



SUGAL & DAMANI FINLEASE LIMITED
THIRTEENTH ANNUAL REPORT 2005 – 2006



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SUGAL & DAMANI FINLEASE LIMITED

BOARD OF DIRECTORS	: P. Jayaraman, F.C.A. Chairman N. Sugalchand Jain, B.A Managing Director G.N. Damani K.S. Kannan, B.Sc., M.R.I.C., C.Ch., A.I.C. R.N. Damani P. Lalith Kumar Jain Hastimal Surana P.J. Sreedharan, F.C.A., S.Kannadasan, A.C.A.
CHIEF EXECUTIVE	: S. Vinodh Kumar Jain, B.Com.
COMPANY SECRETARY	: R. Vaidyanathan
BANKERS	: Karnataka Bank Ltd. Bank of Baroda HDFC Bank Ltd.
CORPORATE LAW ADVISOR	: M/s. Mundhara & Co., Company Secretaries, Chennai.
AUDITORS	: M/s. S.L. Gadhiya & Co. Chartered Accountants, Chennai.
REGISTRARS & SHARE TRANSFER AGENTS	: Cameo Corporates Services Limited, 'Subramanian Building' (Vth Floor) No.1, Club House Road, Chennai- 600 002
REGISTERED OFFICE	: City Centre Plaza (I Floor), No.7, Anna Salai, Chennai - 600 002.



SUGAL & DAMANI FINLEASE LIMITED
REGISTERED OFFICE : 'CITY CENTRE PLAZA' (I FLOOR),
7, ANNA SALAI, CHENNAI - 600 002.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY WILL BE HELD AT 11, PONNAPPA LANE, TRIPPLICANE, CHENNAI - 600 005, ON SATURDAY, 29TH JULY, 2006 AT 11.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31.03.2006 and Profit & Loss account for the period ended on that date and the reports of directors and auditors thereon.
2. To appoint a director in place of Shri G.N.Damani who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Shri Hastimal Surana who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri P. J. Sreedharan who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors to hold the office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary Resolution:

"RESOLVED THAT Shri S. Kannadasan, who was appointed as an Additional Director by the Board of Directors with effect from 21.1.2006 and who holds office as such up to the date of Thirteenth Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri S. Kannadasan as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII to the Act, the company hereby accords its approval for the reappointment of Shri N.Sugalchand Jain as the Managing Director of the Company for a further period of 1 year 9 months and 1 week from 24.06.2006 to 31.03.2008 on the following remuneration by way of basic salary, allowances and perquisites:



Basic Salary : Rs.10,000/- (Rupees Ten thousand only) per month (i.e. Rs.1,20,000/- per year).

Special Allowance: Rs.10,000/- (Rupees Ten thousand only) per month
(i.e. Rs.1,20,000/- per year).

Transportation Allowance: Rs.800/- (Rupees Eight hundred only) per month
(i.e.Rs.9,600/- per year).

Perquisites:

- (1) Housing: Free Furnished accommodation (The expenditure by the Company on hiring furnished accommodation for the Managing Director will not exceed Rs.14,200/- [Rupees Fourteen thousand two hundred only] per month, i.e. Rs.1,70,400/- per year).
- (2) Medical Reimbursement: Reimbursement of Medical expenses incurred for the Managing Director and his wife subject to a ceiling Rs.1,00,000/- (Rupees one lac only) per year.
- (3) Leave travel concession: Leave Travel Concession of Rs.1,00,000/- (Rupees one lac only) per year for the Managing Director and his wife.

"RESOLVED FURTHER THAT consent of the company be and is hereby accorded for the payment of the same basic salary, allowances and perquisites as mentioned above to Shri N.Sugalchand Jain, Managing Director, as minimum remuneration in case of absence or inadequacy of profits in any financial of the company during the said period.

"RESOLVED FURTHER THAT the Board of Directors/ Remuneration Committee of the Board be and is hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration of Shri N.Sugalchand Jain in the light of further progress of the company which revision should be in conformity with any amendments to the relevant provisions of the Act, and the rules and regulations made thereunder and / or such guidelines as may be announced by the Central Government from time to time.

"RESOLVED FURTHER THAT the Board of Directors/ Remuneration Committee of the Board be and is hereby authorised to take such steps as may be necessary and desirable to give effect to this resolution."

**By order of the Board
for SUGAL & DAMANI FINLEASE LIMITED**

**Place: Chennai
Date : 19.05.2006**

**N. SUGALCHAND JAIN
(MANAGING DIRECTOR)**

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and a proxy need not be member of the Company.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company at City Centre Plaza, (I Floor), 7, Anna Salai, Chennai - 600 002, not less than forty eight hours before the commencement of the meeting.
3. The Register of Members and the share transfer books of the Company will remain closed from 18.7.2006 to 29.7.2006 (both days inclusive).
4. Members are requested to intimate to the Company their change of address, if any.



5. Members are requested to bring with them their copy of the Annual Report to the meeting.
6. Members/Proxies are requested to bring the attendance slip, duly filled in and signed, and hand over the same at the entrance of the hall.
7. Queries relating to the accounts or other items on the Agenda may please be forwarded so as to reach the Registered Office of the Company at City Centre Plaza (I Floor), 7, Anna Salai, Chennai - 600 002, on or before 22.7.2006.
8. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company to consolidate their holdings in one folio.
9. All documents referred to in the above Notice are open for inspection at the Registered office of the Company between 11.00 A.M. and 1.00 P.M. on all working days other than Sundays and holidays.
10. As per Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years is to be transferred to the Investor Education and Protection Fund. Accordingly, the dividends unclaimed relating to the years 1996-97 and 1997-98 were transferred on 28.01.2005 and 24.11.2005 to the Investor Education and Protection Fund. Members who have not encashed the dividend warrants for the financial year 1994-1995 are requested to claim from the Registrar of Companies, Tamilnadu, Shastri Bhavan, No.26, Haddows Road, Chennai - 600 006, since the unclaimed dividend relating to the financial year 1994-1995 had been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956.
11. In case of joint holders, if more than one holder intends to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company.
12. As per the provisions of the Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Members who desire to avail of this facility may send their requisite nomination in the prescribed Form 2B duly filled in and signed to the Company. The facility would be made available folio wise to individual shareholders including joint holders.
13. The shares of the Company are eligible to be held in dematerialised form in Central Depository Services (India) Limited and National Securities Depository Limited.
14. Members are requested to send all communications relating to change of address, physical shares for transfer/demat, etc. direct to the Registrars and Share Transfer Agents, M/s.Cameo Corporate Services Limited, 'Subramanian Building' (Vth Floor), No.1, Club House Road, Chennai - 600 002.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE DATED 19.5.2006 CONCERNING SPECIAL BUSINESS.

ITEM NO: 6

The Board of Directors of the Company appointed Shri S. Kannadasan as Additional Director with effect from 21.1.2006. Under Section 260 of the Companies Act, 1956 read with Article 80 of the Articles of Association of the Company, Shri S. Kannadasan holds office only till the date of the forthcoming Annual General Meeting. A notice has been received from a member as required under Section 257 of the Companies Act, 1956 together with the requisite deposit proposing Shri S.Kannadasan as a candidate for the office of Director.

Shri S.Kannadasan is a Chartered Accountant. He has experience of over a decade in Finance and Taxation.

The Board considers that association of Shri. S.Kannadasan would be beneficial to the Company and it is desirable for the Company to continue to avail services of Shri S. Kannadasan as a Director. Accordingly, the Board recommends this resolution for approval of the members.

Shri S.Kannadasan is interested or concerned in the Resolution at Item No.6.



ITEM NO: 7

Shri N.Sugalchand Jain (aged about 62 years) is one of the core promoters. He has been a member of the Board of Directors from the incorporation date. He had served the company as the Managing Director in his first term from 24.6.1993 to 23.6.1998 without remuneration. He was reappointed as Managing Director for 5 years from 24.6.1998 and approval of the shareholders of the company was obtained at the Annual General Meeting held on 28.9.1998.

Salary of Rs.35,000/- p.m. and Leave Travel Concession of Rs.1,00,000/- p.a. for the Managing Director and his family were approved by the shareholders at the Annual General Meeting held on 16.9.2000 for the period commencing from 1.4.2000 and ending on 23.6.2003.

At the Annual General Meeting held on 26.7.2003, he has been again reappointed as the Managing Director for 3 years with effect from 24.6.2003 on the following remuneration.

Basic Salary : Rs.10,000/- (Rupees Ten thousand only) per month.

Special Allowance: Rs.10,000/- (Rupees Ten thousand only) per month.

Transportation Allowance: Rs.800/- (Rupees Eight hundred only) per month.

