

RAHUL MERCHANDISING LIMITED

Reg. office: 138A, First Floor, Taimoor Nagar, New Friends Colony,
New Delhi-110065

Email: rahulmerchandising@gmail.com

Website: www.rahulmerchandising.com

ANNUAL REPORT 2010-2011

BOARD OF DIRECTORS

| | |
|--------------------------|------------------------------|
| Mr. Suresh Mansharamani | Chairman & Managing Director |
| Mr. Pardeep Kumar | Director |
| Mr. Rahul Mansharamani | Director |
| Mr. Naveen Asrani | Director |
| Mr. Brij Mohan | Director |
| Mr. Amrendra Kumar Singh | Director |

AUDITORS

JAGDISH SAPRA & CO., Chartered Accountants
23, Prakash Appartments,
5, Ansari Road, Darya Ganj,
New Delhi- 110002

REGISTERED OFFICE

138A, First Floor,
Taimoor Nagar,
New Friends Colony,
New Delhi-110065.

REGISTERED AND TRANSFER AGENT

Alankit Assignments Limited,
RTA Division, Alankit House,
2E/21, Jhandewalan Extension,
New Delhi – 110055(India)
Ph.: 91-11-42541234, 23541234,
Fax: 91-11-23552001.
e-mail: rta@alankit.com
Website: www.alankit.com

NOTICE OF AGM

Notice is hereby given that the Annual General Meeting of the Members of **M/s. RAHUL MERCHANDISING LIMITED** is scheduled to be held on Friday, 30th day of September, 2011 at Registered office of the Company at 138A, Taimoor Nagar, New Friends Colony, New Delhi-110065 at 10:30 A.M. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2011 and Profit and Loss Account for the period ended on that date together with Schedules and Notes to Accounts, Auditors' and Directors' Report thereon.
2. To consider and to appoint a Director in place of Mr. Amrendra Kumar Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint Auditors **M/s. JAGDISH SAPRA & CO., Chartered Accountants, New Delhi**, who retires at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment and will hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of next AGM of the Company and to fix their remuneration.

SPECIAL BUSINESS:-

4. To consider, and if, thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:-

“RESOLVED THAT Mr. Rahul Mansharamani, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 by the Board of Directors at its meeting held on 30.05.2011, and whose term expires at the ensuing Annual General Meeting of the company, and who has given a notice to the company along with a cash of Rs. 500/- towards deposit, signifying his intention to offer his candidature for the appointment as Director of the company at the ensuing Annual General Meeting, be and is hereby appointed as Director of the Company.”

5. To consider, and if, thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:-

“RESOLVED THAT Mr. Naveen Asrani, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 by the Board of Directors at its meeting held on 30.05.2011, and whose term expires at the ensuing Annual General Meeting of the company, and who has given a notice to the company along with a cash of Rs. 500/- towards deposit signifying his intention to offer his candidature for the appointment as Director of the company at the ensuing Annual General Meeting, be and is hereby appointed as Director of the Company.”

“FURTHER RESOLVED THAT Mr. Suresh Mansharamani, Chairman & Managing Director and Mr. Pardeep Kumar, Director & Compliance Officer of the Company be and are hereby authorized jointly or severally to execute all necessary documents, file Form No. 32 and other

necessary forms relating to the appointment of Mr. Rahul Mansharamani & Mr. Naveen Asrani as Directors of the Company with the Registrar of Companies, NCT of Delhi & Haryana.”

FURTHER RESOLVED THAT CS. K. K. Singh, Managing Partner of M/s. K. K. Singh & Associates, Company Secretaries, be and is hereby authorised to do all the acts, to prepare any sort of documents, filling, filing and pre-certification of the relevant forms to be filed with the Registrar of Companies, NCT of Delhi & Haryana to ensure the compliance of the same.”

For and on behalf of the Board of Directors

Date: 02.09.2011
Place: New Delhi

**Sd/-
Managing Director**

NOTES:

- 1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ONLY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- 2. IN ORDER TO BE EFFECTIVE, PROXY FORMS DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
3. The register of the members and share transfer books of the Company will remain closed from September 27, 2011 to September 30, 2011 (both days inclusive).
4. Corporate member intending to send their authorized representative to attend the meeting are requested to send certified copy of the board resolution authorizing their representatives to attend and vote on their behalf at the meeting.
5. Queries on accounts and operations may please be sent to the company 7 days in advance of the Annual general meeting so that the answer may be made available at the meeting.
6. Members who hold shares in dematerialized form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are request to write their folio number in the attendance slip for attending the meeting.
7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of name will be entitled to vote.
8. Pursuant to the recommendation of SEBI committee on corporate governance for reappointment of the retiring director, a statement of the details of the concerned director is attached thereto.
9. All documents referred to in the accompanying notice are open for inspection at the registered office of the company during office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the annual general meeting.
- 10. All members are requested to make their correspondence relating to the shares in physical and demat to our Share Transfer Agent i.e. Alankit Assignments Limited at its office at **RTA Division, Alankit House, 2E/21, Jhandewalan Extension, New Delhi – 110055 (India). Ph.: 91-11-42541234, 23541234, e-mail: rta@alankit.com, Website: KINDLY FILL IF ANY OTHER DIRECTORSHIP AL GENERAL MEETING****

| | |
|--|--|
| <i>Names of Directors</i> | <i>Mr. A. K. Singh</i> |
| <i>Date of Birth</i> | <i>14th April, 1966</i> |
| <i>Date of Appointment</i> | <i>23rd September, 2000</i> |
| <i>Qualifications</i> | <i>B.Com(Economics)</i> |
| <i>Expertise in functional area</i> | <i>He has a vast experience of business in field of garments and trading(More than 20 years)</i> |
| <i>Other Directorship excluding Alternate Directorship, Private Companies and Foreign Companies</i> | <i>NIL</i> |
| <i>Chairman/Member of the Committee of the Board of Directors of the Company</i> | <i>YES</i> |
| <i>Chairman/Member of the Committee of the Board of Directors of other companies in which he is a Director</i> | <i>NIL</i> |
| <i>a. Audit Committee</i> | <i>NIL</i> |
| <i>b. Investor Grievances Committee</i> | <i>NIL</i> |
| <i>No. of Shares held in the Company</i> | <i>NIL</i> |

11. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item no. 4 & 5 are annexed herewith.

