

CFL CAPITAL FINANCIAL SERVICES LTD.

DIRECTORS' REPORT

Your Directors hereby present their Twenty-sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	For the year ended 31-3-2011	For the year ended 31-3-2010
Gross Income (including Interest on Income Tax Refunds)	80	230
Less: Expenditure	1159	1131
Less: Depreciation	11	11
Gross Profit/(Loss)	(1090)	(912)
Add: Write off/provision against doubtful and irrecoverable debts and diminution/loss in value of investments	700	1
Less: Provision for expenses / NPA no longer required/ bad debts recovered etc	783	124
Profit / (Loss) before tax	(1007)	(788)
Provision for tax	-	-
Profit / (Loss) after tax	(1007)	(789)
Add: Balance brought forward from earlier years	(50128)	(49339)
Loss carried to Balance Sheet	(51135)	(50128)

DIVIDEND

In view of the continued losses, your Directors regret their inability to recommend any dividend on the Preference or Equity Shares.

OPERATIONS

The Company, during the year under review, could not pursue any productive activities due to pressure to service its liabilities and in the absence of funds. Plans for restructuring and reconstruction could not be activated due to severe lack of requisite funds and restrictions placed by Reserve Bank of India for utilisation of its resources. However, your Directors are still exploring various options for revival.

The Company paid the deposits which were due during the financial year as per Order of the Hon'ble Company Law Board dated 13th October, 2009. There were 4677 unclaimed deposits aggregating to Rs. 700.23 lakhs at the close of the year. The Company has written to all these depositors on how to claim these deposits and those remaining unclaimed will be dealt with as per the relevant/applicable laws.

The secured creditors consisting of Banks and Financial Institutions had filed cases against the Company for recovery of their dues before the Debt Recovery Tribunals (DRT). The decisions have gone against the Company. In one of the cases, the Receiver was appointed by the concerned DRT. The Receiver has issued notice for taking possession of the mortgaged assets.

DIRECTORS

Mr. Sujit Datta retires by rotation and, being eligible, offers himself for re-appointment.

PARTICULARS OF EMPLOYEES

None of the employees was paid a remuneration of Rs.5,00,000/- per month or Rs.60,00,000/- per annum. Hence, the provisions of Section 217 (2A) of the Companies Act, 1956 are not applicable.

SUBSIDIARY

The Directors' Report along with the Auditors' Report, Balance Sheet and Profit and Loss Account of the subsidiary for the year ended 31st March, 2011 are annexed to this Report. The name of the subsidiary company "Ceat Securities Limited" was changed to "Samudra Securities Limited" during the year under review.

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

Your Company did not consume energy of any significant level during the year under review and, therefore, there was not much scope for taking any measures for energy conservation and for making any additional investment for reduction of energy consumption. Further, there being no involvement of any technology in the Company's activities during the year no comment is made in this regard.

There has been no foreign exchange earning or outgo during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- they had selected such accounting policies and applied them consistently and made judgements 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 loss of the Company for that period;
- they 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; and

- the Accounts have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

In accordance with the requirements of the Listing Agreements with the Stock Exchanges, a report on Management Discussion and Analysis is attached hereto (Annexure 'A'). A report on Corporate Governance along with a certificate of the Auditors confirming compliance is also attached. (Annexure 'B')

AUDITORS & AUDIT REPORT

Messrs Tarmaster & Co., Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Regarding Auditors' comments on non-compliance of the provisions of the Non-Banking Financial (Deposit Accepting or Holding) Companies (Reserve Bank) Directions, 2007 and non-maintenance of minimum Capital Risk Asset Ratio (CRAR) as prescribed by the Reserve Bank of India your Directors draw your attention respectively to Note B26 in Schedule 12 forming part of the Accounts which are self explanatory.

ACKNOWLEDGEMENT

Your Directors wish to record their appreciation of the encouragement, support, assistance and co-operation received from the Company's bankers, financial institutions, shareholders, depositors and employees extended to it throughout the year

For and on behalf of the Board

(H. C. Mathur)
Chairman

Kolkata, Dated: 27th May, 2011

Annexure 'A' to the Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The absence of any significant inflow in the form of recoveries due to depletion of the recoverable assets and absence of any fresh infusion resulted in continued difficulties in funds mobilization by the Company even for paying its liabilities. However, with great efforts the Company could manage to make payment of its dues to depositors pursuant to the Order of the Hon'ble Company Law Board and for operating expenses.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company does not fall under any industrial structure consequent to the cancellation of its Certificate of Registration as a Non-Banking Finance Company by the Reserve Bank of India and in the absence of any significant business activity. The Company could manage with great difficulty to pay off its dues to the depositors for the installment payable under the Order of the Hon'ble Company Law Board within 2010. Proceedings initiated against the Company by most of the banks for recovery of their dues are at various stages before the Debt Recovery Tribunal. The Company has taken appropriate steps at the next higher level of appeals when Orders have been passed against the Company.

OPPORTUNITIES, THREATS, RISKS, CONCERNS, PERFORMANCE AND OUTLOOK

Funds have become scarce even to service basic essentials and with great efforts your Company could meet its liabilities to the depositors and for meeting operating expenses. However, the pressure of unpaid dues to the Banks is very severe and it is difficult to forecast the risks and threats. Your Company is striving hard to give effect to a restructuring process.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal checks and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilisation.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS

Your attention is drawn to the report of the Directors and more specifically to the issues mentioned under the head 'Operations' and to the comments under the head 'Opportunities, Threats, Risks, Concerns, Performance and Outlook' hereinbefore. The Company's financial position is under extreme stress and needs a concerted effort from creditors and shareholders for any significant positive result to emerge in the long run.

HUMAN RESOURCES

The Company's relations with the employees continued to be cordial and the number of employees at the year end was 15.

Efforts to maximize utilization of scarce resources was a continuous process throughout the year. Some of the innovative ideas put in by a few employees for achieving greater efficiencies, cost control and recoveries are being implemented.

For and on behalf of the Board

(H. C. Mathur)
Chairman

Kolkata, Dated: 27th May, 2011