Perquisites:

- (1) Housing: Free Furnished accommodation (The expenditure by the Company on hiring furnished accommodation for the Managing Director will not exceed Rs.14,200/- [Rupees Fourteen thousand two hundred only] per month.)
- (2) Medical Reimbursement: Reimbursement of Medical expenses incurred for the Managing Director and his wife subject to a ceiling Rs.1,00,000/- (Rupees one lac only) per annum.
- (3) Leave travel concession: Leave Travel Concession of Rs.1,00,000/- (Rupees one lac only) per annum for the Managing Director and his wife.

Again, at the Board Meeting held on 19.05.2006, he has been reappointed as the Managing Director from 24.06.2006 to 31.03.2008 on the remuneration as stated in the resolution.

He is an Arts graduate and has experience of more than 3 decades in finance business, including Hire Purchase and Leasing. The directors recommend his continuance as Managing Director keeping in view his knowledge and experience over long years in the Company and his insight into the financial affairs of the Company.

He is a member of Shareholders/Investors Grievance Committee of the company.

He is a Director of other companies, as under:

1. Sugal Finance P. Ltd.
2. Swastik Fininvest (Bombay) P. Ltd.
3. Sugal & Damani Agro Farms P. Ltd.
4. SDN Farm Developers P. Ltd.
5. SDN Housing & Resorts P. Ltd.
6. SDN Agro Farms Ltd.
7. Sujyoti Capital Services Ltd.
8. Sugal & Damani Share & Stock Brokers P. Ltd.
9. Sugal Commodity Brokers (P) Ltd.

Nature of expertise in specific functional area - Finance.



The reappointment of the Managing Director and the remuneration payable to him have been approved by the Remuneration Committee of the Board on 19.5.2006.

The details of salary and perquisite payable are as set out in the resolution. The remuneration proposed is within the permissible limits of Schedule XIII to the Companies Act, 1956.

The same remuneration shall be paid as the minimum remuneration to the Managing Director in case of absence or inadequacy of profits in any financial year of the company during the said period.

The Managing Director shall not be paid any sitting fee for attending the Meetings of the Board of Directors and Committees thereof.

In terms of Schedule XIII to the Companies Act, 1956, payment of remuneration to the Managing Director requires shareholders' approval. Accordingly, the Directors commend the Special Resolution for your approval.

Shri N.Sugalchand Jain is interested or concerned in the Resolution at Item No.7.

The Notice and Explanatory Statement may be treated as an abstract of the terms of reappointment and payment of remuneration to the Managing Director as required to be circulated under Section 302 of the Act.

The documents referred to in this Explanatory Statement are open for inspection at the registered office of the company between 11:00 a.m. and 1:00 p.m. on all working days other than Sundays and holidays.

Regd. Office :
'City Centre Plaza'
(I Floor), 7, Anna Salai
Chennai - 600 002
Date : 19.5.2006

By order of the Board
For SUGAL & DAMANI FINLEASE LIMITED

(N. SUGALCHAND JAIN)
MANAGING DIRECTOR



PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE, FOLLOWING INFORMATION ARE FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED /REAPPOINTED VIDE ITEMS NOS. 2, 3, 4 & 6 OF THE NOTICE DATED 19.05.2006.

Name of the Director	Sri G.N. Damani	Sri Hastimal Surana	Sri P.J.Sreedharan	Sri S.Kannadasan
Date of Birth	19.05.1943	30.03.1955	06.03.1947	01.07.1966
Date of appointment on the Board as Director	07.05.1993	13.03.2003	26.01.2004	21.01.2006
Date of last reappointment as Director	24.07.2004	26.07.2003	11.07.2004	N.A.
Expertise in specific functional areas	Over 32 years experience in various business.	Over 3 decades business experience in Textile Industry	Practising Chartered Accountant with over 3 decades experience in Taxation & Finance	Experienced for over a decade in Finance & Taxation
Qualification	Matric		F.C.A.	A.C.A.
List of outside Directorships held	1.Saraswati Apartments P.Ltd 2.Swastik Fininvest (Bombay) P. Ltd. 3.Sugal & Damani Agro Farms P. Ltd. 4.SDN Farm Developers P. Ltd. 5.SDN Housing & Resorts P.Ltd. 6.Saraswati Promoters P.Ltd. 7.SDN Agro Farms Ltd. 8.Swastik Apartments P. Ltd. 9.Sujyoti Capital Services Ltd 10.Swaraj Promoters P. Ltd. 11.Southern Television P.Ltd 12.Sugal & Damani Financial Services Ltd.	1.Surana Fashions PLtd. 2.H.V.S.Textiles P.Ltd.	Embee Consultants P. Ltd.	Nil
Chairman/Member of the Committees of Board of Directors of the Company	Nil	Members of Remuneration Committee	Nil	Member of Audit ttee. Member of Remuneration Committee.
Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	NIL	NIL	NIL	NIL

Note:

Shri G.N. Damani has disposed of all his share holding in the company, but 100 shares continue to stand in his name in the books of the company since the share transfer documents have not been lodged with the company for registration of share transfer. Shri Hastimal Surana, Shri P.J. Sreedharan and Shri S. Kannadasan do not hold any shares in the Company.



DIRECTORS' REPORT

Your Directors would like to present the Thirteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2006. The financial highlights of your Company for the year 2005-2006 are as follows:

	2005-2006	2004-2005
	(Rupees in Lakhs)	
Gross Income	33.59	33.50
Profit before depreciation and Tax	15.46	15.42
Depreciation	1.36	1.43
Tax	5.40	4.44
Profit after depreciation and Tax	8.70	9.55
Add/Less: Prior period adjustment	(+0.58	(-)0.11
Add: Profit/(Loss) brought forward from the previous year	35.91	28.36
Profit/(Loss) available for appropriation	45.19	37.80

APPROPRIATION

Transfer to Special Reserve as per RBI directions	1.85	1.89
Profit/(Loss) carried forward	43.34	35.91

The Company's operations resulted in only a nominal profit for the year 2005-2006. Therefore, your directors are not in a position to recommend any dividend on the equity share capital of the Company for the year ended 31.3.2006.

The balance outstanding in loan against confirmations stands at Rs. 10.99 lakhs as on 31.03.2006 compared to Rs.96.03 lakhs as on 31.03.2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Severe competition from financial institutions and Banks continued during the year also. The lending rates have not been attractive.

During the year 2005-2006, no HP/Leasing disbursements were made by the Company.

The Company is engaged primarily in the business of financing and so, there can be no segment-wise reporting. The financial performance during the year under review is, however, given above.

For small NBFCs, outlook in general has been uncertain. Your directors have not been able to identify any new avenue for diversification. Efforts on the part of your directors in this direction continue. It is hoped that better results will be reported in the years to come.

In the opinion of your directors, internal control systems in the Company are adequate.



The Company has been operating with minimum work force, since during the year the business activities of the Company have been at a very low level.

DEPOSITS

Your Company did not invite or accept any deposit during the year under review.

COMPLIANCE WITH RBI GUIDELINES

As per the guidelines issued by the Reserve Bank of India under the Non-Banking Financial Companies (Reserve Bank) Directions, 1998, your Company has adequately complied with all the prescribed rules.

The Company is not a deposit taking Company. The Company continues to hold RBI certificate of Registration No. B.07.00362 dt 13.10.03.

DIRECTORS

At the Board meeting held on 21.01.2006, one of the promoter directors, Shri Pravin B. Chheda resigned. Your directors place on record their appreciation of the services rendered by him during his tenure.

Shri S. Kannadasan, a Chartered Accountant, was inducted into the Board w.e.f. 21.01.2006. He is one of the independent directors. He will be appointed a director at the forthcoming Annual General Meeting. The Company has received notice from a shareholder U/s. 257 of the Companies Act, 1956 together with the requisite deposit proposing Shri S. Kannadasan for appointment as director at the 13th Annual General Meeting.

Shri G.N. Damani, Shri Hastimal Surana and Shri P.J.Sreedharan, Directors, retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

At the Board meeting held on 19.05.2006, Shri N. Sugalchand Jain was reappointed as the Managing Director of the Company for the further period commencing from 24.06.2006 and ending on 31.03.2008.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the profit of the Company for that year;
- (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;

and

- (iv) that the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:

The Corporate Governance regulations as per the Listing Agreement have been fully complied with. The report of your Directors on the practices of Corporate Governance is given as a separate section entitled "Corporate Governance", which forms part of this report. A certificate from the Auditors of the Company regarding compliance with the Code of Corporate Governance is annexed.