Item No. 4.

Mr. Rahul Mansharamani was appointed as Additional Directors of the company pursuant to Section 260 of the Companies Act, 1956 and whose terms of office will be only up to the date of ensuing AGM. He is a under graduate, and is eligible to be re-appointed as Director of the company. He has signified his intention under section 257 of the Companies Act, 1956 for his re-appointment as Director of the Company with a cash of Rs. 500/-. He is young and dynamic person, with five years of experience in marketing, his association and continuation as Director of the company would be worthwhile for the organization.

ADDITIONAL INFORMATION REQUIRED UNDER CLAUSE 49 IV(G) OF THE LISTING AGREEMENT ON DIRECTORS SEEKING FOR APPOINTMENT OR RE- APPOINTMENT AT ANNUAL GENERAL MEETING

| | |
|----------------------------|-----------------------------------|
| <i>Names of Directors</i> | <i>Mr. Rahul Mansharmani</i> |
| <i>Date of Birth</i> | <i>27th June, 1985</i> |
| <i>Date of Appointment</i> | <i>30th May, 2011</i> |
| <i>Qualifications</i> | <i>Undergraduate</i> |

| | |
|--|---|
| <i>Expertise in functional area</i> | <i>He has wide experience in various fields and specialized experience in marketing .</i> |
| <i>Other Directorship excluding Alternate Directorship, Private Companies and Foreign Companies</i> | 2(Two) |
| <i>Chairman/Member of the Committee of the Board of Directors of the Company</i> | NIL |
| <i>Chairman/Member of the Committee of the Board of Directors of other companies in which he is a Director</i> | NIL |
| <i>a. Audit Committee</i> | NIL |
| <i>b. Investor Grievances Committee</i> | NIL |
| <i>No. of Shares held in the Company</i> | NIL |

Therefore, keeping in view of his qualifications, experience and expertise, your Board of Directors has decided to recommend his name for re-appointment as Director of the Company at ensuing Annual General Meeting for your approval.

None of the Directors of your Company is interested in the proposed appointment.

Item No. 5.

Mr. Naveen Asrani was appointed as Additional Directors of the company pursuant to Section 260 of the Companies Act, 1956 and whose terms of office will be only up to the date of ensuing AGM. He is a under graduate and is eligible to be re-appointed as Director of the company. He has signified his intention under section 257 of the Companies Act, 1956 for his re-appointment as Director of the Company with a cash of Rs. 500. He is having about 10 years of vast experience in the field of trading and marketing, his association and continuation as Director of the company would be worthwhile for the organization.

ADDITIONAL INFORMATION REQUIRED UNDER CLAUSE 49 IV(G) OF THE LISTING AGREEMENT ON DIRECTORS SEEKING FOR APPOINTMENT OR RE- APPOINTMENT AT ANNUAL GENERAL MEETING

| | |
|--|--|
| <i>Names of Directors</i> | <i>Mr. Naveen Asrani</i> |
| <i>Date of Birth</i> | <i>6th September, 1981</i> |
| <i>Date of Appointment</i> | <i>30th May, 2011</i> |
| <i>Qualifications</i> | <i>Undergraduate</i> |
| <i>Expertise in functional area</i> | <i>He has wide experience and long (more than 10 years) experience in he functional aspects of Production.</i> |
| <i>Other Directorship excluding Alternate Directorship, Private Companies and Foreign Companies</i> | <i>NIL</i> |
| <i>Chairman/Member of the Committee of the Board of Directors of the Company</i> | <i>NIL</i> |
| <i>Chairman/Member of the Committee of the Board of Directors of other companies in which he is a Director</i> | <i>NIL</i> |
| <i>a. Audit Committee</i> | <i>NIL</i> |
| <i>b. Investor Grievances Committee</i> | <i>NIL</i> |
| <i>No. of Shares held in the Company</i> | <i>NIL</i> |

Therefore, keeping in view of his qualifications, experience and expertise, your Board of Directors has decided to recommend his name for re-appointment as Director of the Company at ensuing Annual General Meeting for your approval.

None of the Directors of your Company is interested in the proposed appointment.

For and on behalf of the Board of Directors

Date: 02.09.2011
Place: New Delhi

Sd/-

Managing Director

DIRECTOR'S REPORT

The Members,

The Board of Directors of M/s. **RAHUL MERCHANDISING LIMITED** has the pleasure in presenting the Directors' Report on the Audited Annual Accounts for the year ended on 31st March, 2011.

FINANCIAL HIGHLIGHTS

| Particulars | 2010-11 | 2009-10 |
|--|----------------|----------------|
| Total Income | 445005.00 | Nil |
| Total Expenditure | 511466.50 | 21450 |
| Profits (Loss) before interest, Depreciation and Tax | (66461.50) | (21450.00) |
| Interest and Financial Charges | Nil | Nil |
| Profits (Loss) before Depreciation and Tax | (66461.50) | (21450.00) |
| Depreciation | Nil | Nil |
| Net Profits (Loss) before Tax | (66461.50) | (21450.00) |
| Tax Provision | Nil | Nil |
| Net Profits (Loss) | (66461.50) | (21450.00) |

FUTURE PROSPECT

Your Board of Directors foresees better future in the years to come and has been striving hard to bring the company into operation to achieve the positive performance. Despite the tough path ahead, your Board is very much optimistic about the better future with positive results. Your Management is putting their best to resume its operation and return back its glorious period with effective and efficient utilization of its resources.

