSES					
Administrative and General Expenses	8	13,656,045		15,007,305	
Depreciation		1,193,516		1,356,128	
Interest		650,908	15,500,469	-	16,363,433
PROFIT/(LOSS) BEFORE TAXATION			18,193,876		18,517,761
(Add)/Less : Taxation & Non Tax Bearing Items					
Current Tax		550,000		775,000	
Deferred Tax		1,668,835		1,284,807	
Fringe Benefit Tax		82,150		97,000	
Security Transaction Tax		137,665		40,605	
Taxation of Earlier Years		2,201	2,440,851	(2,794)	2,194,618
PROFIT/(LOSS) AFTER TAXATION			15,753,025		16,323,143
Add/(Less) : Items relating to earlier years					14,299
Less: Transferred to Statutory Reserve			3,019,441		3,291,044
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION			12,733,584		13,046,398
Add/(Less) : Transferred to Minority Interest			(317,286)		(56,981)
Add: (Less): Transferred from / To General Reserve			(338,534)		(60,798)
BALANCE CARRIED TO BALANCE SHEET			12,077,765		13,164,177
Earning per share (Basic/Diluted)			2.26		2.34

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/

(Mehul C. Shah)
Partner
Membership No. 49361

(MUKESH BABU)
Managing Director

(K. CHANDRASEKHAR)
Director

Place : Mumbai

Place : Mumbai

Date : 24/08/2007

Date : 24/08/2007

MUKESH BABU FINANCIAL SERVICES LIMITED

SCHEDULE "1" TO "9" FORMING AN INTEGRAL PART OF THE CONSOLIDATED A/C FOR THE YEAR ENDED 31ST MARCH 2007.

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
Amount paid up on Share Forfeiture A/c				
Balance As per Last balance sheet	-		7,105,000	
Less: Call money returned.	<u>-</u>		<u>16,500</u>	
	-		7,088,500	
Less: balance transferred to Capital Reserve	<u>-</u>	-	<u>7,088,500</u>	-
As per Balance Sheet		<u>69,672,500</u>		<u>69,672,500</u>
SCHEDULE "2" - RESERVES & SURPLUS				
Capital Reserve				
Balance as per last Balance Sheet	-		-	
Add: Transfer from Share Forfeiture A/c	<u>7,088,500</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	59,790,284		59,790,284	
Add:Transfer from Profit & Loss A/c	<u>338,534</u>	60,128,818	<u>59,790,284</u>	59,790,284
Profit & Loss Account credit Balance :				
Balance as per last Balance Sheet	13,164,177		-	
Add:Transfer from Profit & Loss A/c	<u>12,077,765</u>	25,241,942	<u>13,164,177</u>	13,164,177
Statutory Reserve :				
Balance as per last Balance Sheet	4,499,039		1,207,995	
Add:Transfer from Profit & Loss A/c	<u>3,019,441</u>	7,518,480	<u>3,291,044</u>	4,499,039
As per Balance Sheet		<u>173,532,740</u>		<u>158,097,000</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 1.4.2006	ADD	LESS	AS ON 31.03.2007	UP TO 1.4.2006	FOR THE YEAR	WRITTEN BACK	UP TO 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
1	Office Premises	26,313,640	-	-	26,313,640	7,178,570	385,232	-	7,563,802	18,749,838	19,135,070
2	Premises	2,227,500			2,227,500	-			-	2,227,500	2,227,500
3	Membership Card BSE	18,000,000			18,000,000	-			-	18,000,000	18,000,000
4	Guest House	2,100,000	-	-	2,100,000	105,000	99,748	-	204,748	1,895,252	1,995,000
5	Flat at Panvel	360,000	-	-	360,000	18,000	17,100	-	35,100	324,900	342,000
6	Furniture & Fixtures	3,990,463	-	-	3,990,463	2,930,305	191,889	-	3,122,194	868,269	1,060,158
7	Electrical Fittings	484,390	-	-	484,390	378,942	18,727	-	397,669	86,721	105,448
8	Office Equipments	3,611,531	-	-	3,611,531	2,317,174	180,045	-	2,497,219	1,114,312	1,294,357
9	Computers	8,650,225	38,630	-	8,688,855	8,227,069	174,412	-	8,401,481	287,374	423,156
10	Vehicles	2,735,656	950,000	-	3,685,656	2,366,330	126,363	-	2,492,693	1,192,963	369,326
	Total Rs.	68,473,405	988,630	-	69,462,035	23,521,390	1,193,516	-	24,714,906	44,747,129	44,952,015
	Previous Year	68,379,135	94,270	-	68,473,405	22,165,262	1,356,128	-	23,521,390	44,952,015	25,986,373

SCHEDULE "4" - INVESTMENTS (AT COST)