LISTING WITH STOCK EXCHANGE:

Presently, the company's equity shares are listed only on the Stock Exchange, Mumbai.

AUDITORS

M/s.S.L.Gadhiya & Co, Chartered Accountants, Chennai, retiring at the ensuing Annual General Meeting, are eligible for re-appointment.

INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your Company has no activity with regard to conservation of energy or technology absorption. Your Company does not have any foreign exchange earning or outgo during the year.

PARTICULARS OF EMPLOYEES

There was no employee whose particulars under section 217(2A) of the Companies Act, 1956 are to be reported.

ACKNOWLEDGMENT

Your Directors would like to sincerely thank the Company's bankers, Karnataka Bank Limited, Bank of Baroda and HDFC Bank Limited and the shareholders and the employees of the Company.

By order of the Board

**N. SUGALCHAND JAIN
MANAGING DIRECTOR**

**Place : Chennai
Date : 19.05.2006**

**R N DAMANI
DIRECTOR**

ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE

(A) MANDATORY REQUIREMENTS:

1) A BRIEF STATEMENT ON THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE.

Your Company believes that good corporate governance contemplates that corporate actions balance the interests of all stakeholders and satisfy the tests of accountability, transparency and fair play.

2) BOARD OF DIRECTORS

Presently, your Board consists of 9 directors, out of which 8 are non-executive directors. Thus, the number of non-executive directors is more than 50% of the total number of directors. The Company has a non-executive Chairman. There are 5 independent directors (i.e. more than 1/3rd of the total number of directors).

The non-executive directors are professional, having expertise in general corporate management, finance, and other allied fields.



None of the directors on the Board is a member on more than 10 committees and Chairman of more than 5 committees (as specified in Clause 49 of the Listing Agreement with Stock Exchange), across all the companies in which they are directors. The necessary disclosures regarding committee positions have been made by the directors.

Composition, Attendance at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees.

Above information as on 31st March, 2006 is tabulated hereunder:

Director	No.of Board Meetings attended #	Attendance at previous AGM on 30.07.2005	No.of outside Directorships held	No.of membership/ Chairmanship in other Board Committees	Executive/ Non Executive/ Independent
Shri G.N. Damani **	1	Present	12	Nil	Non Executive
Shri N. Sugal Chand Jain**	4	Present	9	Nil	Executive
Shri Pravin B. Chheda** @	Nil	Not Present	13	Nil	Non Executive
Shri P. Jayaraman	4	Present	Nil	Nil	Non Executive & Independent
Shri R.N. Damani	3	Present	12	Nil	Non Executive
Shri P. Lalith Kumar Jain	4	Present	1	Nil	Non Executive
Shri K.S.Kannan	4	Present	Nil	Nil	Non Executive & Independent
Shri Hastimal Surana	3	Present	2	Nil	Non Executive & Independent
Shri P.J.Sreedharan	3	Present	1	Nil	Non Executive & Independent
Shri S. Kannadasan##	1	Not Applicable	Nil	Nil	Non Executive & Independent

Attendance at the Board Meetings relevant to the period when Director of the Company.

** Promoter

@ Ceased to be director with effect from 21.01.2006.

Co-opted as additional director at the Board meeting held on 21.01.2006.

possibilities:

Managing Director:

Shri N. Sugalchand Jain, Managing Director of the Company, is responsible for the overall management of the company. He is the only full time executive representative from the Board of Directors. He appraises the Board about the performance of the Company.

Independent Directors:

The independent directors play a vital role in vetting issues and decision at the Audit Committee / Remuneration Committee / Board meetings and bring to the company their wide experience in the field of corporate management, accounts, finance, taxation, audit, legal and information management. All the five independent directors are non-executive and have access to all the information of the company.



Board Procedure:

A detailed agenda folder is sent to each director in advance of Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board members at every meeting on the overall company performance. A report on compliance of all laws applicable to the company including requirements of Listing Agreement with BSE is placed at every Board Meeting.

Information in cases of appointment / reappointment of directors as required under Listing Agreement are given in a separate sheet forming part of the notice of Annual General Meeting.

Remuneration of Directors:

Remuneration to Managing Director:

Except Shri N.Sugalchand Jain, Managing Director of the Company, none of the directors of the Board are paid any remuneration. The total salary and allowances paid to Managing Director during the year ended 31.03.2006 are given elsewhere in this report.

At the Board meeting held on 19.05.2006 the Board has reappointed Shri N.Sugalchand Jain as the Managing Director of the company for a further period from 24.06.2006 to 31.03.2008 on the following terms and conditions. The Remuneration Committee at the meeting held on 19.05.2006 has also approved the reappointment of the Managing Director and the remuneration payable to him.

Basic Salary : Rs.10,000/- (Rupees Ten thousand only) per month .

Special Allowance: Rs.10,000/- (Rupees Ten thousand only) per month .

Transportation Allowance: Rs.800/- (Rupees Eight hundred only) per month.

Perquisites:

(1) Housing: Free Furnished accommodation (The expenditure by the Company on hiring furnished accommodation for the Managing Director will not exceed Rs.14,200/- [Rupees Fourteen thousand two hundred only] per month, i.e. Rs.1,70,400 per annum).

(2)Medical Reimbursement: Reimbursement of Medical expenses incurred for the Managing Director and his wife subject to a ceiling Rs.1,00,000/- (Rupees one lac only) per annum.

Transportation Allowance: Rs.800/- (Rupees Eight hundred only) per month

Perquisites:

(1) Housing: Free Furnished accommodation (The expenditure by the Company on hiring furnished accommodation for the Managing Director will not exceed Rs.14,200/- [Rupees Fourteen thousand two hundred only] per month.

(2)Medical Reimbursement: Reimbursement of Medical expenses incurred for the Managing Director and his wife subject to a ceiling Rs. 1,00,000/- (Rupees one lac only) per annum.

(3) Leave travel concession: Leave Travel Concession of Rs.1,00,000/- (Rupees one lac only) per annum for the Managing Director and his wife.

Remuneration to non-executive directors:

The non-executive directors do not draw any remuneration from the company. They are entitled only to sitting fees for every meeting of the Board, Audit Committee and Remuneration Committee attended. The sitting fees paid to them for attending the meetings in 2005-2006 are given elsewhere in this report.



So far, the sitting fees have been paid to the non-executive directors at the following rates:

@Rs.2000/- per director for every meeting of the Board attended.

@Rs.1000/- per director for every meeting of the Audit Committee and the Remuneration Committee attend.

The Remuneration committee and the Board of Directors at the Meetings held on 19/05/2006 approved enhancement in the sitting fees payable for Board Meetings from Rs.2000/- to Rs.3000/- per director w.e.f. 29/07/2006. However, the sitting fees payable for Audit Committee and Remuneration Committee meetings remain unchanged.

There is no other pecuniary relationship are transactions of the non-executive Directors Vis-a-vis of the Company.

Shares held by non-executive Directors:

Shri P. Lalith Kumar Jain, one of the non-executive directors, is holding 1000 shares in the company.

100 shares still continue to be registered in the name of Shri G.N. Damani, one of the non-executive directors. Though he has sold the shares long back, the transfer documents have not been submitted by the buyer to the Company till date.

All other non-executive directors do not hold any shares in the company.

Board Meetings held during the Financial Year 2005 - 2006

During the year 2005 - 2006, 4 Board Meetings were held on 25.5.2005, 30.7.2005, 27.10.2005 and 21.1.2006. The gap between two meetings did not exceed 4 months.

3) AUDIT COMMITTEE

Your Company has an Audit Committee. The Committee was consisting of Shri P. Jayaraman, Shri K.S. Kannan and Shri Hastimal Surana, all non-executive & independent directors up to 20.01.2006. On 21.01.2006 the Committee was re-constituted consisting of Shri K.S.Kannan, Shri P. Jayaraman and Shri S. Kannadasan, all non-executive & independent directors. Shri P. Jayaraman is a Chartered Accountant and he was the Chairman of the Audit Committee up to 20.01.2006. On and from 21.01.2006 Shri K.S. Kannan has become the Chairman of the Audit Committee. Shri S. Kannadasan is also a Chartered Accountant. All members of the Audit Committee are financially literate and two members of the Committee have accounting or related financial management expertise.

The Chairman of the Audit Committee was present at the Annual General Meeting held on 30.07.2005 to answer shareholders' queries.

Shri R.Vaidyanathan, Company Secretary, is the Secretary to the Committee.

The terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement.

