

Annual Report

2011-2012

ADARSH MERCANTILE LIMITED

ADARSH MERCANTILE LIMITED

BOARD OF DIRECTORS

P NARAYANAN
GAUTAM AGARWALA
EKTA DHANANIA

SECRETARIAL COMPLIANCE OFFICER

P S & ASSOCIATES

AUDITORS

S RAY & CO.
CHARTERED ACCOUNTANTS

BANKERS

CITIBANK N.A.

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REGISTERED OFFICE

8A & 8B, SATYAM TOWERS
3, ALIPORE ROAD
KOLKATA – 700 027

ADARSH MERCANTILE LIMITED

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at the Registered Office at 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027, on Saturday, the 15th day of September 2012 at 12.00 P.M. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Statement of Profit & Loss and Cash Flow Statement for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint the Statutory Auditors of the Company and fix their remuneration.
3. To appoint a Director in place of Mr. Pothera Narayanan who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Gautam Agarwala who retires by rotation and is eligible for re-appointment.

Notes:

- a) Each shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a shareholder. The proxy form should, however, be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- b) Corporate Members intending to send their authorized representatives at attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- c) Members/Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in.
- d) The Register of Share Transfers of the Company will remain closed for accepting share transfer applications from 10th September 2012 to 15th September 2012.

By Order of the Board of Directors

For Adarsh Mercantile Ltd.

P Narayanan
Director

Date: July 30, 2012

Place: Kolkata

ADARSH MERCANTILE LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are hereby presenting the Annual Report together with the audited accounts of the company for the year ended 31st March 2012.

FINANCIAL RESULTS

The working of the Company during the year under review shows a net profit of Rs 490,786 which is accumulated with the credit balance in Profit & Loss Account of Rs 7,777,408 after providing for taxes & income tax adjustments for Rs 70,115.

DIVIDEND

Your Directors do not recommend payment of any dividend for the year.

STATUTORY INFORMATION

a) Conservation of Energy

Your Company not being a Manufacturing Company, the provisions relating to measures for conservation of energy and reduction of energy consumption are not applicable.

b) Technology absorption

No comment is being made on technology absorption considering the nature of activities undertaken by your Company during the period under preview.

c) Foreign Exchange Earning/Outgo

There has been no foreign exchange earnings or outflow during the period under preview.

d) Information u/s 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

None of the employees of the Company was in receipt of remuneration in the aggregate which was in excess of Rs 6,000,000 if employed throughout the year, or at a rate which was in excess of Rs 500,000 per month, if employed for a part of the year.

e) As required under Section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state that:

- i) in the preparation of the annual accounts for the year under review, the applicable Accounting Standards, subject to Notes on Accounts as stated in the Schedule annexed to the account, has been followed;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year concerned and of the profit/loss of the Company for the year under review;
- iii) 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;

ADARSH MERCANTILE LIMITED

- iv) the Directors had prepared the Annual Accounts for the year under review on a going concern basis.

PARTICULARS OF EMPLOYEES

There is no employee in respect of whom particulars pursuant to section 217(2) of the Companies Act, 1956 are required to be given.

AUDITORS

M/s Ray & Co., Chartered Accountants, retires on conclusion of the Annual General Meeting and being eligible offer themselves for reappointment.

COMPLIANCE CERTIFICATE

Pursuant to Proviso to sub-section (1) of Section 383A of the Companies (Amendment) Act, 2000 and Rule 3(1) of the Companies (Compliance Certificate) Rules, 2001, the Board has appointed M/s PS & Associates, Company Secretary for certifying the compliance by the Company under the Companies Act, 1956 and other allied Rules for the financial year ended on 31.03.2012. The compliance certificate given by M/s PS & Associates forms part of the Directors' Report and is annexed herewith.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report under Annexure. The certificate from the Company's auditors confirming the compliance in terms of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchange is annexed thereto. A certificate from CEO/CFO of the Company is also annexed.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere thanks to the shareholders for their support, co-operation and confidence in the management of the Company.

The observations made by the auditors in their report are as duly explained in the relevant notes on accounts.

By order of the Board

Kolkata
May 30, 2012

Gautam Agarwala
(Director)

P Narayanan
(Director)

MANAGEMENT DISCUSSION AND ANALYSIS

The key areas of Management Discussion and Analysis are given below.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The year 2011-12 was a challenging year for the Indian economy mainly due to high inflation and high cost of finance that impacted investments. The economy experienced a sharp decline in GDP rate from 8.4% in 2010-11 to 6.9% in 2011-12. The tightened liquidity also affected the functioning of Capital markets.

However, despite such deceleration, your Company continued to focus on its operations and emerged stronger.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The Company is engaged primarily in the business of trading activities accordingly there are no separate reportable segments.

OUTLOOK

Your Company is making all efforts to accelerate the growth of its business. In spite of the market risks faced by your Company, your directors are optimistic about the future prospects of the Company.

OPPORTUNITIES & THREATS

Your Company's growth and profitability are dependent on the functioning of Commodity & Capital Markets. Your Company expects a favorable market in the years to come. Your Company on its part is also well poised to seize new opportunities as they come.

RISKS & CONCERNS

Your Company is exposed to several market risks like credit risk, liquidity risk and interest rate risk. The volatility of the capital markets in which your Company operates is also a major cause of concern to the Company.

INTERNAL CONTROL SYSTEM AND ADEQUACY

Internal control systems and procedures in the Company are commensurate with the size and the nature of Company's business and are regularly reviewed and updated by incorporating changes in regulatory provisions in order to safeguard the assets and to ensure reliability of financial reporting.

FINANCIAL PERFORMANCE

During the year under review the Company received dividend of Rs 351,988 compared to Rs 376,052 in the previous year. The Interest income during the year was Rs 428,620 as against Rs 797,325 in the corresponding previous period. The Company earned a profit of Rs 616,958 on disposal of Investments compared to Rs 531,177 in the previous year. The trading activities of the Company resulted in a loss of Rs 362,231 during the year as compared to a profit of Rs 728,823 during the previous year.

The profit before tax during the current period was Rs 420,671 compared to Rs 397,765 during the preceding previous year.

ADARSH MERCANTILE LIMITED

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. **Company's philosophy on Code of Governance**

It is the Company's philosophy that good Corporate Governance is necessary to achieve long-term goals and to enhance shareholder value. The Board and management of the Company commit themselves to such corporate governance practices that meet the expectations of all the stakeholders. Apart from compliance with regulatory requirements, the company takes measures to ensure high standard of ethics. All the employees are bound by a Code of Conduct that sets forth the Company's policies.

2. **Board of Directors**

• Composition and Size of the Board

The Board of the Company consists of three Non-Executive Independent Directors, who are having in-depth knowledge of the business.

The independent Directors bring independent judgment in the Board's deliberations and decisions. The size and composition of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchanges. None of the Directors on the Board is a member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49 of the Listing Agreement) across all the companies in which they are Directors.