Scrip Name	CURRENT YEAR		PREVIOUS YEAR	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
<u>LONG TERM INVESTMENTS</u>				
<u>SHARES AND DEBENTURES</u>				
A. Shares (Quoted)				
Investment in Shares of Public Limited				
Listed Companies	557,239	50,794,367	557,239	50,765,547
Total - (A)		50,794,367		50,765,547
B. Shares (Unquoted), Mutual Funds & Units				
Rushil Industries Ltd.	50,000	5,000,000	50,000	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
Securd Bonds of Dena Bank	10	100,000	10	100,000
Bombay Stock Exchange Ltd	10,000	10,000	10,000	10,000
Omni Engineering Industries P.ltd (Share applicaion Money)	25,000	2,500,000	25,000	2,500,000
Total - (B)		11,960,000		11,960,000
AS PER BALANCE SHEET (A+B)		62,754,367		62,725,547

Note : Market Value of Quoted Investment as of 31st March,2007 is Rs. 266,927,062 (Previous Year Rs.177,977,689)

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "5" - CURRENT ASSETS, LOANS & ADVANCES				
a) Closing Stock		110,991,995		99,015,340
b) Sundry Debtors (Unsecured)				
Considered good Over Six months	22,298,469		22,381,671	
Others Considered good	<u>17,574</u>	22,316,043	<u>159,286</u>	22,540,957
c) Cash and Bank Balance				
Cash on hand				
(As certified by the management)	2,585,884		5,001,181	
In Current Account with				
Scheduled Banks	<u>11,706,129</u>	14,292,013	<u>20,822,068</u>	25,823,249
d) Other Current Assets				
Advance Tax & TDS	12,436,193		11,593,084	
Deposit : interest Free	30,471,960		30,978,087	
Other	<u>131,500,073</u>	174,408,226	<u>129,795,603</u>	172,366,774
e) Loans and Advances				
(Unsecured Considered Good)				
Loans - Inter Corporate :				
Others	10,312,293		13,899,677	
Others	5,095,000		7,048,421	
Advances to Staff & Associates	2,729,830		1,583,250	
Dues from company under the same				
Management	1,175,000		1,175,000	
Advances Recoverable in Cash or				
kind Or for Value to be received	<u>70,285,606</u>	89,597,729	<u>35,902,950</u>	59,609,298
As per Balance Sheet		411,606,006		379,355,618
SCHEDULE "6" - CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities				
Bank Over Draft	61,924,899		52,524,220	
Margin Deposit	150,000,000		150,000,000	
Deposit from Clients	60,000		60,000	
Sundry Creditors	6,814,315		2,202,184	
Other Liabilities	<u>288,481</u>	219,087,695	<u>280,980</u>	205,067,384
b. provisions				
Provision for Taxation	<u>1,504,150</u>	1,504,150	<u>872,000</u>	872,000
As per Balance Sheet		220,591,845		205,939,384

Particulars	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE "7" - INCOME FROM OPERATION				
Interest on loans granted		931,158		1,353,697
Income From Depository Services		11,821		68,696
Dividend Income		11,919,399		11,649,383
Profit on Shares & Securities		8,768,886		13,682,360
As per Profit & Loss Account		21,631,264		26,754,136

SCHEDULE "8" - ADMINISTRATIVE AND GENERAL EXPENSES

Annual Membership Fees		24,448		
Auditors' Remuneration				
For Certification & Other work	45,430		38,404	
For Statutory Audit	<u>44,944</u>	90,374	<u>46,408</u>	84,812
Computer Expenses		81,293		104,395
Conveyance & Travelling Expenses		651,495		626,028
Demat and Depository Exp.		14,989		9,557
Directors' Remunerations		2,441,000		2,404,000
Electricity Expenses		245,726		300,433
Guest House Expenses		36,000		36,000
Professional & Legal Fess		1,173,986		340,080
Legal Compliance Expenses		21,444		21,504
Listing Fees		33,000		33,000
Office Expenses		19,202		26,533
Postage and Courier		33,371		61,062
Printing and Stationery Expenses		135,455		185,440
Rent, Rates & Taxes		724,732		229,209
Repairs and Maintenance		327,401		326,676
Salary Expenses		1,913,397		2,157,808
Staff welfare Expenses		325,643		385,546
Trade Execution Exp		1,050,000		1,350,000
Transaction Charges		726,569		791,440
Turn over Fees		70,000		72,000
Mess & Refreshment Expenses		207,788		214,460
Telephone Expenses		302,595		368,191
Membership & Subscription		100,000		325,546
Insurrance Exp		1,964,048		1,966,066
VSAT & lease Line Exp		275,344		300,000
Sundry Expenses		666,746		2,287,519
As per Profit & Loss Account		13,656,045		15,007,305

SCHEDULE "9"

NOTES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

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.
Sagar Systech Limited	1,175,000	1,175,000

Maximum outstanding during the Year

NAME OF THE COMPANY	Current Year Rs.	Previous Year Rs.
Sagar Systech Limited	1,175,000	1,175,000

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

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty. Nos.)	2,392,019	327,999	420,707	2,299,311
Value (Amount Rs.)	99,015,340	24,963,231	26,729,144	110,991,995

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

5. During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, has resulted in a Deferred Tax Liability amounting to Rs. 1,467,408 as at the year end. The Deferred Tax Assets is arrived as follows.