During the period under review, the Audit Committee had 5 meetings on the following dates:

Date of Meeting	Names of Committee members who attended the meetings
24.05.2005	Shri P. Jayaraman & Shri K.S.Kannan
25.05.2005	Shri P. Jayaraman, Shri K.S.Kannan & Shri Hastimal Surana
30.07.2005	Shri P. Jayaraman & Shri K.S.Kannan & Shri Hastimal Surana
27.10.2005	Shri P.Jayaraman & Shri K.S.Kannan
21.01.2006	Shri K.S. Kannan, Shri P. Jayaraman & Shri S. Kannadasan

4) REMUNERATION COMMITTEE

Your Company has a Remuneration Committee. The Committee was comprising Shri P. Jayaraman (Chairman), Shri K.S.Kannan and Shri Hastimal Surana, all non-executive & independent Directors upto 20.01.2006. On 21.01.2006 the



Committee was re-constituted consisting of Shri K.S. Kannan (Chairman), Shri Hastimal Surana & Shri S. Kannadasan, all non-executive and Independent Directors.

There was no meeting of the Remuneration Committee during the period under review.

The terms of reference to this Committee include:

- a) formulation of policy relating to, and fixation of remuneration payable and other service terms and conditions applicable to the Managing Director;
- and
- b) remuneration (sitting fees) payable to the non-executive directors for meetings of the Board and/or various committees attended.

Remuneration of Directors for 2005 - 2006

Name of Director	Sitting Fee (Rs.)	\$Salaries (Rs.)	Total (Rs.)
Shri N. Sugalchand Jain *	Nil	249600	249600
Shri G.N.Damani	2000	Nil	2000
Shri P.B. Chheda #	Nil	Nil	Nil
Shri P. Jayaraman	13000	Nil	13000
Shri R.N. Damani	6000	Nil	6000
Shri P. Lalith Kumar Jain	8000	Nil	8000
Shri K.S.Kannan	13000	Nil	13000
Shri Hastimal Surana	8000	Nil	8000
Shri P.J.Sreedharan	6000	Nil	6000
Shri S. Kannadasan	3000	Nil	3000

\$Inclusive of allowances, but exclusive of LTA.

#Ceased to be director w.e.f. 21.1.06.

The following perquisites were paid to the Managing Director during the year 2005 - 2006, in addition to the salaries and allowances mentioned above.

- (a) Rent paid for his accommodation : Rs.1,70,400/-
(b) LTA paid : Rs. 89,410/-

There is no notice period or severance fee provided in the terms of appointment of the Managing Director.

The Company does not have any Stock Option Scheme.

5) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Your Company has a Shareholders/Investors Grievance Committee comprising Shri P.Lalith Kumar Jain, non-executive Director (who chairs the Committee) and Shri N. Sugalchand Jain, Managing Director. The Committee looks into shareholders' and investors' grievances and also deals with transfer, transmission and transposition of shares.

The Committee met 24 times during the year under review. Both the Committee members attended all the 24 meetings.

Shri R.Vaidyanathan, Company Secretary, is the Compliance Officer and is also the Secretary to the Committee.

During the year 2005 - 2006, two complaints were received from shareholders and both the letters were promptly answered to the satisfaction of the shareholders. 63 valid requests for transfer of 15,480 shares were received during the year 2005 - 2006. No transmission was effected during the period under review. All requests for transfer have been acted upon by the company and no transfer is pending.



6) GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings are as under:

Year	Venue	Date	Time	Number of Special resolutions passed
2005	City Centre Plaza(I Floor) New No.7(Old No.3) Anna Salai Chennai - 600 002	30.07.2005	11.45 A.M	-
2004	--do--	24.07.2004	11.45 A.M	-
2003	--do--	26.07.2003	11.45 A.M.	3

All the 3 special resolutions were passed by show of hands at the Annual General Meeting held on 26.07.2003. No resolution has so far been passed by the Company by postal ballot. At the forthcoming Annual General Meeting, there is no item on the Agenda that needs approval by postal ballot.

There was no other general body Meeting in the last three years.

7) DISCLOSURES

(I) The particulars of transactions between the Company and its related parties as defined in AS18 are set out in Notes on Accounts (Sch. 14 Clause 7) forming part of the financial statements.

The Company has not entered into any materially significant transaction with its promoters, directors or the management or relatives, etc. that may have potential conflict with the interests of the company at large.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to corporate governance. Further, the company adopted the following non-mandatory requirements of the clause:

- (a) the company as setup the remuneration committee as per the provision for clause 49.
- (b) the financial statement of the company are unqualified.

(II) Vide letter dt. 16.11.2004, SEBI intimated that Regulations 6(2) & 6(4) of Takeover Regulations were violated by the Company since the disclosures prescribed had not been made to the Stock Exchange in 1997 and a minimum penalty of Rs.50,000/- was imposed. SDFL consented to pay the minimum penalty. So far, there has been no further communication from them calling for payment of penalty. There is no other penalty or stricture imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

CODE OF CONDUCT

The company has posted the code of conduct for directors and senior management on its website www.sdf.co.in.

POLICY ON RISK MANAGEMENT:

In accordance with the requirement of Corporate Governance the Board of directors of the company have adopted a policy on risk management for assessment and minimization procedure of risk for periodical review by the Board.



Code for prevention of Insider Trading

In accordance with SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Board of directors of the company has formulated the Code of Conduct for prevention of insider trading of the shares of company by its directors and employees.

8) MEANS OF COMMUNICATION

Half-yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-yearly and Annual Results are generally published by the Company in "News Today" and "Malai Sudar", Chennai. The Half-yearly reports are not sent to household of shareholders. The Company's results are sent to Bombay Stock Exchange for putting on their web-site. The Company has also been placing its results on the website of the company www.sdfi.co.in. The Company also regularly posts the information on the Electronic Data Information Filing and Retrieval System launched by SEBI. There was no official news release and no presentations were made to Analysts during the financial year 2005-2006.

Management discussion and analysis:

The Directors' Report includes management discussion and analysis.

9) GENERAL INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Date and Time : 29.07.2006 at 11.30 a.m.

Venue : 11, Ponnappa Lane, Triplicane, Chennai-600 005.

Financial Calendar : (tentative)

First Quarter	: July, 2006
Second Quarter & Half-yearly	: Oct., 2006
Third Quarter	: Jan., 2007
Fourth and last quarter	: April, 2007

Date of Book Closure : 18.7.2006 to 29.7.2006, (both days inclusive).

Dividend payment Date : Not applicable as no dividend recommended.

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity : Not applicable

Listing on Stock Exchange and Stock Code

Shares of the Company are listed on Bombay Stock Exchange Limited, Mumbai, P.J. Towers, Dalal Street, Mumbai - 400 001 (Stock Code 511654).

Listing fee to the Stock Exchange has been paid up to date.



Market Price Data: High/Low in each month of Financial Year 2005-06 on Bombay Stock Exchange:

Month	High(Rs.)	Low(Rs.)	Month	High(Rs.)	Low(Rs.)
Apr'05	5.85	3.68	Oct'05	7.64	4.95
May'05	9.55	4.03	Nov'05	5.50	4.70
June'05	15.50	7.00	Dec'05	5.38	4.55
July'05	10.40	6.21	Jan'06	6.66	5.25
Aug'05	13.00	6.85	Feb'06	6.25	5.00
Sept'05	12.90	7.80	Mar'06	6.25	4.60

Registrars and Transfer Agents, Share transfer system

M/s. Cameo Corporate Services Limited, No.1,Subramanian Building, V Floor, Club House Road, Chennai - 600 002, are functioning as the registrars and share transfer agents of the Company to deal with transfer of shares in physical form and also for electronic connectivity.

Share transfers are registered and returned in the normal course within an average period of 15 days from the date of receipt, if the documents are clear in all respects.

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited and Central Depository Services(India) Limited within 15 days by M/s. Cameo Corporate Services Limited.

The International Securities Identification No. (ISIN) allotted to the Company is ISIN-INE 309D01011.

Categories of Shareholding as on 31st March, 2006

Category	No.of Shares	% of total Shares
Promoters and associates	604585	20.15
Nationalised banks	100	--
NRI's	30100	1.00
Others(includes holding of Corporate Bodies)	2365215	78.84
TOTAL	3000000	100.00

Distribution of shareholding as on 31st March, 2006

No.of Shares	No. of Shareholders	%of total Shareholders	No. of Shares	% of total Shares
Upto 500	3771	87.37	6,25,754	20.86
501 to 1000	300	6.95	2,56,114	8.54
1001 to 2000	134	3.10	2,05,728	6.86
2001 to 3000	42	0.97	1,06,234	3.54
3001 to 4000	6	0.14	20,350	0.68
4001 to 5000	17	0.39	82,756	2.76
5001 to 10000	21	0.49	1,71,665	5.72
10001 and above:	25	0.58	15,31,399	51.04
TOTAL	4316	100.00	30,00,000	100.00



Dematerialisation of shares: 21,72,908 shares (72.43%) of the Company have been dematerialised as on 31st March, 2006.