• Number of Board Meetings held during the year along with the dates of the Meetings

During the financial year under review, five Board meetings were held and the gap between two Board Meetings did not exceed three months. The Board Meetings were held on the following dates:

29th April 2011, 30th May, 2011, 12th August 2011, 7th November 2011 and 31st January 2012

- The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The Agenda and the papers for consideration at the Board Meetings are circulated at least three days prior to the meeting. Adequate information is circulated as a part of Board papers and is made available at the Board Meetings to enable the Board to take informed decisions.
- Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director / Member (as on 31st March, 2012):

| Directors | Category of Directorship | Board Meetings Attended | Attendance at the last AGM | No. of other Directorship held in other Companies | No. of Board Committees of which Member / Chairman in other Companies | |
|---------------------|--------------------------|-------------------------|----------------------------|---------------------------------------------------|-----------------------------------------------------------------------|--------|
| | | | | | Chairman | Member |
| Mr. P Narayanan | NED (I) | 5 | Present | 2 | - | - |
| Mr. Gautam Agarwala | NED (I) | 5 | Present | - | - | - |
| Mrs. Ekta Dhanania | NED (I) | 5 | Present | - | - | - |

(NED)- Non-Executive Director, (ED)-Executive Director, (I)-Independent.

ADARSH MERCANTILE LIMITED

Notes :

1. Number of Directorship held in other companies, exclude Directorship in private companies, foreign companies and Alternate Directorships.
2. An Independent Director is a Director who, apart from receiving Director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries and associates, which in the judgment of the Board may affect their independence of judgment.
- Details of Directors seeking re-appointment at the ensuing Annual General Meeting fixed on 15.09.2012 are given below :

| Name of Director | Mr. Gautam Agarwala | Mr. P. Narayanan |
|----------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Date of Appointment | 28-09-2007 | 24-03-2008 |
| /Re-Appointment | | |
| Expertise in specific functional areas | Senior Executive having experience in financial matters and advises on compliance with various laws. | Senior Executive having experience in financial matters and advises on compliance with various laws. |
| List of other Directorship held | None | Columbia Trading Co. Ltd. Pushpanjali Trexim Ltd. |

3. Audit Committee

The Board of the Company has constituted a Qualified and Independent Audit Committee comprising of three Non-Executive Independent Directors viz. Mr. Gautam Agarwala, Mr. P. Narayanan & Mrs. Ekta Dhanania. The Members of the Committee are well versed with finance and accounts / legal matters and general business practices. All Directors are financially literate and Mr. Gautam Agarwala has accounting and financial management expertise.

The Statutory Auditors are invitees to the meeting.

The terms of reference of the Audit Committee include the matters specified in Clause 49(II) of the Listing Agreement with the Stock Exchanges and covers inter-alia overseeing Company's financial reporting process, adequacy of internal control systems, reviewing financial risk management policies and compliance with Accounting Standards etc.

There were four meetings of the Audit Committee during the year held on 30th May 2011, 12th August 2011, 7th November 2011 & 31st January 2012 and the gap between two meetings was not more than four months. The attendance of each Member of the Committee is given below :

| Name of the Director | No. of Meetings Attended |
|----------------------|--------------------------|
| Mr. Gautam Agarwala | 4 |
| Mr. P. Narayanan | 4 |
| Mrs. Ekta Dhanania | 4 |

All the above members of the Audit Committee were present at the Annual General Meeting of the Company held on 16th August 2011.

4. Investors' / Shareholders' Grievance Committee

The Board of Directors of the Company has constituted Investors' / Shareholders' Grievance Committee, which comprises three Directors viz. Mr. Gautam Agarwala, Mrs. Ekta Dhanania and Mr. P Narayanan.

ADARSH MERCANTILE LIMITED

The Company has not received any grievance from the shareholders and as such no investors' grievance remains unattended or pending during the year under review.

The Investors' / Shareholders' Grievance Committee had two meetings during the year on 12th August 2011 and 31st January 2012.

5. General Body Meetings

| Nature of the General Meeting | Date and time of AGM | Venue | If Special Resolution(s) Passed |
|-------------------------------|----------------------|------------------------------------------------------------|---------------------------------|
| Annual General Meeting | 30.09.2009 | 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027 | No |
| Annual General Meeting | 01.09.2010 | 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027 | No |
| Annual General Meeting | 16.08.2011 | 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027 | No |

No Extra Ordinary General Meetings were held during the year

6. Disclosure

(1) Remuneration

- Remuneration Committee was constituted on 24th March, 2008 comprising of three independent directors, viz., Sri Gautam Agarwala, Smt. Ekta Dhanania and Sri P Narayanan.
- Remuneration of employees largely consists of fixed pay i.e basic pay, allowances etc.
- No remuneration has been paid to the Non-Executive Directors.
- No remuneration was paid to the Executive Directors during the year 2011-2012

Note: No Commission has been paid to any Director.

- There are no related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval. Transactions with the related parties are disclosed in Note No. 24 of the Financial Statements.
- During the last three years, 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.

7. Code of Conduct

The Company has a Code of Conduct for Directors and Senior Management.

8. Means of Communication

- The Company is in the process of developing a website of its own. There were no presentations made to the institutional investors or analysts.
- The Management Discussion and Analysis Report forms a part of this Annual Report.

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9. The details of equity shares/convertible instruments held by Non-Executive Directors of the Company as on 31st March 2012 are as follows:

| Name of Director | No. of equity shares held | No. of convertible instruments held |
|-------------------|---------------------------|-------------------------------------|
| Gautam Agarwala | Nil | Nil |
| Pothera Narayanan | 35,000 | Nil |
| Ekta Dhanania | Nil | Nil |

10. General Shareholder Information

- AGM Date, Time and Venue 15th September 2012 at 11.00 A.M. at 8A & 8B, Satyam Towers, 3, Alipore Road, Kolkata – 700 027
- Financial Calendar for Financial Year 1st April to 31st March. 2012-2013
- First Quarterly Results Before 15th day of August 2012
- Second Quarterly Results Before 15th day of November 2012
- Third Quarterly Results Before 15th day of February 2012
- Audited Yearly Results for the year ended 31st March, 2013 Before end of May 2013
- Date of Book Closure 10th September 2012 to 15th September 2012 (both days inclusive).
- Dividend Payment Date(s) Not Applicable
- Listing on Stock Exchanges The Uttar Pradesh Exchange Association Limited. The Company has paid the listing fee for the period 1st April, 2011 to 31st March, 2012.
- Stock Code - Physical The Uttar Pradesh Stock Exchange Association Limited : 03053
- Demat ISIN Number for NSDL & CDSL INE 673E01018
- Corporate Identification Number L51109WB1992PLC055082
- High / Low market price of the Company's shares traded on Stock Exchanges There was no trading of the Shares of the Company for the period from 1st April, 2011 to 31st March, 2012 at The Uttar Pradesh Stock Exchange Association Limited. Therefore, high / low of market price of the share does not arise.
- Address for Correspondence : Principal Office
Adarsh Mercantile Limited
8A & 8B, Satyam Towers,
3, Alipore Road
Kolkata 700 027
Phone : 2479-1951
Fax : 2479 1952

ADARSH MERCANTILE LIMITED

- Registrar and Transfer Agents for Electronic Segment and Physical Segment

Niche Technologies Pvt. Ltd.
71, B. R. B. Basu Road
Kolkata 700 001
Phone : 2235-7270
Fax : 2215 6823

- Share Transfer System

Shares lodged for transfer are placed before the Board, duly authorized and if approved the transfer and transmission of shares, including issue of duplicate share certificates and allied matters are completed. The Shareholders' / Investors' Grievance Committee monitors investors' grievances. The share transfers received are processed within 15 days from the date of receipt, subject to the transfer instrument being valid and complete in all respects.