DIVIDEND

Since there are no profit during the year under review, your Directors are unable to recommend any dividend for the financial year ended 2010-2011.

DEPOSITS

During the year of Report, your company has not accepted any public deposit falling within the provisions of Section 58A of the Companies Act, 1956.

CORPORATE GOVERNANCE

The company has not been in business operation. The Board of Director has been ensuring the statutory compliance like Board meeting and so on with its best efforts and initiative to revive its operation. Your Board feels that there is nothing to report on the matter of corporate governance except statutory compliance. Still your Board has decided to give brief of the compliance in form of the Corporate Governance Report and the same is attached herewith.

AUDITORS

The Statutory Auditors **M/S. JAGDISH SAPRA & CO., CHARTERED ACCOUNTANTS**, New Delhi who retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a letter from them that if their appointment be made, that would be within the limit as specified under Section 224 (1B) and they are qualified as per Section 226 of the Companies Act, 1956. The Board of Directors recommends their name for approval by the members of the company for appointment as Auditor of the company to hold the office from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

DIRECTORS

Mr. Rahul Mansharamani and **Mr. Naveen Asrani** were appointed as Additional Director of the Company pursuant to section 260 of the Company Act 1956 by the Board of Directors at its meeting held on 30.05.2011 and whose term expires at the ensuing AGM of the Company. Being eligible, have offered themselves to be re-appointed. Their association and continuation as Director of the company would be worthwhile for the organization.

Pursuant to the provisions of the Companies Act, 1956, **Mr. Amrendra Kumar Singh**, Director of your company, retire by rotation at the ensuing Annual General Meeting of your company, and being eligible, have offered himself for re-appointment. **Mr. A. K. Singh** being eligible, has offered himself to be re-appointed. His association and continuation as Director of the company would be worthwhile for the organization.

COMMENT ON AUDITOR'S REPORT

Auditor's Report and Notes to the accounts on the annual account of the Company for the year ended 31st March, 2011 are self explanatory and do not require any further comment under section 217(3) of the Companies Act, 1956.

LISTING:

At present the Company's Equity Shares are listed at **Bombay Stock Exchange Limited (BSE)** and **Jaipur Stock Exchange Association Ltd. (JSE)** and the Company has paid the Listing fees to the above exchanges for the financial year ended 2011-12.

PARTICULARS OF THE EMPLOYEES AS REQUIRED U/S 217(2A)

The company has no employee who has been drawing remuneration beyond the prescribed limit in terms of Section 217 (2A) of the Companies Act-1956 read with the Companies (Particulars of Employees) Rules, 1975.

COMPLIANCE CERTIFICATE

The company has obtained the Compliance Certificate from Mr. Ravishankar Chauhan & Co., Company Secretary, Gurgaon as required under Section 383A of the Companies Act, 1956 which is self explanatory and does not need any comments from Board.

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

The information required under section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) in the Report of Board of Directors, Rules, 1988, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are as follows:

I. CONSERVATION OF ENERGY

There is no operation in the company. Your company has installed all energy saving devices in order to save energy to the maximum extent possible at its office.

II. TECHNOLOGY ABSORPTION:

The company has not entered into any contract involving any technical know-how during the financial year since there was no operation in the company.

III. FOREIGN EXCHANGE EARNING AND OUTGOING

1. Foreign Exchange Earning : Rs.445,005/-

2. Foreign Exchange Outflow: Rs. NIL

(During the year the foreign currency debt has not valued in light of the current situation and state of the company).

MANAGEMENT DISCUSSION AND ANALYSIS

Your management has examined the overall situation and reviewed the current scenario and has observed that in light of current situation and financial strength of the company, future of the company is bright and better days are ahead.

Hence at this juncture, overall analysis of the situation of the company is prompting the management to do better and move ahead. Your management is very much enthusiastic to achieve the positive performance with its dedication.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement of section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended on 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of profit or loss of the company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended on 31st March, 2011 on a going concern basis.

ACKNOWLEDGEMENT

The Board of Directors wish to place on record their sincere appreciation for wholehearted contribution and co-operation extended by the Banks and Financial Institutions, customers, employees, Shareholders, Government, Semi Government Authorities etc. during the financial year ending on 31.03.2011 to our company.

For and on behalf of the Board of Directors

Date: 02.09.2011
Place: New Delhi

Sd/-
Managing Director.

REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below for the financial year 2010-11.

1) Company's Philosophy on code of Corporate Governance :-

Corporate Governance refer to a combination of regulations, procedures and voluntary practices that enable companies to maximize shareholder's value by attracting financial & human capital and efficient performance.

As a responsible corporate citizen, it is the earnest endeavor of the company to improve its focus on Corporate Governance by increasing accountability & transparency to shareholders, bankers, customers etc.

The Company has complied with the guidelines on Corporate Governance laid down by the Stock Exchanges to the extent of its applicability and its business operation.

2) Board of Directors:-

Board of Directors:-

The Board consists of an optimum combination of executive and non-executive Directors, who have an in dept knowledge of the business, in addition to expertise in their areas of specialization.

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management. The Board of Directors of the Company consists of six directors, Four of whom are non-executive independent directors thus making the more than 50% of the Board members as independent.

Board thinks that the shareholders should know the details of Board Meeting as well as details of participation by the Company's Directors to understand fully the contributions made by their Directors. The Company has, therefore, decided to make full disclosure on the Board Meetings as well as attendance record of all Directors on the Board.