Plant location: Not applicable. SDFL is a Finance Company, having its Registered Office at Chennai.

Address of correspondence : Investors and shareholders can correspond with the Company at the following address:
The Company Secretary,

Sugal & Damani Finlease Limited,
City Centre Plaza, (1st Floor)
7, Anna Salai, Chennai - 600 002.
Phone Nos. 2858 7105,06,07-09.
Fax No: 4215 5285

E-mail for Investors: sugalfinlease@rediffmail.com

(B) NON-MANDATORY REQUIREMENTS

- | | |
|---|---|
| (a) Whether Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expense incurred in performance of his duties. | The Chairman of the Board does not keep any office in the Regd. office of the Company. |
| (b) Remuneration Committee | Serial No.A - Para No. 4 of the report may be referred to. |
| (c) Shareholders Rights - The half-yearly declaration of financial performance including summary of the significant events in last 6 months should be sent to each household of shareholders. | As the Company's half-yearly results are published in an English Newspaper and also in a Tamil Newspaper, the same are not sent to the shareholders of the Company. There is no publication of Second half-yearly results as the annual audited results are approved by the Board and then published in the newspapers and also communicated to the shareholders through the Annual Report. |
| (d) Audit Qualifications: | The auditor's report on the statements of account for the year ended 31.03.2006 does not contain qualifications. |
| (e) Training of Board Members
(f) Mechanism for evaluating non-executive Board Members
(g) Whistle Blower Policy | The company has not so far adopted these non-mandatory requirements.

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CEO/CFO CERTIFICATION:

The Board of Directors,
Sugal & Damani Finlease Limited
Chennai.

Re.: Financial Statements for the year 2005-06 - Certification by CEO and CFO

We, N. Sugalchand Jain, Managing Director, and Vasanthi Ramakrishnan, General Manager (Accounts) of Sugal & Damani Finlease Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ended March, 31, 2006 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. 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.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March, 31, 2006 which are fraudulent, illegal or violative of the company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting. 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 those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
 - (a) there have been no significant changes in internal control over financial reporting during this year
 - (b) there have been no significant changes in accounting policies during this year.
 - (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control system over financial reporting.

Place: Chennai
Date : 19.05.2006

(N.Sugalchand Jain)
Managing Director

(Vasanthi Ramakrishnan)
General Manager (Accounts)

To

The members of Sugal & Damani Finlease Ltd

I, N.Sugalchand Jain, Managing Director of Sugal & Damani Finlease Ltd., to the best of my knowledge and belief, declare that all the members of the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31.03.2006.

Place: Chennai
Date : 19.05.2006

(N.Sugalchand Jain)
Managing Director



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF SUGAL & DAMANI FINLEASE LTD.

We have examined the compliance of conditions corporate governance by SUGAL & DAMANI FINLEASE LIMITED, for the year ended on 31st March 2006, as stipulated in clause 49 of the listing agreement of said company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as in the above mentioned listing agreement.

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

Place: Chennai
Date : 19.05.2006.

For S.L.Gadhiya & Co.,
Chartered Accountants
(SHANTILAL GADHIYA)
Partner
Membership No.:19663

AUDITORS' REPORT

TO THE MEMBERS OF SUGAL & DAMANI FINLEASE LIMITED

1. We have audited the attached Balance Sheet of **SUGAL & DAMANI FINLEASE LIMITED** ("the company") as at 31st March, 2006 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.
2. 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 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 issued by the Department of Company Affairs, 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 the paragraph 4 and 5 of the said Order to the extent applicable.
4. 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 the written representations received from the Directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 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 read 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 31st March, 2006 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 the cash flow statement, of the cash flows for the year ended on that date.

or **S.L. Gadhiya & Co.**
Chartered Accountants
Shantilal Gadhiya
Partner

Date: 19.05.2006

Place: Chennai

ANNEXURE TO AUDITOR'S 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. Fixed Assets have been physically verified by the management at reasonable intervals. As informed to us, no material discrepancies were noticed by the management on such verification.
 - c. During the year, In our opinion, a substantial part of fixed assets has not been disposed of by the company
- (ii) The company is basically a Finance company, Hence, the question of physical verification of inventory and maintenance of records for inventory does not arise, except in case of shares repossessed from default loan debtors are shown as stock and are valued at acquisition cost proper records have been maintained for such repossessed stock.



- (iii)
- a. The Company has granted unsecured loans to the parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs. 53 Lakhs and the year-end balance of loans granted to such parties was Rs. NIL.
 - b. In our opinion and according to the information and explanations given to us, the rate of interest, whenever applicable and other terms and conditions of the unsecured loans given by the Company are not prima facie, prejudicial to the interest of the Company.
 - c. In our opinion and according to the information and explanations given to us, the Company to whom loans are granted are regular in repaying Interest and principal.
 - d. In our opinion and according to the information and explanations given to us, there is no overdue amount of loans taken from or granted to companies, firms of other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv)
- a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
 - b. According to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of such contracts or arrangements exceeding the value of five lakhs, have been made at prices, which are reasonable having regard to the prevailing market price at the relevant time.
- (v)
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedure as regards purchase of plant & machinery, equipments and other assets, commensurate with size and nature of business carried out by the Company. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (vi)
- In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
- (vii)
- The company has no formal Internal Audit department as such. However, its control procedures ensure internal checking of its Financial and other records.
- (viii)
- According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Act in respect of the products manufactured by the Company.
- (ix)
- a. According to the records of the company, the company is regular in depositing the undisputed statutory dues including PF, Investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, cess and any other statutory dues with the appropriate authority subject to Note No. 11 of Schedule 14
 - b. According to the information and explanations given to us, details of statutory dues which have not been deposited on account of any dispute are given in Note No. 14 of Schedule 14
- (x)
- There are no accumulated losses as at the end of the year. The Company has not incurred any cash losses during the current year and the immediately preceding financial year.
- (xi)
- In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.



- (xii) We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. However in the course of business, loan against security of shares/securities, the company acquires shares from defaulter and disposed of. All other investments in shares & securities are held in company's name.
- (xv) In our opinion and according to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to information and explanations given to us, the Company has not raised any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not, prima facie, been used during the year for long-term investment other than temporary deployment pending application.
- (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 and hence question of creating securities or charge in respect thereof does not arise.
- (xx) During the year under audit the company has not made any public issue.
- (xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **S.L. Gadhiya & Co.**
Chartered Accountants
Shantilal Gadhiya
Partner

Date:19.05.2006
Place: Chennai



SUGAL & DAMANI FINLEASE LIMITED
BALANCE SHEET As On 31.03.2006

PARTICULARS	Schedule	As On 31.03.2006 (In Rupees)	As On 31.03.2005 (In Rupees)
SOURCES OF FUNDS			
<u>Shareholders fund</u>			
Share Capital	1	30000000	30000000
Reserves and Surplus	2	6531198	5602784
Loan Fund		--	--
Total		36531198	35602784
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Gross Block	3	2252038	2744088
Less: Depreciation		1237313	1486595
Net block		1014725	1257493
Investments	4	627148	110328
<u>CURRENT ASSETS LOANS AND ADVANCES</u>			
Current Assets	5	13993150	6265269
Loans and Advances	6	22124263	29114887
		36117413	35380156
<u>CURRENT LIABILITIES AND PROVISIONS</u>			
Current Liabilities	7	24922	6619
Provisions	8	1044842	906210
		1069764	912829
Net Current Assets		35047649	34467327
Deferred Tax Liability		158324	232364
Total		36531198	35602784
Significant Accounting Policies	13		
Notes on Accounts	14		

As per our attached report of even date

For S.L.Gadhiya & Co.