- Distribution of Shareholding as on 31st March, 2012.

| No. of Equity Shares held | No. of Shareholders | % of Shareholders to total | Number of Shares | % of Shareholding to total |
|---------------------------|---------------------|----------------------------|------------------|----------------------------|
| 1 - 100 | 124 | 80.52 | 7220 | 0.20 |
| 101 - 200 | 3 | 1.95 | 600 | 0.02 |
| 201 - 400 | Nil | Nil | Nil | Nil |
| 401 - 500 | Nil | Nil | Nil | Nil |
| 501 - 700 | Nil | Nil | Nil | Nil |
| 701 - 2000 | Nil | Nil | Nil | Nil |
| 2001 - 5000 | Nil | Nil | Nil | Nil |
| 5001 - 30000 | 9 | 5.84 | 208750 | 5.68 |
| 30001 - 50000 | 10 | 6.49 | 378575 | 10.30 |
| 50001 - 100000 | 5 | 3.25 | 393750 | 10.71 |
| Above 100000 | 3 | 1.95 | 2686105 | 73.09 |
| | 154 | 100.00 | 3675000 | 100.00 |

- Shareholding Pattern as on 31st March, 2012:

| Category | No. of shares | % |
|----------------------|----------------|---------------|
| FII, NRIs and OCBs | Nil | Nil |
| Mutual Funds | Nil | Nil |
| Domestic Companies | 2758605 | 75.06 |
| Resident Individuals | 916395 | 24.94 |
| Total | 3675000 | 100.00 |

- Dematerialisation of Shares and Liquidity As on 31st March, 2012, 367,500 shares of the Company have been dematerialized.
- Outstanding GDRs / ADRs / Warrants or any convertible instruments conversion date and likely impact on equity Not Applicable.

ADARSH MERCANTILE LIMITED

May 30, 2012

The Board of Directors
Adarsh Mercantile Limited
8A & 8B, Satyam Towers,
3, Alipore Road
Kolkata – 700 027.

Sub: CEO/CFO Certificate with reference to Corporate Governance Norms pertaining to Financial Year 2011-12

Dear Sirs,

We hereby certify that –

1. We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2012 and that to the best of our knowledge and belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year 2011-12 which are fraudulent, illegal or violating the Company's Code of Conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the 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 internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee :
 - a) that there has been no significant changes in internal control over financial reporting during the year,
 - b) that there has been no significant changes in accounting policies during the said financial year;
 - c) that there has been no instances of significant fraud of which we have become aware and therefore, there is no scope of involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Thanking you,

Yours faithfully,
For Adarsh Mercantile Limited

(P Narayanan)
CEO Designated as Director

ADARSH MERCANTILE LIMITED

Registration no. 21-055082:
Paid-up capital: Rs. 3,67,50,000

COMPLIANCE CERTIFICATE

To
The Members of
ADARSH MERCANTILE LIMITED
8A & 8B, Satyam Towers,
3, Alipore Road
Kolkata-700 027

I have examined the registers, records, books and papers of **Adarsh Mercantile Limited.**, as required to be maintained under the Companies Act, 1956 and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2012**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify the following clauses as set out in Form specified under The Companies (Compliance Certificate) Rules, 2001 to the extent relevant to the said Company in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, which were required to be filed with the Register of Companies within the time prescribed under the Act and the rules made there under.
3. The Company being a public limited company, has the minimum prescribed paid up capital.
4. The Board of Directors duly met 5 (five) times on 29th April 2011, 30th May, 2011, 12th August 2011, 7th November 2011 and 31st January 2012 during the year 2011-2012 in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolution was passed during the year under review.
5. Register of Members was remained closed from 8th August 2011 to 15th August 2011.
6. The annual general meeting for the financial year ended on 31st March 2011 was held on 16th August 2011 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;
7. No extra ordinary general meeting was held during the financial year ending 31st March 2012.
8. No loan of the nature specified in section 295 of the Companies Act, 1956 was made; hence no comments are required on the compliance of the provisions of the said section.
9. No contracts of the nature specified in section 297 of the Companies Act, 1956 has been entered in to by the Company during the year with any of the persons stated in the said section.

ADARSH MERCANTILE LIMITED

10. According to explanation furnished to me, the company has made the relevant entries required to be made in the Register maintained u/s 301 pursuant to contracts of the nature specified therein entered into by the Company.
11. The Company was not required to obtain any approval from the Board of Directors, members or of the Central Government pursuant to section 314 of the Act as the provisions of the said section was not relevant to the Company during the said year.
12. No duplicate share certificates were issued by the Company during the year.
13. The Company has:
 - (i) delivered all the certificates on lodgement thereof for transfer/transmission or for any other purpose in accordance with the provisions of the Act.
 - (ii) has not declared any dividend for the year.
 - (iii) duly complied with the requirements of section 217 of the Act;
14. The Board of Directors of the company is duly constituted and the appointment of directors has been duly made. No new appointments of any nature have been made.
15. The Company has not appointed any Managing Director/ Whole- time Director/ Manager in the year under consideration.
16. No appointment of sole-selling agents was made by the Company.
17. The Company was not required to obtain any specific approval of the Central Government, the Company Law Board, Regional Director, Registrar or any other authorities as may be prescribed under any of the provisions of the Act.
18. The Directors have disclosed their interests in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder and necessary entries has been done in the register maintained for the purpose.
19. The Company has not issued nor allotted any shares during the year under consideration.
20. The Company has not bought back any shares during the financial year ending 31st March 2012.
21. The Company does not have any issued preference shares or debentures in its capital structure.
22. The Company was not required to keep in abeyance any rights to dividend, rights shares and bonus shares (no bonus or right issue was made by the company during the year under consideration).
23. The Company has not accepted any deposits as contemplated u/s 58A and 58AA and as such was not required to comply with the provisions of said section read with Companies (Acceptance of -Deposit) Rules, 1975/the applicable directions issued by the Reserve Bank of India/any other authority in respect of deposits accepted including unsecured loans taken, or raised by a company.