The details of the Board of Directors, their Designation, Category, other directorship and committee memberships, their attendance at the board meetings/last annual general meeting, are given below: (as per separate Chart):

The composition and category of Directors as on 31.03.2011 is as follows:

| Name of the Director | Category of Directorship | No. of Shares held in Company (As on 31.03.2011) | Directorship in other companies* (Nos.) | Committees of other companies** | | Attendance at the Board Meeting | | Attendance in last AGM |
|--|--------------------------------|---|--|---------------------------------|----------|---------------------------------|-------------------------|------------------------|
| | | | | Member | Chairman | No. of Meeting held | No. of Meeting attended | |
| Mr. Suresh Mansharamani (Managing Director) | Executive, Non-Independent | 466,600/- | 3(Three) | NIL | NIL | 5(Five) | 5(Five) | Yes |
| Mr. Pardeep Kumar | Non-Executive & Independent | NIL | 5(Five) | NIL | NIL | 5(Five) | 5(Five) | Yes |
| Mr. Amrendra Kumar Singh | Non-Executive & Independent | NIL | NIL | NIL | NIL | 5(Five) | 5(Five) | Yes |
| Mr. Brij mohan | Non-Executive & Independent | NIL | NIL | NIL | NIL | 5(Five) | 5(Five) | Yes |
| Mr. Gulshan Kumar | Non-Executive & Independent | NIL | 2(Two) | NIL | NIL | 5(Five) | 4(Four) | Yes |

All the Independent Directors of the Company have furnished a declaration at the time of their appointment as also annually that they qualify the tests of independence as laid down under Clause 49. All such declaration is placed before the Board for information.

NOTES:

- Excludes directorship in Rahul Merchandising Limited. Also excludes directorship in Indian Private Limited Companies, Foreign Companies, Section 25 Companies and Alternate Directorships. As per the disclosure(s) received from the Directors, the Directors do not hold directorship in more than 15 Companies.
- For the purpose of considering the limit of the Committee Memberships and Chairmanships of a Director, the Audit Committee and the Shareholders' Grievances Committee of public listed committees alone has been considered. As per disclosure(s) received from the Directors, the Director does not hold memberships in more than 10 Committees and Chairmanships in more than 5 Committees.

Meetings & Attendance

During the last financial year, the Board of Directors of your Company met at five times on **20th April, 2010, 24th July, 2010, 1st September, 2010, 26th October, 2010, 25th January, 2011.** Agenda papers along with explanatory notes were circulated to the Directors well in advance for each of these meetings. All relevant information, as per Clause 49 of the Listing Agreement was placed before the Board from time to time. No sitting fees has been paid to any director of the company during the financial year

3) Committees of the Board

Audit Committee

The Audit Committee of the Board of Directors has been constituted in conformity with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Committee comprises of three directors, three all are non-executive directors. Four Audit Committee Meetings were held during the year on **20th April, 2010, 24th July, 2010, 26th October, 2010, 25th January, 2011.** Composition of the Audit Committee is as follows:

| Name of the Director | Position held in Committee | Category |
|--------------------------|----------------------------|----------------------------|
| Mr. Pardeep Kumar | Chairman | Non Executive –Independent |
| Mr. Amrendra Kumar Singh | Member | Non Executive –Independent |
| Mr. Brij Mohan | Member | Non Executive –Independent |

The Audit Committee of Rahul Merchandising Limited performs the following functions:

1. Oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing with management the annual financial statement before submission to the Board focusing primarily on:
3. Any change in accounting policies and practices.
4. Major accounting entries based on exercise of Judgment by management.
5. Qualification in draft audit report
6. Significant adjustments arising out of audit.
7. The going concern assumption.
8. Compliance with accounting standards.
9. Any related party transaction i.e. transactions with promoters/management their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.
10. Reviewing the adequacy of internal control systems with management, external and internal auditors.
11. Reviewing the adequacy of internal audit function and reporting the matter of the Board.
12. Reviewing the Company's financial risk management policies.
13. Reviewing the findings of internal investigation on suspected fraud or irregularities of failure of internal control systems.

Shareholders' / Investors' Grievance Committee

The composition of Shareholders' / Investors' Grievance Committee is as follows:-

| Name of the Director | Position held in Committee | Category |
|--------------------------|----------------------------|----------------------------|
| Mr. Pardeep Kumar | Chairman | Non Executive –Independent |
| Mr. Amrendra Kumar Singh | Member | Non Executive –Independent |
| Mr. Suresh Manasharamani | Member | Executive- Non Independent |

Share transfer requests received by the Company or by its Registrar and Share Transfer Agents are registered within a period of 30 days from the receipt, if the transfer documents are complete in all respects. The demat requests are normally confirmed within 15 days from the date of receipt.

Remuneration Committee

The Committee determines Company's Policy on specific remuneration package for executive directors. The Composition of the Committee is as follows:-

| Name of the Director | Position held in Committee | Category |
|--------------------------|----------------------------|----------------------------|
| Mr. Pardeep Kumar | Chairman | Non Executive –Independent |
| Mr. Amrendra Kumar Singh | Member | Non Executive –Independent |
| Mr. Brij Mohan | Member | Non Executive –Independent |

Remuneration Policy

The Remuneration Policy of the Company for managerial personal is primarily based on the following criteria:

1. Performance of the Company
2. Track record, potential and performance of individual managerial personnel.
3. External competitive environment.

Remuneration of Directors

Remuneration of Executive Directors is decided by the Board, based on the recommendation of the Remuneration Committee as per the remuneration policy of the Company, within the ceilings fixed by the Shareholders.