Chartered Accountants

(SHANTILAL GADHIYA)
Partner
Secretary

(N.SUGALCHAND JAIN)
Managing Director

(R.N.DAMANI)
Director

(R.VAIDYANATHAN)
Company

Place : Chennai
Date :19.05.2006

(VASANTHI RAMAKRISHNAN)
General Manager - Accounts



SUGAL & DAMANI FINLEASE LIMITED
PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2006

PARTICULARS	Schedule	Year ended 31.03.2006 (In Rupees)	Year ended 31.03.2005 (In Rupees)
<u>INCOME</u>			
Interest Received against Loans		2953197	3008163
Interest Receipts		371220	135070
Others	10	3135	3977
Profit On Sale Of Stock		--	607
Provision for Substandard Assets		32249	202741
		3359801	3350558
<u>EXPENDITURE</u>			
Interest		127101	113151
Establishments	11	362181	389506
Administrative	12	1084582	1305374
Loss on sale of Investment		68635	--
loss on fixed assets scrapped		106617	
Provision for doubtful Assets		64653	
		1813769	1808031
Profit before Depreciation		1546032	1542527
Less : Depreciation		136151	143053
Profit before tax		1409881	1399474
Provision for Gratuity		10990	12852
Provision for tax		539933	444325
Provision for deferred tax		-74040	-2501
Fringe Benefit tax		4584	--
Profit after tax		928414	944798
Balance Brought forward		3591387	2835549
Profit for appropriation		4519801	3780347
<u>APPROPRIATION</u>			
Special Reserve for RBI purposes		185683	188960
Surplus carried forward		4334118	3591387

As per our attached report of even date

For S.L.Gadhiya & Co.

Chartered Accountants

(SHANTILAL GADHIYA)
Partner

(N.SUGALCHAND JAIN)
Managing Director

(R.N.DAMANI)
Director

(R.VAIDYANATHAN)
Company Secretary
(VASANTHI RAMAKRISHNAN)

Place : Chennai

Date : 19 .05.2006

General Manager - Accounts

**SUGAL & DAMANI FINLEASE LIMITED**

Schedules 1 to 14 annexed to and forming part of Balance Sheet as at 31.03.2006 and the Profit and Loss account for the period ended 31.03.2003

SCHEDULE	PARTICULARS	As On 31.03.2006 (In Rupees)	As On 31.03.2005 (In Rupees)
1	SHARE CAPITAL		
	Authorised 7000000(7000000) shares of Rs. 10/- each	7000000	7000000
	Issued ,subscribed and paid up capital 3000000(3000000) shares of Rs.10/- each	3000000	3000000
		3000000	3000000
2	RESERVES & SURPLUS		
	General reserve	154485	154485
	Special Reserve (RBI ACT)	2042595	1856912
	Profit & Loss a/c	4334118	3591387
	6531197	5602784	
4	INVESTMENTS		
	Investment in shares	627148	110328
	Details given in Annexure A	-	-
	627148	110328	
5	CURRENT ASSETS		
	Share application - ING VYSYA	--	24750
	Accrued Interest on FD	186032	124100
	Fixed Deposit with banks	13561632	5335646
	Stock in hand	135729	135729
	CASH & BANK BALANCES		
	Karnataka Bank	32852	58880
	HDFC Bank	76338	584689
	Petty cash on hand	567	1475
		13993150	6265269



SUGAL & DAMANI FINLEASE LIMITED				
SCHEDULE 3 – DETAILS OF FIXED ASSETS & DEPRECIATION FOR THE PERIOD 01.04.2005 TO 31.03.2006				
(IN RUPEES)				
ITEM	GROSS BLOCK			AS AT 31.03.2006
	AS AT 01.04.2005	ADDITIONS	DELETIONS	
Air Conditioner	327295			327295
Electrical Fittings	26078			26078
Filing cabinet	10994			10994
Furniture	1403462			1403462
Stabilizer	10829			10829
Telephone equipment	30326			30326
Office equipment	6750			6750
Electronic Typewriter	25280			25280
Fax machine	19000			19000
Franking machine	14401			14401
Water Cooler	9453		9453	0
Artificial Plants	6124		6124	0
Xerox Machine	127434		127434	0
Pagers	26940			26940
Generator	23850			23850
Cellular	23800			23800
Camera	77814			77814
Coffee Vending Machine	29480		29480	0
Vacuum Cleaner	5615		5615	0
E P A B X	138614			138614
U.P.S	25480			25480
New Computers	45375			45375
Computer software	15750			15750
Total	2430143		178106	2252038

(Cont'd)

**SUGAL & DAMANI FINLEASE LIMITED**

SCHEDULE 3 – DETAILS OF FIXED ASSETS & DEPRECIATION FOR THE PERIOD 01.04.2005 TO 31.03.2006

(IN RUPEES)

DEPRECIATION				NET BLOCK	
UPTO 31.03.2005	FOR THE PERIOD	ADJUSTMENTS	UPTO 31.03.2006	AS ON 31.03.2006	AS ON 31.03.2005
145996	15547	0	161543	165752	181299
12190	1239	0	13429	12649	13888
4909	522	0	5431	5563	6085
745036	88839	0	833875	569587	658426
4071	514	0	4585	6244	6758
13055	1440	0	14495	15831	17271
3406	321	0	3727	3023	3344
12383	1201	0	13584	11696	12897
9404	903	0	10307	8693	9597
7050	684	0	7734	6667	7351
3832	0	-3832	0	0	5621
2481	0	-2481	0	0	3643
52239	0	-52239	0	0	75195
12356	1280	0	13636	13304	14584
10153	1133	0	11286	12564	13697
9991	1131	0	11122	12678	13810
31898	3696	0	35594	42220	45916
10879	0	-10879	0	0	18601
2058	0	-2058	0	0	3557
56767	6584	0	63351	75263	81847
4293	1210	0	5503	19977	21187
15651	7355	0	23006	22369	29724
2553	2553	0	5106	10644	13197
1172651	136151	-71488	1237313	1014724	1257494



SUGAL & DAMANI FINLEASE LIMITED			
SCHEDULE	PARTICULARS	As On 31.03.2006 (In Rupees)	As On 31.03.2005 (In Rupees)
6	LOANS & ADVANCES		
	Loans	20918407	27956766
	Tax deducted at source	322060	336923
	Interest tax refund due 1997-98	31620	31620
	Income Tax Refund Due 1998-99	121010	121010
	Income Tax Refund Due 2002-2003	43588	43588
	Income Tax Refund Due 2003-2004	171945	171945
	Income Tax Refund Due 2004-2005	142598	
	Others	198035	203035
	Advance Income tax	175000	250000
		22124263	29114887
7	CURRENT LIABILITIES		
	Unmatured Interest	922	922
	TDS Payable	-	2825
	Outstanding liabilities	24000	2872
		24922	6619
8	PROVISIONS		
	Provision for doubtful debts	64653	-
	Provision for substandard assets	-	32249
	Provision for FBT	318	-
	Audit & Legal Fees	36406	36554
	Income Tax provsn for earlier years	48098	48098
	Intt.tax provsn for the year 1994-95	62474	62474
	Intt.tax provsn for the year 1995-96	205383	205383
	Provision for Income Tax for current year	539933	444325
	Provision for Provident fund	-	540
	Provision for Gratuity	87577	76587
		1044842	906210
9	MISCELLANEOUS EXPENDITURE		
	Preliminary expenses B/f	--	8364
	Less : Written off during the period/year	--	8364
		--	--
10	OTHER INCOME		
	Miscellaneous income	3135	3977
		3135	3977
11	ESTABLISHMENT		
	Salary	326992	334383
	Staff Welfare	35189	55123
		362181	389506



SUGAL & DAMANI FINLEASE LIMITED			
SCHEDULE	PARTICULARS	As On 31.03.2006 (In Rupees)	As On 31.03.2005 (In Rupees)
12	ADMINISTRATIVE EXPENSES:		
	Printing & Stationery	36982	42368
	Audit and Legal fees	70423	59554
	Publicity & Advertisement	36140	31818
	Rent	264656	258420
	Directors' Sitting Fees	59000	50000
	Postage	34912	27937
	Bank charges	138	1241
	Magazines & Periodicals	4184	5548
	Travelling Expenses	36912	76972
	Telephone Expenses	27600	27600
	Electricity Expenses	73791	68908
	Repairs & maintenance	4481	2320
	General Expenses	11499	1818
	Conveyance	13187	10863
	Bad Debts written off	--	107858
	Service Charges	33341	39863
	Director's Remuneration	249600	249600
	Leave Travel Allowance	89410	99350
	Preliminary Expenses written off	--	8364
	Listing Fees	20703	5706
	AGM Expenses	--	1759
	Demat Charges	17623	25507
	Donation	--	102000
		1084582	1305374
	Annexure (A)		
	Investment		
	Scrip	QTY	Amount (Rs.)
	1)Laxmi Vilas Bank	200	11510
	2)Ankur Foundations (p) Ltd.	1500	15000
	3)Ansu Builders Pvt.Ltd.	150	15000
	4)Ushitha Trading	35000	585638
		36850	627148



SUGAL & DAMANI FINLEASE LIMITED

13. SIGNIFICANT ACCOUNTING POLICIES:

I. SYSTEM OF ACCOUNTING:

The Company has been consistently following the accrual method in accounting its income and expenditure. The Company follows prudential norms for income recognition and provisioning for non-performing assets as prescribed by Reserve Bank of India for Non-Banking Finance Companies.