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24. The Company was not required to take sanction under section 293 of the Companies Act, 1956 therefore no comments is required.
25. The Company has not made such loans and investments or given guarantees or provided securities to such other bodies corporate that would require a mention and no entries were therefore required to be passed in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. As per information furnished and explanation given to me no prosecution was initiated against or show cause notice received by the company for any alleged offence under the Act and also no fines and/or penalties or any other punishment were imposed on the Company.
32. The Company has not received any amount as security from its employees during the year under certification requiring deposit as per provisions of section 417(1) of the Act;
33. The Company was not required to deduct any provident fund from its employees and as such provisions of section 418 of the Act are not applicable to the Company.

PLACE: Kolkata
Date: 30-05-2012

Signature:
(SWATI BAJAJ)
C.P. No.3502

ADARSH MERCANTILE LIMITED

ANNEXURE 'A'

Registers as maintained by the Company

- 1 Register & Index of Members u/s 150/ 151.
- 2 Register of directors etc u/s 303.
- 3 Register of disclosure u/s 301(3) read with section-299.
- 4 Register of directors' shareholdings u/s 307.
- 5 Register of Application & Allotment
- 6 Register of Transfers.
- 7 Minutes books for minutes of meetings of the Board & shareholders, separately.
- 8 Register of Contracts u/s 301.
- 9 Register of Charges u/s 301

ANNEXURE 'B'

Form and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2012.

| Sl. No. | Form No./ Return | Filed under Section | Purpose | Date of filing | Whether filed within prescribed time | If delay in filing, whether requisite additional fee paid (Yes/No) |
|---------|------------------|---------------------|-----------------------------------|----------------|--------------------------------------|--------------------------------------------------------------------|
| 1. | 20B | 159 | For AGM held on 16-08-2011 | 14-10-2011 | Yes | NA |
| 2. | 23AC/ACA (XBRL) | 220 | For the financial year 2010-11 | 24-11-2011 | Yes | NA |
| 3. | 66 | 383A | For the financial year 2010-11 | 19-08-2011 | Yes | NA |
| 4. | 32 | 303(2) | Change in Designation of Director | 20-08-2011 | Yes | NA |

ADARSH MERCANTILE LIMITED

AUDITORS' REPORT

To the Members of
ADARSH MERCANTILE LIMITED

1. We have audited the attached balance sheet of ADARSH MERCANTILE LIMITED as at March 31, 2012, the profit and loss account and also 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.
2. We have 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account
 - (iv) In our opinion, the balance sheet, 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 Accounting Standard ('AS') 15, Retirement Benefits.*
 - (v) On the basis of written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a 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, together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2012;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and

ADARSH MERCANTILE LIMITED

- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For Ray & Co.
Firm Registration No.: 313124E
Chartered Accountants

Kolkata
May 30, 2012

Subrata Roy
Partner
Membership No. 051205

ADARSH MERCANTILE LIMITED

Annexure to Auditors' Report

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, substantial part of fixed assets has not been disposed off during the year.
- (ii) The Company is trading and investing in shares, mutual funds etc. and therefore, the provisions of clauses 4(ii)(a), 4(ii)(b) & 4(ii)(c) of the Companies (Auditors') Report Order, 2003 (as amended) are not applicable.
- (iii) According to the information and explanations given to us, the Company has neither granted nor taken any loan secured or unsecured to/from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) No deposits within the meaning of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under have been accepted by the Company.
- (vii) The Company does not have an internal audit system. However, in our opinion and according to the representations made by the management, the level of operations and transactions of the Company, by itself, do not require a formal internal audit system.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
- (ix) (a) According to the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities.

ADARSH MERCANTILE LIMITED

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding, as at 31 March 2012 for a period of more than six months from the date they became payable, *except income tax for Rs 6,014 for the AY 2007-08.*

- (b) According to the information and explanations given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute, except

| Name of the statute | Nature of dues | Assessment year | Amount (in Rs) | Forum where dispute is pending |
|----------------------|----------------|-----------------|----------------|--------------------------------------|
| Income Tax Act, 1961 | Income Tax | 2008-2009 | 44,600 | Assistant Commissioner of Income tax |

- (x) The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) The Company has no borrowings from financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us and based on records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, we are of the opinion that proper records have been made of the transactions in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. All the shares, debentures and other investments are held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions during the year.
- (xvi) The Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Ray & Co.
Firm Registration No.: 313124E
Chartered Accountants

Kolkata
May 30, 2012

Subrata Roy
Partner
Membership No. 051205

ADARSH MERCANTILE LIMITED

Balance Sheet as at 31st March, 2012

| | Note | As at 31st March, 2012 | | As at 31st March, 2011 | |
|----------------------------------------|------|------------------------|--------------------------|------------------------|--------------------------|
| <u>EQUITY & LIABILITIES</u> | | | | | |
| Shareholders' Funds | | | | | |
| (a) Share Capital | 2 | 36,750,000 | | 36,750,000 | |
| (b) Reserves & Surplus | 3 | <u>18,719,503</u> | 55,469,503 | <u>18,298,832</u> | 55,048,832 |
| Current Liabilities | | | | | |
| (a) Short-term Borrowings | 4 | 12,175,000 | | - | |
| (b) Other Current Liabilities | 5 | 265,703 | | 9,376 | |
| (c) Short-term Provisions | 6 | <u>50,000</u> | 12,490,703 | <u>70,000</u> | 79,376 |
| TOTAL | | | <u><u>67,960,206</u></u> | | <u><u>55,128,208</u></u> |
| <u>ASSETS</u> | | | | | |
| Non-Current Assets | | | | | |
| (a) Fixed Assets | | | | | |
| (i) Tangible Assets | 7 | 3,271,618 | | 3,272,249 | |
| (b) Non-Current Investments | 8 | <u>26,621,323</u> | 29,892,941 | <u>19,261,770</u> | 22,534,019 |
| Current Assets | | | | | |
| (a) Current Investments | 9 | 22,524,448 | | 2,980,138 | |
| (b) Inventories | 10 | 8,690,642 | | 17,252,397 | |
| (c) Trade Receivables | 11 | - | | 23,510 | |
| (d) Cash and Cash equivalents | 12 | 1,016,323 | | 130,790 | |
| (e) Short-term Loans and Advances | 13 | 5,635,852 | | 12,207,353 | |
| (f) Other Current Assets | 14 | <u>200,000</u> | 38,067,265 | <u>-</u> | 32,594,188 |
| TOTAL | | | <u><u>67,960,206</u></u> | | <u><u>55,128,208</u></u> |
| Significant Accounting Policies | 1 | | | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

For Ray & Co.