Remuneration of the Executive Directors for the year ended 31st March, 2011, was as follows:

| Name of the Director | Sitting fee (Rs.) | Commission on profit (Rs.) | Salary & allowances (Rs.) | Contribution to PF (Rs.) | Perquisites (Rs.) | Total (Rs.) |
|--|-------------------|----------------------------|---------------------------|--------------------------|-------------------|-------------|
| Mr. Suresh Mansharamani (Managing Director) | Nil | Nil | 220000 | Nil | Nil | Nil |

The Company has not introduced any stock option scheme for any of its Director

No payment in the form of Director's Remuneration was made to any other Director for the year ended 31st March 2011.

Remuneration to Non Executive Directors

During the year ended 31st March 2011, the Company has not paid any remuneration either in the form of commission or sitting fee to its non- executive Directors.

4) Management discussion and analysis

The Annual Report contains matter on management discussion and analysis.

5) Compliance Officer

The Board has designated one of its Director, Mr. Pardeep Kumar, as a Compliance Officer of the Company.

6) Details of shareholders' complaints received & attended during the year

There is not shareholders complaints pending and the same is being shown as per table given below:-

| Subject | Complaints | | |
|-----------------------|------------|----------|---------|
| | Received | Attended | Pending |
| Investor's Complaints | NIL | NIL | NIL |
| TOTAL | NIL | NIL | NIL |

7) General Body Meetings

| Financial Year | Date | Time | Venue | Special Resolution passed |
|----------------------------------|------------|------------|--|------------------------------|
| Annual General Meeting 2009-2010 | 28.09.2010 | 10.30 a.m. | 138A, Taimoor Nagar, New Friends Colony, New Delhi-110065 | No Special Resolution Passed |
| Annual General Meeting 2008-2009 | 30.09.2009 | 11.30 a.m. | S-17/18, Chankya Place, opposite-Janak Puri, C-1, New Delhi-110059 | No Special Resolution Passed |
| Annual General Meeting 2007-2008 | 30.09.2009 | 01.30 p.m. | S-17/18, Chankya Place, opposite-Janak Puri, C-1, New Delhi-110059 | No Special Resolution Passed |

8) **Disclosures**

a) Details of material financial and commercial transactions with related parties

During the financial Year 2010-2011, no material financial /commercial transactions were made with any related party.

b) Details of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There is no material non-compliance or penalties or strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

c) Disclosures regarding appointment or re-appointment of directors

According to the Articles of Association of Rahul Merchandising Limited, one third of the rotational directors retire by rotation at every annual general meeting of the company. Mr. Amrendra Kumar Singh retires by rotation and being eligible to offers himself for re-appointment at the forthcoming Annual General Meeting of the Company.

Brief particulars of the directors seeking re-appointment are given below:-

Mr. Rahul Mansharamani and Mr. Naveen Asrani were appointed as Additional Director of the Company pursuant to section 260 of the Company Act 1956 by the Board of Directors at its meeting held on 30.05.2011 and whose term expires at the ensuing AGM of the Company. Being eligible, have offered themselves to be re-appointed.

Pursuant to the provisions of the Companies Act, 1956, Mr. Amrendra Kumar Singh, Director of your company, retire by rotation at the ensuing Annual General Meeting of your company, and being eligible, have offered himself for re-appointment.

Brief information has already been given in respect of above said directors in Notice and Directors Reports.

All the details relating to financial and commercial transactions where directors may have a potential interest are provided to the Board and the interested directors neither participate in the discussions nor do they voted on such matters.

9) **Means of Communication:-**

Financial Results

All financial results of the Company are forthwith communicated to all stock exchanges after they are approved and taken on record by the Board of Directors of the Company. Further, the results are published in leading English Dailies like Pioneer and in the regional newspapers.

10) Insider Trading Rules:-

In terms of the provisions of SEBI (Prevention of Insider Trading Regulations) 2002, as amended, the Company has formulated a 'Code of Internal Procedure & Conduct' for prevention of insider trading in shares of the Company. The Code lays down guidelines and advises the designated employees on procedures to be followed and disclosures to be made, while dealing in the shares of Rahul Merchandising Limited.

11) General Shareholders Information

Annual General Meeting

| | | |
|---------------|---|--|
| Date and Time | : | 30 th September, 2011 at 10.30 AM. |
| Venue | : | 138A, First Floor, Taimoor Nagar New Friends Colony, New Delhi- 110065 |

Financial Calendar (tentative)

| | | |
|----------------------------------|---|---|
| Financial Year | : | April – March, 2010-11 |
| Results for the First Quarter | : | 30 th July, 2011 |
| Results for the Second Quarter | : | 10 th November, 2011 |
| Results for the Third Quarter | : | 5 th February, 2012 |
| Annual Results | : | 15 th May, 2012 |
| Date of Book Closure | : | From September 27, 2011 To September 30, 2011 (both days inclusive) |
| Dividend on equity shares | : | NIL |

Share Details:-

| | | |
|---|---|-----------------|
| Listed at | : | BSE & JSE. |
| Stock Code | : | 531887 (Mumbai) |
| International Security Identification No. | : | INE149D01011. |

Stock Market Data

Trading of the shares has been suspended due to some unavoidable circumstances. The process for revocation of suspension has been going on with the BSE on the base of submission of our documents as required by the BSE time to time.

Registrar and Share Transfer Agents:

M/s Alankit Assignments Ltd.