- a. The same procedure is followed this year also.
- b. Dividend receipts are accounted on cash basis as and when received.
- c. Interest receipts are accounted on accrual basis except in those cases where there is uncertainty in the receipts and loan classified as substandard Assets.

II. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

III. FIXED ASSETS:

Fixed Assets are stated at cost less depreciation

IV. DEPRECIATION:

Depreciation on Fixed Assets is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

V. INVESTMENTS:

Investments are valued at acquisition cost.

VI. INVENTORIES:

Shares repossessed from loan against shares are taken as stock and stated at the acquisition cost.

VII. MISCELLANEOUS EXPENDITURE:

(To the extent not written off or adjusted)

Preliminary expenses are written off in equal installments over a period of 10 accounting years.

VIII. TAXATION:

Current Tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognised, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods.



IX. EMPLOYEE RETIREMENT BENEFITS:

Leave encashment benefits are charged to revenue Account on the basis of actual and Gratuity benefit is provided on accrual basis.

X. IMPAIRMENT OF ASSETS

The company is basically a finance company holding only finance assets hence no impairment of assets is accounted for .

14. NOTES ON ACCOUNTS:

1. Loans include loan against shares to the tune of Rs.1099087.23 that are made to parties against purchase/sales confirmation letter from M/s. Sugal & Damani Share & Stock Brokers (p) Limited.
2. Balances of loans and advances, sundry creditors, sundry debtors, deposits and other loans are as per the books and subject to confirmation. In the opinion of management, these are realizable approximately at the values stated in the ordinary course of the business.
3. Remuneration to auditors

	31.03.2006 (Rs.)	31.03.2005 (Rs.)
For audit	20000	20000
Taxation	10000	10000
Others	5000	5000
Service Tax	3570	3570

4. **Deferred Tax:**

The company has provided deferred tax in accordance with Accounting standard 22 Accounting for Taxes on Income issued by the “ Institute of Chartered Accountants of India “. The Breakup of net deferred tax liability as on 31st March 2006 is as under:

Particulars	Deferred tax Liability Rs.	Deferred tax Assets Rs.
Difference between books Depreciation & Tax Depreciation	158324(232364)	

Amount in bracket represents previous year figure

5. The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard (AS17) “Segment Reporting”.
6.
 - a. Salary payment includes house rent allowances, transportation and leave encashment.
 - b. Staff welfare includes employer contribution to PF & Bonus.



7. RELATED PARTY DISCLOSURE :

- (a) M/s.Sugal & Damani Share & Stock Brokers Pvt. Ltd., is a related concern of Managing Director Shri N.Sugal Chand Jain and Chief Executive Shri S. Vinodh Kumar Jain . The company has provided funds and there is no outstanding as on 31st March 2006 and interest charged thereon is Rs.78913.43
- (b) Remuneration paid to Managing Director Shri N. Sugal Chand Jain : Rs.2,49,600/- and LTA paid Rs.89,410/- as approved by the Board of Directors and Share holders at general meeting.
- (c) M/s Sugal Tourism Development (P) Ltd., is related concern of Director Shri P. Lalith Kumar Jain, over which he has control and significant influence. During the year, the company has paid to Sugal Tourism Development (P) Ltd. Rs.1,04,147/- for its services.
- (c) Rent paid to Shri.N Sugalchand Jain, Managing Director and Smt Chandra Bai, wife of Managing Director, is Rs.85,200/- Each towards accommodation extended to the Managing Director as approved by the Board of Directors and the Share holders of the Company.
- (e) M/s.Sugal & Damani Securities Madras P. Ltd. is a related concern of Shri S. Vinodh Kumar Jain, Chief Executive. The company has provided funds and there is no outstanding as on 31st March 2006 and interest charged thereon is Rs.15785.55.
- (f) M/s. Ankur foundations (P) Limited was a related concern of Chief Executive Shri.S.Vinodhkumar Jain. The outstanding balance as on 31st March 2006 is Rs.133.24 lacs and interest charges thereon is Rs.7,63,894/- (The Shares of Ankur Foundations P. Ltd. held by Chief Executive, Mr. Vinodh Kumar have been sold during the year 2005-06)
8. The Company has received Rs. 62,282/- as dividend from various listed companies on shares held in Demat Account, which include dividend on investment made by and shares held as security for loans, of which Rs.62,282/- being the dividend on shares held as security against loan is transferred to concerned loan parties.
9. Basic and diluted earning per share (pursuant to Accounting Standard – 20)

Particulars	31st March 2006	31st March 2005
Net Profit for the year(In Rs.)	9,28,414/-	9,44,798/-
Weighted Average number of equity shares	3000000	3000000
Nominal value of shares	Rs.10 per share	Rs.10 per share
Basic & diluted earning per share (In Rs.)	0.31	0.31

10. Previous year figures are regrouped and rearranged wherever necessary to match the current year classification.
11. A sum of Rs.48,098/- was provided during the Financial Year 2000-2001 against the Income-tax liability for the Asst. Year 1996-97 as per the Asst. Order of DCIT dated 21.12.2000. As there is a Refund outstanding to the extent of Rs.1,52,630/- for the Asst. Year 1998-99 and moreover the company has requested the department to adjust the tax liability with the Refund due, the amount is not paid.
12. Value of Investment in shares as on 31.03.06 is Rs.627148/- and market value of stock in hand as on 31st March 2006 is Rs.75758/-
13. The Company is basically a finance Company. The Company does not hold any operating assets. Hence the provision as required in paragraph 94 of the Accounting Standard 28 is taken as nil.



14. Contingent Liability - As required by AS29 for provision towards contingent liability a sum of Rs. 2,05,383/- was provided during the Financial Year 1998-99 against the interest tax liability for the Asst. Year 1995-96 as per the Asst. order of ACIT dated 31.03.1999 and a sum of Rs.62,474/- was provided during the financial year 1999-2000 against the Interest tax liability for the Asst. Year 1994-95 as per the Asst. order of ACIT dated 02.02.1998. The company has preferred an appeal against the orders. Hence the tax liability is not paid. However the same is taken as provision for contingent liability as required by AS29.

Signatures to Schedule 1 to 14

As per our attached report of even date

**For S.L. Gadhiya & Co.
Chartered Accountants**

**(SHANTILAL GADHIYA)
Partner**

**(N.SUGALCHAND JAIN)
Managing Director**

**(R.N.DAMANI)
Director**

**(R.VAIDYANATHAN)
Company secretary**

**PLACE : CHENNAI
DATE : 19.05.06**

**VASANTHI RAMAKRISHNAN
GENERAL MANAGER-ACCOUNTS**



SUGAL & DAMANI FINLEASE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

PARTICULAR	For the year ended 31.3.06	For the year ended 31.3.05
A. CASH FLOW FROM OPERATION ACTIVITIES:		
Net Profit Before Tax & Extra Ordinary Items	1409881	1399474
Adjustments for		
Depreciation & Provisions	168555	-51324
Foreign Exchange		
Investments	-302585	-135070
Interest Expenses	127101	113151
Financial Income		
Loss on sale of Fixed Assets	106617	
Operations Profit Before Working Capital Changes	1509569	1326231
Adjustments for		
Trade and other Receivables	-8263169	-1603408
Loans and Advances	7038359	1509290
Inventories		
Trade Payables	17933	-21294
Cash Generated from Operations	302692	1210819
Interest Paid	-127101	-113151
Direct Taxes Paid	-501644	-586923
Cash Flow Before Extra Ordinary Items	-326053	510745
Extra ordinary Items		1795
Net Cash From Operating Activities	-326053	512540
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	0	-15750
Sale/Disposal of Fixed Assets		1128
Acquisitions of Companies (as per Annexure)		
Purchase of Investments	-809674	-15000
Sale of Investments	224220	0
Interest Received	371220	135070
Dividend Received		0
Others	5000	31000
Net Cash Generated/(Used)/in Investing Activities	-535287	648988
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Proceeds from Issue of Share Capital		
Proceeds from Long Term Borrowings		-217878
Repayment of Finance Lease Liabilities		
Dividend Paid & Dividend Tax		
Interest Received		
Miscellaneous Expenses		
Net Cash Used in Financing Activities		
Net increase / (Decrease) in Cash & Cash equivalents	-535287	431110
Cash & Cash Equivalents (Opening Balance)	645044	213934
Cash & Cash Equivalents (Closing Balance)	109757	645044

As per our attached report of even date

For S.L.Gadhiya & Co.