Firm Registration No. 313124E

Chartered Accountants

P Narayanan

Gautam Agarwala

} Directors

Subrata Roy

Partner

M. No. 051205

Kolkata

May 30, 2012

ADARSH MERCANTILE LIMITED

Statement of Profit and Loss for the year ended 31st March 2012

| | Note | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|----------------------------------------------------------------------------------|------|--------------------------------|--------------------------------|
| I. Revenue from operations | | | |
| Sale of Products | 15 | 37,437,729 | 39,327,622 |
| II. Other Income | 16 | 1,402,378 | 1,704,555 |
| III. Total Revenue (I + II) | | 38,840,107 | 41,032,177 |
| IV. Expenses: | | | |
| (a) Purchases of stock-in-trade | 17 | 29,238,205 | 44,462,354 |
| (b) Changes in Inventories of Stock-in-trade | 18 | 8,561,756 | (5,863,555) |
| (c) Employee Benefits Expense | 19 | 74,200 | 95,200 |
| (d) Finance costs | 20 | 250,539 | - |
| (e) Depreciation and amortization expense | 7 | 631 | 733 |
| (f) Other expenses | 21 | 193,990 | 610,800 |
| Total expenses | | 38,319,321 | 39,305,532 |
| V. Profit before Exceptional and Extraordinary Items and Tax (III - IV) | | 520,786 | 1,726,645 |
| VI. Exceptional Items | | 30,000 | 1,250,000 |
| VII. Profit before Extraordinary Items and Tax (V - VI) | | 490,786 | 476,645 |
| VIII. Extraordinary Items | | - | - |
| IX. Profit before Tax (VII - VIII) | | 490,786 | 476,645 |
| X. Tax Expenses | | | |
| (a) Current Tax | | 70,115 | 78,880 |
| XI. Profit/(Loss) for the Period from Continuing Operations (IX - X) | | 420,671 | 397,765 |
| XII. Profit/(Loss) from Discontinuing Operations | | - | - |
| XIII. Tax Expenses of Discontinuing Operations | | - | - |
| XIV. Profit/(Loss) from Discontinuing Operations (after Tax) (XII - XIII) | | - | - |
| XV. Profit/(Loss) for the Period (XI + XIV) | | 420,671 | 397,765 |
| XVI. Earning per Equity Share (nominal value of share Rs.10) | | | |
| (a) Basic | | 0.11 | 0.11 |
| (b) Diluted | | 0.11 | 0.11 |

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

For Ray & Co.

Firm Registration No. 313124E

Chartered Accountants

P Narayanan

Gautam Agarwala

Directors

Subrata Roy

Partner

M. No. 051205

Kolkata

May 30, 2012

ADARSH MERCANTILE LIMITED

Cash Flow Statement for the year ended 31st March 2012

| | 31st March, 2012 | 31st March, 2011 |
|----------------------------------------------------------------------|----------------------------|---------------------------|
| Cash flow from operating activities | | |
| Profit before tax | 490,786 | 476,645 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation/amortization on continuing operation | 631 | 733 |
| Adjustment for carrying amount of Current Investments | 114,132 | - |
| Exceptional items | 30,000 | 1,250,000 |
| Loss/(profit) on sale of Investments | (616,958) | (531,177) |
| Interest & Dividend Income | (780,608) | (1,173,377) |
| Interest expense | 250,539 | - |
| Operating profit before working capital changes | <u>(511,477)</u> | <u>22,823</u> |
| Movements in working capital : | | |
| Increase/(decrease) in short-term provisions | (70,000) | - |
| Increase/(decrease) in other current liabilities | 256,327 | (2,382) |
| Decrease/(increase) in trade receivables | 23,510 | 845,086 |
| Decrease/(increase) in inventories | 8,561,756 | (5,863,555) |
| Decrease/(increase) in short-term loans and advances | 6,458,437 | 2,392,474 |
| Decrease/(increase) in other current assets | (200,000) | - |
| Cash generated from / (used in) operations | 14,518,552 | (2,605,554) |
| Direct taxes paid/Adjusted (net of refunds) | 62,949 | (71,320) |
| Net Cash flow from / (used in) operating activities (A) | <u>14,581,501</u> | <u>(2,676,874)</u> |
| Cash flow from investing activities | | |
| Proceeds from sale/ (purchase) of current investments (Net) | (27,017,995) | 4,802,037 |
| (Loss)/Profit on sale of Investments | 616,958 | 531,177 |
| Purchase of fixed assets | - | (3,267,715) |
| Interest & Dividend Income | 780,608 | 1,173,377 |
| Net Cash flow from / (used in) investing activities (B) | <u>(25,620,429)</u> | <u>3,238,877</u> |
| Cash flow from financing activities | | |
| Proceeds from short-term borrowings | 12,175,000 | - |
| Interest paid | (250,539) | - |
| Net Cash flow from / (used in) financing activities (C) | <u>11,924,461</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 885,533 | 562,003 |
| Cash and cash equivalents at the beginning of the year | 130,792 | (431,211) |
| Cash and cash equivalents at the end of the year | <u>1,016,324</u> | <u>130,792</u> |
| Components of cash and cash equivalents | | |
| Balances with Banks in Current Account | 1,011,671 | 123,056 |
| Cash on hand | 4,652 | 7,734 |
| Total cash and cash equivalents | <u>1,016,323</u> | <u>130,791</u> |

As per our report of even date

For Ray & Co.
Firm Registration No. 313124E
Chartered Accountants

Subrata Roy
Partner
M. No. 051205

Kolkata
May 30, 2012

For and on behalf of the Board

P Narayanan

Gautam Agarwala

} Directors

1. Significant Accounting Policies**1.1 Basis of Preparation of Financial Statements**

The Financial Statements have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act, 1956. Accounting policies not referred to otherwise are consistent and are in consonance with the generally accepted accounting principles in India.

1.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

1.3 Fixed Assets & Depreciation

- (i) Fixed assets are stated at cost of acquisition and subsequent improvements thereto; less accumulated depreciation, and impairment loss, if any.
- (ii) Depreciation is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

1.4 Impairment of Assets

The carrying amounts of the assets are reviewed at each balance sheet date. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged when the asset is identified as impaired.

1.5 Investments

Long-term Investments are carried at acquisition cost. Investments intended to be held for less than one year are classified as 'Current Investments' and carried at lower of cost and net realizable value. Provision for diminution in value is made if the decline in value is other than temporary in nature in the opinion of the management.

1.6 Inventories

Inventories of shares and securities are valued at lower of cost and net realizable value.

1.7 Employee Retirement Benefits

- (i) Short term employee benefits are charged off at the undiscounted amount in the period in which the related service is rendered.
- (ii) Post employment and other long term employee benefits are charged off in the period in which the employee has rendered services. The amount charged off is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to Profit and Loss Account.

1.8 Taxes on Income

Provision for Income Tax is made on the basis of estimated taxable income for the period at current rates. Tax expense comprises both Current Tax and Deferred Tax at the applicable enacted or substantively enacted rates. Current Tax represents the amount of Income Tax payable/ recoverable in respect of taxable income/ loss for the reporting period. Deferred Tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originates in one year and are capable of reversal in one or more subsequent years.