Particulars	Amount of Tax Effect Rs.	Amount of Tax Effect Rs.
	Current Year	Previous year
1. Timing Difference provided for earlier year	129,566	(277,378)
2. Current Year Timing difference in Depreciation	93,430	143,522
3. Earlier years' Timing Difference	174,003	103,285
4. Last year's business loss reversed	(2,065,833)	1,315,378
Total Deferred Tax Assets for current Year	(1,798,400)	1,562,185
Net Deferred Tax Assets Accounted in books	(1,668,835)	(1,284,807)

6. The balances of sundry debtors, sundry creditors, 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. The documents with respect to property at Panvel have been lodged with the appropriate authority pending its approval. The said property was obtained pursuant to court order against realization of loans. The Company has obtained possession of the flat and claimed depreciation on the same.

8. Earning Per Share

PARTICULARS	YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
Profit/(Loss) After Tax Rs.	15,753,025	16323143
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.	2.26	2.34
Face Value per Equity Share Rs.	10	10

9. 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.
10. 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.
11. 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.
12. Directors' remuneration RS. 24,41,000/-(Previous year RS. 24,04,000/-) is within the limits of Schedule XIII to the Companies Act 1956.
13. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties with whom transactions entered:

- (i) Associates: Ista Fashion Pvt. Ltd., Ashtavinayaka Alloys P. Ltd., Arya Marine Academy (Trust), Babu & Parekh Securities Private Limited, Ista Infotech Private Limited, Sagar Systech Limited, Ista Impex Private Limited.
- (ii) Key Managerial Personnel: Mukesh Babu, Meena Mukesh Babu.

(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>	--

16. 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.
17. The Subsidiary Company is awaiting sanction and approval from the Stock Exchanges for recommencement of its Broking Business. The Company has already made necessary applications in this regard. Consequently there is no broking income during the year.
18. The Subsidiary Company's application for the renewal of the Certificate of Registration as a Depository Participant of M/s. National Securities Depository Limited has been rejected by the SEBI and the company has filed its appeal in the Securities Appellate Tribunal against the order of SEBI.
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/-

Sd/-

Managing Director
(Mukesh Babu)

Director
(K. Chandrasekhar)

Place: Mumbai.
Date: 24/08/2007

MUKESH BABU FINANCIAL SERVICES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31ST MARCH 2007

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax and Extraordinary Item		18,193,876		18,477,156
Adjustments for :				
Depreciation & Misc. Exp. Written off	1,193,516		1,356,128	
Bad Debts written off	-		1,974,016	
Interest Paid	650,908		-	
Excess Provision for Taxation	-	1,844,424	2,794	3,332,938
Operating Profit Before Working Capital Changes		20,038,300		21,810,094
Changes in Working Capital:				
Inventories	(11,976,655)		(2,348,035)	
Sundry Debtors	224,914		59,335	
Loans and Advances	(29,988,431)		(16,731,560)	
Other Current Assets	(2,041,452)		11,173,036	
Sundry Creditors	4,612,131		1,063,328	
Other Liabilities	7,501	(39,161,991)	(295,064)	(7,078,960)
Cash Generated from Operations		(19,123,692)		14,731,134
Interest Paid		(650,908)		
Direct Taxes Paid				(235,000)
Cash Flow Before Extraordinary Items		(19,774,600)		14,496,134
Extraordinary Items		(139,866)		(2,202)
NET CASH FROM OPERATING ACTIVITIES		(19,914,466)		14,493,932
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(988,630)		(94,270)	
Sale of Fixed Assets	-		-	
Purchase of Investments	(28,820)		(6,699,210)	
Sale of Investments	-	(1,017,450)	-	(6,793,480)
NET CASH USED IN INVESTING ACTIVITIES		(1,017,450)		(6,793,480)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Short Term Borrowings	9,400,679		-	
Repayment of Loan	-		(2,000,000)	
Repayment of Finance Lease Liabilities	-		-	
Dividends Paid	-		-	
Increase in Misc. & Public Issue Expenses	-	9,400,679	-	(2,000,000)
NET CASH USED IN FINANCING ACTIVITIES		9,400,679		(2,000,000)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(11,531,236)		5,700,452
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25,823,249		20,122,797
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		14,292,013		25,823,249

FOR SHAH SHAH & SHAH
Chartered Accountants

Sd/-

(Mehul C. Shah)
Partner
Membership No.49361

Place : Mumbai

Date : 24/08/2007

FOR AND ON BEHALF OF THE BOARD

Sd/-

(MUKESH BABU)
Director

Place : Mumbai

Date : 24/08/2007

Sd/-

(K. CHANDRASEKHAR)
Director

Mukesh Babu Financial Services Limited.

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

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

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

DP. Id*

Regd. Folio No.

Client Id*

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at an Annual General Meeting of the company held on Friday, 28th September 2007 at 4 p.m. at 12A/1, New Sion Co-op. Hsg. Soc. Ltd., Sion-West, Mumbai - 400 022.

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 Friday 28th September 2007 or at any adjournment thereof.

Signed this _____ day of _____ 2007

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.