RTA Division, Alankit House,

2E/21, Jhandewalan Extension,

NewDelhi – 110055(India)

Ph.: 91-11-42541234, 23541234,

Fax: 91-11-23552001.

e-mail: rta@alankit.com

Website: www.alankit.com

Distribution of shareholding as on 31st March, 2011

| Categories | No. of Shares held | Percentage of Shareholding |
|---|--------------------|----------------------------|
| A. Promoter's Holding | | |
| 1. Indian Promoters, Directors & Relatives : | 2347150 | 66.83 |
| Foreign Promoters : | 00 | 00 |
| 2. Persons acting in concert | 00 | 00 |
| Sub-Total | 2347150 | 66.83 |
| B. Non-Promoters Holding | | |
| 3. Institutional Investors | 00 | 00 |
| a. Mutual Funds and UTI | 350 | .01 |
| b. Banking, Financial Institutions/Insurance, Companies (Central/State Govt. Institutions Non-government Institutions). | 00 00 | |
| c. FIIs | NIL | NIL |
| Sub-Total | 2347500 | 66.84 |
| 4. Others | | |
| a. Private Corporate | 94600 | 2.69 |

| | | |
|--------------------|----------------|---------------|
| b. Indian Public | 1044950 | 29.75 |
| c. NRIs/OCBs | 25200 | .73 |
| Sub-Total | 1164750 | 33.16 |
| Grand-Total | 3512250 | 100.00 |

Shareholders/Investors : **M/s Alankit Assignments Ltd.**

Correspondence E/21, Jhandewalan Extension,
New Delhi – 110055(India)

CERTIFICATION BY CHAIRMAN AND MANAGING DIRECTOR FOR THE FINANCIAL YEAR 2010-11

To
The Members
M/s Rahul Merchandising Limited.

I Suresh Mansharamani responsible for the finance function certify that

- a) I have reviewed the financial statements and cash flow statement for the year ended .31.03.2011 and to the best of my knowledge and belief :
- i) These statements do not contain any material untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present are true and fair view of the company's affair and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of my knowledge and belief, no transactions entered into by the company during the year ended 31.03.2011 are fraudulent, applicable laws and regulations.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any , of which I am aware have been disclosed to the auditor and audit committee and steps have been taken to rectify these deficiencies.
- d)
- i). There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) Significant change in accounting policies during the year have been disclosed in the notes to the financial statements; and
 - iii) I am not aware of any instance during the year of significant fraud with involvement there in of the management or any employee having a significant role in the company's internal control system over financial reporting.

Sd/-

Suresh Mansharamani

Chairman & Managing Director

Date: 02/09/2011

Place: New Delhi

COMPLIANCE WITH CODE OF CONDUCT

I, Suresh Mansharamani, Managing Director of the Company hereby certify that all the directors and Senior Management Personnel have affirmed compliance of the code of the conduct of the company for the financial year ended March 31, 2011.

Sd/-

Suresh Mansharamani

Chairman & Managing Director

Date: 02/09/2011

Place: New Delhi

Practicing Company Secretary's Certificate on Corporate Governance as required under Clause 49 of the Listing Agreement of Rahul Merchandising Limited with Stock Exchanges.

The Members
Rahul Merchandising Limited,

We have examined the compliance of conditions of Corporate Governance by Rahul Merchandising Limited, for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. 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 and representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month as at March 31, 2011, against the Company as per the records maintained by the Company.

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

For RAVI SHANKAR CHAUHAN & CO
Company Secretaries

Sd/-

RAVI SHANKAR CHAUHAN
Company Secretary

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FORWARD – LOOKING STATEMENT

Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that this assumptions and expectations are accurate or will be realized. The Company's actual results, performances or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or event.

INDUSTRY STRUCTURE AND DEVELOPMENT

BUSINESS REVIEW

We are engaged in the business of manufacturing and trading of apparels as well as the export of the same. We are also in the process of entering in the export of the consumer product for the retail trading of the same as we weighing the opportunities and threats in the new venture. In the year 2010-2011 the Company has started to generate some revenue through earning commission. In line with the objective term growth, the Company is developing the strategic competency and enhancing its operational efficiencies. Our strategy to strengthen the business, where we have competencies and ability to remain in its core business.

FINANCIAL PERFORMANCE

| Particulars | For the year ended on 31-03-2011(Rs. In Lacs) | For the year ended on 31-03-2010(Rs. In Lacs) |
|--|---|---|
| Income from operation & Other Income | 4.45 | 0.00 |
| Profit before depreciation & Interest | (0.66) | (0.21) |
| Interest | NIL | NIL |
| Depreciation | NIL | NIL |
| Profit/(Loss) before tax | (0.66) | (0.21) |
| Provision/Payment of Income tax | NIL | NIL |
| Deferred tax | NIL | NIL |
| Profit after tax | (0.66) | (0.21) |
| Surplus brought forward from previous year | NIL | NIL |

OPPORTUNITIES

Textile manufacturing and trading is emerging as a efficiency ridden sector as the completion is very steep in this sector. The Company is now exploring other opportunities in export like other related consumer product and creating a world class supply chain with adequate expertise and efficiency. By creating such a highly efficient supply chain, the wants to create its own brand of product worldwide and it also wants to elevate the efficient and innovative manufacturers to global level.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUECY

The Company has adequate internal control procedures commensurate with the size and nature of the business. The Internal control system is supplemented by extensive internal audit, regular reviews by the management and well documented policies and guidelines to ensure reliability of financial and all other records and to prepare financial statement and other data. Moreover your company continuously upgrades this system in line with the best accounting policies. The Company has independent audit systems to monitor the entire operations and the Audit committee of the Board reviews the findings and recommendations of the internal auditors. It is to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are authorised, recorded and reported correctly, to keep constant check on the cost structures and to prevent revenue leakages.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial statement has been prepared in accordance with the requirements of The Companies Act, 1956 and applicable accounting standards issue by the ICAI. The Details of the financial performance of the company are appearing in the Balance Sheet, Profit & Loss Accounts and others financial statements forming part of this annual report. For financial highlights please refer heading 'FINANCIAL STATEMENT'.