1.9 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

ADARSH MERCANTILE LIMITED

Notes to the financial statements for the year ended 31st March, 2012

2. Share Capital

31 March, 2012 **31 March, 2011**
Rs Rs

a) Capital Structure

| | | |
|-------------------------------------------------------------|-------------------|-------------------|
| Authorised | | |
| 4,000,000 Equity Shares of Rs. 10/- each. | 40,000,000 | 40,000,000 |
| (Previous year - 4,000,000 Equity Shares of Rs. 10/- each.) | | |
| | 40,000,000 | 40,000,000 |
| Issued, Subscribed and Fully Paid Up | | |
| 3,675,000 Equity Shares of Rs. 10/- each (*) | 36,750,000 | 36,750,000 |
| (Previous year - 3,675,000 Equity Shares of Rs. 10/- each.) | | |
| | 36,750,000 | 36,750,000 |

(*) Includes 2,625,000 equity shares of Rs 10/- each allotted without payment being received in cash in pursuance of a scheme of arrangement approved by the Hon'ble High Court at Kolkata vide order dated 15.02.2007.

b) Share Capital Reconciliation

Equity Shares

| | 31 March 2012 | | 31 March 2011 | |
|--------------------------|----------------------|-------------------|----------------------|-------------------|
| | Nos. | Amount | Nos. | Amount |
| Opening balance | 3,675,000 | 36,750,000 | 3,675,000 | 36,750,000 |
| Issued during the period | - | - | - | - |
| Closing Balance | 3,675,000 | 36,750,000 | 3,675,000 | 36,750,000 |

c) Particulars of Equity Shareholders holding more than 5% Shares at Balance Sheet date

| | 31 March 2012 | | 31 March 2011 | |
|-------------------------------------------|----------------------|------------------|----------------------|------------------|
| | No. of shares | % holding | No. of shares | % holding |
| Avon Credit Private Limited | 1,325,380 | 36.06% | 1,325,380 | 36.06% |
| Gallon Holdings Private Limited | 865,725 | 23.56% | 865,725 | 23.56% |
| Winy Commercial & Fiscal Services Limited | 495,000 | 13.47% | 495,000 | 13.47% |

3. Reserves & Surplus

General Reserve

| | | |
|-------------|---------|---------|
| Balance b/f | 245,000 | 245,000 |
|-------------|---------|---------|

General Reserve on Amalgamation

| | | |
|-------------|------------|------------|
| Balance b/f | 10,276,423 | 10,276,423 |
|-------------|------------|------------|

Surplus/(Deficit) in the Statement of Profit & Loss

| | | |
|----------------------------------------------|------------------|------------------|
| Opening balance | 7,777,409 | 7,379,644 |
| Profit/(Loss) for the year | 420,671 | 397,765 |
| Net Surplus/(Deficit) at the end of the year | 8,198,080 | 7,777,409 |

Total Reserves & Surplus

| | |
|-------------------|-------------------|
| 18,719,503 | 18,298,832 |
|-------------------|-------------------|

4. Short-term Borrowings

Loans repayable on demand - from other parties (unsecured)

| | |
|-------------------|----------|
| 12,175,000 | - |
| 12,175,000 | - |

5. Other Current Liabilities

Interest accrued and due on borrowings

| | | |
|------------------------------|----------------|--------------|
| Other payables | 224,353 | - |
| Statutory Dues Payable | 24,929 | - |
| Others (year end provisions) | 16,421 | 9,376 |
| | 265,703 | 9,376 |

6. Short-term Provisions

Other Provisions - for Income Tax

| | |
|---------------|---------------|
| 50,000 | 70,000 |
| 50,000 | 70,000 |

ADARSH MERCANTILE LIMITED

7. FIXED ASSETS

| Description | Gross Block | | | Accumulated depreciation/ amortisation | | | | Net book value | |
|-------------------------|----------------------------|-----------|------------------------|----------------------------------------|---------------------------|-------------------|------------------------|---------------------------|----------------------------|
| | As at 31 March, 2011 | Additions | Sales / Adjustments | As at 31 March, 2012 | Upto 31 March, 2011 | For the Period | Sales / Adjustments | Upto 31 March, 2012 | As at 31 March, 2012 |
| Tangible Assets | | | | | | | | | |
| Land - Freehold | 3,267,715 | - | - | 3,267,715 | - | - | - | - | 3,267,715 |
| Office Equipments | 14,000 | - | - | 14,000 | 9,466 | 631 | - | 10,097 | 3,903 |
| Total | 3,281,715 | - | - | 3,281,715 | 9,466 | 631 | - | 10,097 | 3,271,618 |
| Previous Year's figures | 14,000 | 3,267,715 | - | 3,281,715 | 8,733 | 733 | - | 9,466 | 3,272,249 |