Chartered Accountants

(SHANTILAL GADHIYA)

Partner

Place: Chennai

Date: 19.05.2006

(N.SUGALCHAND JAIN)

Managing Director

(R.N. DAMANI)

Director

(R. VAIDYANATHAN)

Company Secretary

(VASANTHI RAMAKRISHNAN)

General Manager - Accounts



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.
(As per Part IV of Schedule VI to the Companies Act, 1956.)

I. REGISTRATION DETAILS:

Registration No. 0 2 8 2 2 8

State Code : 1 8
(Refer Code list 1)

Balance Sheet Date 3 1 0 3 2 0 0 6
(Date)(Month)(Year)

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS):

Public Issue
N I L

Rights Issue
N I L

Bonus Issue
N I L

Private Placement
N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands):

Total Liabilities
3 7 7 5 9

Total Assets
3 7 7 5 9

SOURCES OF FUNDS:

Paid up Capital
3 0 0 0 0

Reserve & Surplus
0 6 5 3 1

Secured Loans
- - -

Unsecured Loans
- - -

APPLICATION OF FUNDS:

Net Fixed Assets
0 1 0 1 4

Investments
0 0 6 2 7

Net Current Assets
3 5 0 4 7

Miscellaneous Expenditure
- - -

Accumulated Losses
- - -



IV. PERFORMANCE OF COMPANY (Amount in thousands):-

Turn Over Total Expenditure
0 3 3 5 9 0 1 8 1 3

Profit/Loss Before Tax Profit/Loss After Tax
+ 0 1 4 0 9 + 0 0 9 2 8

(Please tick appropriate box (+) for Profit & (-) for Loss)

Earning per share in Rs. Dividend Rate (%)
0 . 3 1 -

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES
OF COMPANY (as per monetary terms):

Item Code No. (ITC CODE) N A
Product Description : Hire Purchase
Product Description : Loan Against Shares

For S.L. GADHIYA & CO.,
(Chartered Accountants)

(SHANTILAL GADHIYA) (N.SUGAL CHAND JAIN) (R.N.DAMANI) (R.VAIDYANATHAN)
PARTNER MANAGING DIRECTOR DIRECTOR COMPANY SECRETARY

Place: Chennai
Date: 19.05.2006

(VASANTHIRAMAKRISHNAN)
GENERAL MANAGER-(Finance)



Schedule to the Balance Sheet as on 31.03.2006 of SUGAL & DAMANI FINLEASE LIMITED

(a Non-Banking Financial Company) (as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms(Reserve Bank) Directions, 1998)

PARTICULARS	(Rs.in Lakhs) As on 31.03.2006	
Liabilities side:		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid: (a) Debentures --Secured --Unsecured (other than falling within the meaning of Public deposits*) (b) Deferred credits (c) Term loans (d) Intercompany loans and borrowings (e) Commercial paper (f) Public Deposits* (g) Other loans(specify nature) * Please see Note 1 below	AMOUNT OUTSTANDING	AMOUNT OVERDUE
(2) Break-up of (1)(f) above (outstanding public deposits inclusive of interest accrued thereon but not paid): (a) In the form of unsecured debentures (b) In the form of partly secured debentures, i.e. debentures where there is shortfall in the value of security (c) Other public deposits		
Assets Side	Amount Outstanding	
(3) Break-up of loans and advances including bills receivables (other than those included in(4) below): (a) Secured (b) Unsecured	10.99 198.19	
(4) Break up of leased assets and stock on hire and hypothecation loans counting towards EL/HP activities (i) Lease assets including lease rentals under sundry debtors: (a) Financial lease (b) Operating lease (ii) Stock on hire including hirecharges under sundry debtors: (a) Assets on hire (b) Repossessed assets (iii) Hypothecation loans counting towards EL/HP activities (a) Loans where assets have been repossessed (b) Loans other than (a) above	NIL NIL NIL	



(5) Break-up of Investments: Current Investments:			
Assets side:	Amount Outstanding		
1. Quoted : (i) Shares (a) Equity (b) Preference (ii) Debentures and bonds (iii) Units of mutual funds (iv) Government Securities (v) Others(please specify)			
2. Unquoted: (i) Shares (a) Equity (b) Preference (ii) Debentures and bonds (iii) Units of mutual funds (iv) Government Securities (v) Others(please specify)			
Long-term investments:			
1. Quoted : (i) Shares (a) Equity (b) Preference (ii) Debentures and bonds (iii) Units of mutual funds (iv) Government Securities (v) Others(please specify)			5.97
2. Unquoted: (i) Shares (a) Equity (b) Preference (ii) Debentures and bonds (iii) Units of mutual funds (iv) Government Securities (v) Others(please specify)			0.30
(6) Borrowing group-wise classification of all leased assets, stock-on hire and loans and advances: Please see Note 2 below			
<i>Category</i>	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries			
(b) Companies in the same group			
(c) Other related parties		133.24	133.24
2. Other than related parties	10.99	64.95	75.94
Total	10.99	198.19	209.18



(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 of NAV	Book value (net of provisions)
1. Related Parties ** (a) Subsidiaries (b) Companies in the same group (c) Other related parties	0.30	0.30
2. Other than related parties	6.04	5.97
Total	6.34	6.27
** As per Accounting Standard of ICAI (Please see Note3)		
(8) Other information		
Particulars	Amount	
(i) Gross non-performing assets (a) Related parties (b) Other than related parties		3.23
(ii) Net non-performing assets (a) Related parties (b) Other than related parties		3.23
(iii) Assets acquired in satisfaction of debt		

Notes:

- (1) As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998
- (2) Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- (3) All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break-up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column(5) above.)

For S.L. Gadhiya & Co.
Chartered Accountants

(SHANTILAL GADHIYA)
Partner

(N.SUGAL CHAND JAIN)
Managing Director

(R.N.DAMANI) (R.VAIDYANATHAN)
Director Company secretary

Place : Chennai
Date : 19.05.2006

(VASANTHI RAMAKRISHNAN)
General Manager-Accounts



SUGAL & DAMANI FINLEASE LIMITED
 Regd. Office : `City Centre Plaza' (I Floor),
 No.7, Anna Salai, Chennai - 600 002.

THIRTEENTH ANNUAL GENERAL MEETING

ADMISSION SLIP

(To be handed over at the entrance of the Meeting Hall)

I hereby record my presence at the Thirteenth Annual General Meeting of the Company at No. 11 Ponnappa Lane, Triplicane, Chennai - 600 005, on Saturday, July 29, 2006, at 11.30 A.M.

NAME OF THE MEMBER (IN BLOCK LETTERS) -----

NAME OF THE PROXY -----

(To be filled in if the proxy attends instead of the member)

SIGNATURE OF THE MEMBER / PROXY

Member's Folio No./Client ID : No. of Shares Held:

D.P.ID:.....

Notes :

1.Shareholders / Proxyholders are requested to bring the Admission Slips to the Meeting and hand over at the entrance duly signed.

2.The proxy form must be deposited at the Registered Office of the Company at `City Centre Plaza' (I Floor), No.7, Anna Salai , Chennai - 600 002, not less than 48 hours before the time for holding the Meeting.

OUTSTATION SHAREHOLDERS PROTEST. HENCE, NO GIFTS PLEASE



SUGAL & DAMANI FINLEASE LIMITED
 Regd. Office : `City Centre Plaza' (I Floor),
 No.7, Anna Salai, Chennai - 600 002.

PROXY FORM

I/We of in the district of being a Member/Members of SUGAL & DAMANI FINLEASE LIMITED hereby appoint of in the district of or failing him/her of in the district of as my/our proxy to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on Saturday, July 29, 2006, and at any adjournment thereof.

Signed this day of 2006.

Member's Folio No./Client ID

DPID :

No. of Shares Held :

Affix
 Revenue
 Stamp

Signature of Member

BOOK - POST

PRINTED MATTER

If undelivered please return to:

SUGAL & DAMANI FINLEASE LIMITED
City Centre Plaza (I Floor)
7, Anna Salai
Chennai - 600 002

DISCLAIMER CLAUSE

The information furnished above is certified by Sugal & Damani Finlease Limited to be true, fair and accurate (except in respect of errors in or omissions from documents filed electronically that result solely from electronic transmission errors beyond our control and in respect of which we take corrective action as soon as it is reasonably practicable after becoming aware of the error or the omission). SEBI, the Stock Exchanges or the NIC do not take any responsibility for the accuracy, validity, consistency and integrity of the data entered and updated by it.'

For SUGAL & DAMANI FINLEASE LIMITED
Sd/-
R. VAIDYANATHAN
(COMPANY OFFICER/COMPANY SECRETARY)

Place: Chennai
Date : 19/05/2006