HUMAN RESOURCES DEVELOPMENT:

The Company regards its human resources as amongst its most Valuable assets and proactively reviews policies and processes by creating a work environment that encourages potential of its employees attracting and retaining the best manpower available by providing high degree of motivation, Training and structured compensation was the main thrust of the Human Resources Department this degree of motivation, training and structured compensation was the main thrust of the Human Resources Department this year.

Your Company belief in thrust, transparency & teamwork to improve employee's productivity at all levels.

AUDITORS REPORT

To

The Members,

We have audited the attached Balance Sheet of RAHUL MERCHANDISING LIMITED, as at 31st March 2011, the Profit & Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

01 As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in Paragraphs 4 & 5 of the said order.

02 Further to our comments in the Annexure referred to in above, we report that :

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet , Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
- e) On the basis of written representations received from the directors and taken on record by the Board of Directors of the Company, none of the director is disqualified as on 31 st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of The Companies Act 1956.

f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts read together with the 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:-

- i. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2011 and
- ii. In the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date.
- iii. In the case of the Cash Flow Statement , of the Cash Flow for the year ended on that date.

**FOR JAGDISH SAPRA & CO.
Firm Registration No. 001378N
CHARTERED ACCOUNTANTS**

**NEW DELHI
DATED :30-05-2011**

**-sd-
(VIPAL KALRA)
PARTNER
Membership No. 084583**

RAHUL MERCHANDISING LIMITED

ANNEXURE TO THE AUDITORS' REPORT (Referred to in Paragraph (1) of our Report of even date)

1. In view of the fact that premises, records, fixed assets and stocks remained sealed by the official liquidator during the year. there is no comment to offer in respect of sub-paragraph (ia), (ib), (ic), (iia), (iib), (iic), (iv), (vii) and (viii) of paragraph (4) of the Companies (Auditor's Report) Order, 2003.
- 2a) The company has not granted any loans, secured or unsecured, during the year to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 as per information and explanations given to us. Consequently paras 4(iii)(b), (iii)(c) and (iii)(d) of the order are not applicable to the company.
- 2b) i) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 except interest free loan from directors, the maximum amount involved during the year was Rs. 58749811/- and balance of Rs. 58539311/- was outstanding at the year end.
 - ii) Rs. 155000/- were received and Rs. 210500/- was repaid during the year.
 - iii) There is no overdue amount in respect of above loans taken.
3. a) In our opinion, and according to the information and explanations given to us, the transactions that needed to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act 1956 and aggregating during the year to Rupees five lacs or more in respect of any party.
4. The company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act 1956 and Rules framed there under.
- 5.a) According to the information and explanations given to us and the records of the company examined by us, the provision of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess & Service Tax are not applicable to the company.

b) There are no dues in respect of sale tax, wealth tax, service tax custom duty, Excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute other than income tax dues of Rs. 50.30 lacs being contested by the company.

6. The company has accumulated losses of more than fifty percent of its networth as at 31 st March 2011. The company has incurred cash losses during the current financial year and in the immediately preceding financial year.
7. According to the records of the Company examined by us and the information and explanations given to us, the company has neither taken loan or credit facility from any financial institution nor issued any Debentures.
8. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
9. The provisions of special statutes applicable to Chit fund, Nidhi or mutual benefit fund/ Society are not applicable to the company.
10. According to the information and explanations given to us , the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.
11. As informed to us, the company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
12. The Company has not taken any term loan during the year.
13. According to the information and explanations given to us, no funds raised on short-term basis have been used for long-term investments.
14. According to the information and explanations given to us, no preferential allotment of shares has been made by the Company to companies, firms or other parties listed in the Register maintained under section 301 of the companies Act, 1956
15. The company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order is not applicable to the company.
16. The company has not raised any money by way of public issue.
17. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have not come across any instance of fraud on or by the company nor have we been informed by the management of any such instance being noticed or reported during the year.

FOR JAGDISH SAPRA & CO.
Firm Registration NO. 001378N
CHARTERED ACCOUNTANTS

-sd-
PARTNER

New Delhi
Dated:30-05-2011

RAHUL MERCHANDISING LTD
BALANCE SHEET AS AT 31.03.2011

| | Schedule | As at 31.03.2011 Rs. | P. | As at 31.03.2010 Rs. |
|---|----------|----------------------------|----|----------------------------|
| <u>SOURCES OF FUNDS</u> | | | | |
| <u>SHARE HOLDER FUNDS</u> | 1 | 35122500.00 | | 35122500 |
| a) Share Capital | | | | |
| <u>LOAN FUNDS</u> | 2 | 58539311.00 | | 58594811 |
| a) Unsecured Loans | | | | |
| TOTAL | | 93661811.00 | | 93717311 |
| <u>APPLICATION OF FUNDS</u> | | | | |
| <u>FIXED ASSETS</u> | 3 | 9004568.86 | | 9004569 |
| a) Gross Block | | 8777308.38 | | 8777308 |
| b) Less : Depreciation | | 227260.48 | | 227261 |
| c) Net Block | | | | |
| CURRENT ASSETS, LOANS & ADVANCES | 4 | 82879186.69 | | 82957893 |
| CURRENT LIABILITIES & PROVISIONS | 5 | 63255.00 | | 20000 |
| NET CURRENT ASSETS | | 82815931.69 | | 82937893 |
| PROFIT & LOSS ACCOUNT | | 10618618.83 | | 10552157 |
| TOTAL | | 93661811.00 | | 93717311 |

NOTES TO ACCOUNTS

7

As per our report of even date
for Jagdish Sapra & Co.