ADARSH MERCANTILE LIMITED

Notes to the financial statements for the year ended 31st March, 2012

| | 31 March 2012 | | 31 March 2011 | |
|---------------------------------------------------------------|---------------|-------------------|---------------|-------------------|
| | Qty. | Amount (Rs) | Qty. | Amount (Rs) |
| 8. Non-Current Investments | | | | |
| (fully paid-up; FV Rs 10 each, unless otherwise stated) | | | | |
| Other Investments | | | | |
| (a) Investments in Equity Instruments | | | | |
| <u>Quoted</u> | | | | |
| Andhra Petrochemicals Ltd. | 11,000 | 265,311 | 11,000 | 265,311 |
| Ansai Properties & Infrastructure Ltd. (FV Rs 5) | 400 | 147,324 | 400 | 147,324 |
| Ashiana Housing Ltd. | 25,925 | 2,837,693 | 5,925 | 287,947 |
| Bharti Airtel Ltd. (FV Rs 5) | 200 | 78,805 | 200 | 78,805 |
| Coal India Ltd. | 30 | 7,350 | 30 | 7,350 |
| Dhunseri Investments Ltd. | 3,772 | 273,262 | 2,000 | 133,064 |
| Dhunseri Petrochem & Tea Ltd. | 4,311 | 527,168 | 4,311 | 527,168 |
| Eclerx Services Ltd. | 300 | 133,666 | 300 | 133,666 |
| Electrosteel Steels Ltd. | 400,000 | 4,000,000 | 400,000 | 4,000,000 |
| GMR Infrastructure Ltd. | 2,750 | 241,536 | 2,750 | 241,536 |
| Gujarat Ambuja Exports Ltd. (FV Rs 2) | 17,464 | 592,026 | 15,491 | 545,292 |
| Hindustan Construction Company Ltd. (FV Rs 1) | 3,250 | 215,349 | 3,000 | 207,974 |
| IFGL Refractories Ltd. | 154,124 | 7,928,193 | 65,885 | 5,009,679 |
| Intrasoft Technologies Ltd. | 15,358 | 1,398,949 | 15,358 | 1,398,949 |
| ITC Ltd. (FV Rs 1) | 5,950 | 820,536 | 3,700 | 329,536 |
| IVRCL Infrastructure & Projects Ltd. (FV Rs 2) | 2,250 | 77,890 | 2,250 | 58,698 |
| Jai Balaji Industries Ltd. | 1,000 | 187,905 | 1,000 | 187,905 |
| Jindal South West Holdings Ltd. | 50 | 137,151 | 50 | 137,151 |
| Larsen & Toubro Ltd. (FV Rs 2) | 115 | 133,214 | 115 | 133,214 |
| National Organic Chemical Industries Ltd. | 15,000 | 238,331 | 15,000 | 238,331 |
| Padmini Technologies Ltd. | 13,000 | 80,600 | 13,000 | 80,600 |
| Punj Lloyd Ltd. (FV Rs 2) | 130 | 12,335 | 130 | 12,335 |
| Reliance Industrial Infrastructure Ltd. | 500 | 316,091 | 500 | 316,091 |
| Saint Gobain Sekurit India Ltd. | 5,000 | 202,473 | 5,000 | 202,473 |
| Sancia Global Infraprojects Ltd. | 500 | 112,473 | 500 | 112,473 |
| S Kumars.Com Ltd. | 40,100 | 52,130 | 40,100 | 52,130 |
| Suzlon Energy Ltd. (FV Rs 2) | 300 | 67,669 | 300 | 67,669 |
| Techno Electric & Engineering Co. Ltd. (FV Rs 2) | 1,620 | 357,327 | 2,000 | 440,511 |
| Tulip Telecom Ltd. (FV Rs 2) | 300 | 18,573 | 300 | 18,573 |
| United Breweries Ltd. (FV Rs 1) | 3,200 | 1,546,896 | 950 | 321,918 |
| Winy Commercial & Fiscal Services Ltd. | 280,000 | 800,000 | 280,000 | 800,000 |
| | | 23,808,226 | | 16,493,673 |
| <u>Unquoted</u> | | | | |
| Avon Credit Pvt. Ltd. | 15,290 | 314,500 | 15,290 | 314,500 |
| BCCO Holdings Pvt. Ltd. | 20,000 | 1,000,000 | 20,000 | 1,000,000 |
| Gallon Holdings Pvt. Ltd. | 225,000 | 362,500 | 225,000 | 362,500 |
| Hermestar of India Ltd. | 25 | 2,500 | 25 | 2,500 |
| Hind Products Pvt. Ltd. | 599 | 5,990 | 599 | 5,990 |
| Lucky Trading Co. Ltd. | 4,500 | 45,000 | 4,500 | 45,000 |
| S G Wires Pvt. Ltd. | 300,000 | 255,000 | 300,000 | 255,000 |
| | | 1,985,490 | | 1,985,490 |
| (b) Investments in Mutual Funds (Unquoted) | | | | |
| HDFC Equity Fund - Dividend | 7,684.597 | 326,876 | 7,376.285 | 311,876 |
| IDFC Premier Equity Fund Plan A - (Dividend) | 4,650.001 | 120,000 | 3,384.179 | 90,000 |
| Reliance Quarterly Interval Fund Series II (Growth) | 27,888.789 | 346,713 | 27,888.789 | 346,713 |
| | | 793,589 | | 748,589 |
| (c) Other Investments - Exchange Traded Funds (Quoted) | | | | |
| Reliance Gold Exchange Traded Fund | 20 | 34,018 | 20 | 34,018 |
| | | 34,018 | | 34,018 |
| Aggregate Amount of | | | | |
| Quoted Investments | | 23,842,244 | | 16,527,691 |
| Unquoted Investments | | 2,779,079 | | 2,734,079 |
| | | 26,621,323 | | 19,261,770 |
| Market Value of Quoted Investments | | 24,215,916 | | 14,610,064 |
| Repurchase price of Units of Mutual Fund | | 816,823 | | 802,256 |

ADARSH MERCANTILE LIMITED

Notes to the financial statements for the year ended 31st March, 2012

| | 31 March 2012 | | 31 March 2011 | |
|-----------------------------------------------------------------------|---------------|-------------------|-----------------------|-----------------------|
| | Qty. | Amount (Rs) | Qty. | Amount (Rs) |
| 9. Current Investments | | | | |
| (fully paid-up; FV Rs 10 each, unless otherwise stated) | | | | |
| (a) Investments in Equity Instruments (Quoted) | | | | |
| Satyam Computer Services Ltd. | - | - | 1,500 | 110,285 |
| Winsome Textiles Ltd. | 6,574 | 563,464 | 65,747 | 292,754 |
| | | <u>563,464</u> | | <u>403,039</u> |
| (b) Investments in Mutual Funds (Unquoted) | | | | |
| Kotak Quarterly Interval Plan Series 7 (Dividend) | - | - | 160,087.668 | 1,600,946 |
| Kotak Quarterly Interval Plan Series 8 (Growth) | - | - | 88,296.497 | 976,153 |
| Birla Sunlife Dynamic Bond Fund | 84,613.823 | 1,500,000 | - | - |
| HDFC FMP 92D JAN 2012(3)-GR-SR XIX | 500,000.000 | 5,000,000 | - | - |
| IDFC Money Manager Fund - Investment Plan (Growth) | 325,809.715 | 5,250,000 | - | - |
| Kotak Bond - Short Term (Growth) | 227,302.830 | 4,325,115 | - | - |
| Kotak QIP Series 4 (Growth) | 326,037.342 | 4,500,000 | - | - |
| Reliance Fixed Horizon Fund - XXI - Series 3 (Growth) | 150,000.000 | 1,500,000 | - | - |
| | | <u>22,075,115</u> | | <u>2,577,099</u> |
| Aggregate Amount of | | | | |
| Quoted Investments | | 563,464 | | 403,039 |
| Unquoted Investments | | 22,075,115 | | 2,577,099 |
| | | 22,638,580 | | 2,980,138 |
| Less: Adjustment for carrying amount of Current Investments | | 114,131 | | - |
| | | <u>22,524,448</u> | | <u>2,980,138</u> |
| Market Value of Quoted Investments | | 449,333 | | 501,654 |
| Repurchase price of Units of Mutual Fund | | 22,515,052 | | 2,640,996 |
| | | | 31 March, 2012 | 31 March, 2011 |
| | | | Rs | Rs |
| 10. Inventories | | | | |
| Stock-in-trade | | | | |
| Shares & Securities | | | 2,890,642 | 3,000,133 |
| Mutual Funds | | | 5,800,000 | 14,252,264 |
| | | | <u>8,690,642</u> | <u>17,252,397</u> |
| 11. Trade Receivables | | | | |
| Unsecured, considered good | | | - | 23,510 |
| | | | <u>-</u> | <u>23,510</u> |
| 12. Cash and Cash Equivalents | | | | |
| Balances with Banks in Current Accounts | | | 1,011,671 | 123,056 |
| Cash on hand | | | 4,652 | 7,734 |
| | | | <u>1,016,323</u> | <u>130,790</u> |
| 13. Short-term Loans and Advances (Unsecured, considered good) | | | | |
| Loans and advances to related parties | | | - | 1,625,000 |
| Others | | | | |
| Loans & Advances given to other parties | | | 5,500,000 | 10,325,315 |
| Advances recoverable in cash or in kind | | | - | 38,122 |
| Income Tax Advances | | | 135,852 | 218,916 |
| | | | <u>5,635,852</u> | <u>12,207,353</u> |
| 14. Other Current Assets | | | | |
| Application money - Mutual Fund | | | 200,000 | - |
| | | | <u>200,000</u> | <u>-</u> |

| | 31 March, 2012 | 31 March, 2011 |
|-------------------------------------------------------|-------------------|--------------------|
| | Rs | Rs |
| 15. Revenue from Operations | | |
| Sale of Products | | |
| Shares & Securities | 894,132 | 6,557,377 |
| Mutual Funds | 36,543,597 | 32,770,245 |
| | <u>37,437,729</u> | <u>39,327,622</u> |
| 16. Other Income | | |
| Interest Income | 428,620 | 797,325 |
| Dividend Income from long-term investments | 264,153 | 305,657 |
| Dividend Income from current investments | 59,036 | 10,038 |
| Dividend Income (trade) | 28,798 | 60,358 |
| Net gain/(loss) on sale of long-term Investments | 426,655 | 480,024 |
| Net gain/(loss) on sale of current Investments | 190,303 | 51,153 |
| Others - Speculation profit | 4,813 | - |
| | <u>1,402,378</u> | <u>1,704,555</u> |
| 17. Purchases of stock-in-trade | | |
| Purchases | | |
| Shares & Securities | 2,363,205 | 4,627,354 |
| Mutual Funds | 26,875,000 | 39,835,000 |
| | <u>29,238,205</u> | <u>44,462,354</u> |
| 18. Changes in Inventory of Stock-in-trade | | |
| <u>Inventories at the beginning of the year</u> | | |
| Shares & Securities | 3,000,133 | 4,554,125 |
| Mutual Funds | 14,252,264 | 6,834,717 |
| | <u>17,252,397</u> | <u>11,388,842</u> |
| <u>Inventories at the end of the year</u> | | |
| Shares & Securities | 2,890,641 | 3,000,133 |
| Mutual Funds | 5,800,000 | 14,252,264 |
| | <u>8,690,641</u> | <u>17,252,397</u> |
| | <u>8,561,756</u> | <u>(5,863,555)</u> |
| 19. Employee Benefits Expense | | |
| Salaries, Bonus & Allowances | 74,200 | 95,200 |
| | <u>74,200</u> | <u>95,200</u> |
| 20. Finance Costs | | |
| Interest expense | 250,539 | - |
| | <u>250,539</u> | <u>-</u> |
| 21. Other expenses | | |
| Advertisement expenses | 10,400 | 9,900 |
| <u>Auditors' Remuneration</u> | | |
| Audit Fees | 13,483 | 6,618 |
| Tax Audit | 2,809 | 2,758 |
| Other Services | 4,412 | - |
| Listing expenses | 20,782 | 25,032 |
| Miscellaneous expenses | 3,795 | 19,012 |
| Adjustment for carrying amount of Current Investments | 114,132 | - |
| Rates & Taxes | 24,177 | 46,552 |
| Speculation Loss | - | 500,928 |
| | <u>193,990</u> | <u>610,800</u> |

22. Contingent liabilities**31 March, 2012 31 March, 2011**

Contingent Liability in respect of contested demand of AY 2008-09

44,600

44,600

23. Segment Reporting

The Company is predominantly engaged in the business of financial activities and is a 'Single Segment' Company.

24. Related Party Disclosures

As per Accounting Standard 18 'Related Party Disclosures' issued by ICAI, the disclosure of transactions with related parties are given below:

(i) Names of the related parties and description of relationship**Associates**

Avon Credit Private Limited

Gallon Holdings Private Limited

(ii) Transactions with related parties during the period

| Sl. No. | Name of the Related Party | 31 March, 2012 | 31 March, 2011 |
|----------------|----------------------------------------|-----------------------|-----------------------|
| 1 | Avon Credit Private Limited | | |
| | Transactions: | | |
| | Advances given | 2,650,000 | 25,000 |
| | Advances repaid | 4,275,000 | 700,000 |
| | Closing Balance: | | |
| | Year end Investments | 314,500 | 314,500 |
| | Advances recoverable | - | 1,625,000 |
| 2 | Gallon Holdings Private Limited | | |
| | Closing Balance: | | |
| | Year end Investments | 362,500 | 362,500 |

25. Earning per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

31 March, 2012 31 March, 2011

| | | |
|-------------------------------------------------------------|-----------|-----------|
| Net Profit / (Loss) attributable to equity shareholders | 420,671 | 397,765 |
| Weighted average number of equity shares in calculating EPS | 3,675,000 | 3,675,000 |
| Nominal value of Equity Shares | 10 | 10 |
| Basic & Diluted EPS | 0.11 | 0.11 |

26. Accounting for Taxes on Income

As availability of future taxable income is not certain, on consideration of prudence, provision for deferred tax assets is not made in term of AS 22, Accounting for Taxes on Income.

27. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Company has circulated confirmation for the identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006. On the basis of information available with the Company under the aforesaid Act, there are no Enterprises to whom the Company owes dues which are outstanding at year end. This has been relied upon by the Auditors.

28. There is no employee eligible for gratuity and as such no provision made.

ADARSH MERCANTILE LIMITED

Notes to the financial statements for the year ended 31st March, 2012

29. Details of Purchases, Turnover and Stock:

| | Shares & Securities | | Mutual Funds | |
|-----------------|---------------------|-------------|-----------------|--------------|
| | Qty (Nos.) | Amount (Rs) | Units | Amount (Rs) |
| Opening Stock | 363,519 | 3,000,133 | 878,340.560 | 14,252,264 |
| | (226,113) | (4,554,125) | (457,503.138) | (6,834,717) |
| Purchases | 134,262 | 2,363,205 | 1,688,305.438 | 26,875,000 |
| | (647,696) | (4,627,354) | (2,719,355.977) | (39,835,000) |
| Sales/Write-off | 414,912 | 894,132 | 2,162,083.754 | 36,543,597 |
| | (510,290) | (6,557,377) | (2,298,518.555) | (32,770,245) |
| Closing Stock | 82,869 | 2,890,641 | 404,562.244 | 5,800,000 |
| | (363,519) | (3,000,133) | (878,340.560) | (14,252,264) |

30. Previous year figures have been reclassified wherever appropriate to confirm to current year's presentation.

31. All the figures in these notes are in 'Rs' except otherwise stated.

As per our report of even date

For and on behalf of the Board

For Ray & Co.

Firm Registration No. 313124E

Chartered Accountants

Subrata Roy

Partner

M. No. 051205

Kolkata

May 30, 2012

P Narayanan

Gautam Agarwala

Directors