Chartered Accountants

-sd-

Vipal Kalra

Partner

M.No. 084583

-sd-

(Suresh Mansharamani)

Chairman-cum-Managing Director

-sd-

(Pardeep Kumar)

Director

PLACE : New Delhi

DATE : 30-05-2011

RAHUL MERCHANDISING LTD
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2011

| | Schedule | Year Ended 31-03-2011 Rs. P. | Year Ended 31-03-2010 Rs. |
|---|----------|------------------------------------|---------------------------------|
| INCOME | | | |
| Commission Received | | 445005.00 | 0 |
| | | 445005.00 | 0 |
| | | | |
| EXPENDITURE | | | |
| Administration | 6 | 511466.50 | 21450 |
| | | 511466.50 | 21450 |
| Loss for the Year Before Tax | | 66461.50 | 21450.00 |
| Loss brought forward from previous year | | 10552157.33 | 10530707 |
| Loss carried to balance sheet | | 10618618.83 | 10552157 |

NOTES TO ACCOUNTS

As per our report of even date
for Jagdish Sapra & Co.
Chartered Accountants

-sd-

Vipal Kalra
Partner
M. No. 084583

PLACE : New Delhi
DATE : 30-05-2011

for and on behalf of Board of Directors

-sd-

(Suresh Mansharamani)
Chairman-cum-Managing Director

-sd-

(Pardeep Kumar)
Director

RAHUL MERCHANDISING LTD

| SCHEDULE-1 SHARE CAPITAL | As at | | As at | |
|---|---------------------|----|------------------|-----|
| | 31.03.2011 | P. | 31.03.2010 | Rs. |
| | Rs. | | | Rs. |
| AUTHORISED: | | | | |
| 80,00,000 Equity Shares of Rs. 10/- each | 80000000.00 | | 80000000 | |
| 2,00,000 Equity Shares of Rs. 100/- each | 20000000.00 | | 20000000 | |
| | <u>100000000.00</u> | | <u>100000000</u> | |
| | | | | |
| ISSUED,SUBSCRIBED AND PAID UP | | | | |
| 35,12,250 Equity Shares of Rs. 10/- each fully paid up(including 100000 equity shares of Rs.10/- each allotted for consideration other than cash). | 35122500.00 | | 35122500 | |
| | <u>35122500.00</u> | | <u>35122500</u> | |
| | | | | |
| SCHEDULE - 2 | | | | |
| UNSECURED LOANS: | | | | |
| From Directors | 58539311.00 | | 58594811 | |
| | <u>58539311.00</u> | | <u>58594811</u> | |

RAHUL MERCHANDISING LTD

SCHEDULE -3 FIXED ASSETS

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | | | | | | | | |
|---|-------------------|---------------------------|-------------|-----------------------|--------------|----------------|-------------------|-----|-------------------|------------------|------------------------|-----|------------------------|-----|------------------|--|---------------|
| | As on 01.04.10 | Additions during the year | | Sales during the year | | As on 31.03.11 | Up to 31-03-10 | | For the year | Up to 31-03-2011 | W.D.V as on 31-03-2011 | | W.D.V as on 31-03-2010 | | | | |
| | | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | | | |
| Plant & Machinery | 6598899.74 | | 0.00 | | 0.00 | | 6598899.74 | | 6380608.93 | | 0.00 | | 6380608.93 | | 218290.81 | | 218291 |
| Computer and Software | 895325.00 | | 0.00 | | 0.00 | | 895325.00 | | 890791.16 | | 0.00 | | 890791.16 | | 4533.84 | | 4534 |
| Furniture, Fittings & Office Equipments | 1510344.12 | | 0.00 | | 0.00 | | 1510344.12 | | 1505908.29 | | 0.00 | | 1505908.29 | | 4435.83 | | 4436 |
| Total | 9004568.86 | | 0.00 | | 0.00 | | 9004568.86 | | 8777308.38 | | 0.00 | | 8777308.38 | | 227260.48 | | 227260 |
| Previous year (Rs.) | 9004569 | | 0 | | 0 | | 9004569 | | 8777308 | | 0 | | 8777308 | | 227261 | | |

RAHUL MERCHANDISING LTD

| As at 31.03.2011 (Rs. P.) | As at 31.03.2010 Rs. |
|---------------------------------|----------------------------|
|---------------------------------|----------------------------|

SCHEDULE - 4

CURRENT ASSETS, LOANS & ADVANCES

a) Sundry Debtors

(Unsecured -Considered good
Unless otherwise stated)
More than Six Months

| | |
|--------------------|-----------------|
| 79745216.00 | 79745216 |
| <u>79745216.00</u> | <u>79745216</u> |

b) Cash & Bank Balances

Cash in hand (As certified)
Balance with scheduled banks
in current accounts

| | |
|-----------------|---------------|
| 7795.68 | 90866 |
| 34237.69 | 29874 |
| <u>42033.37</u> | <u>120740</u> |

c) Loans & Advances

(Unsecured considered good)

Advances recoverable in cash or in kind or value to be received and / or
adjusted

(i) Tax Deducted at Source

(ii) Income Tax paid against disputed demand in earlier years

| | |
|--------------------|-----------------|
| 172077.00 | 172077 |
| 2919860.32 | 2919860 |
| <u>3091937.32</u> | <u>3091937</u> |
| <u>82879186.69</u> | <u>82957893</u> |

RAHUL MERCHANDISING LTD

| As at | | As at |
|------------|-----|------------|
| 31.03.2011 | | 31.03.2010 |
| (Rs. | P.) | Rs. |

SCHEDULE - 5

CURRENT LIABILITIES AND PROVISIONS

| | | |
|-------------------|----------|-------|
| Expenses Payable* | 63255.00 | 20000 |
| | <hr/> | <hr/> |
| | 63255.00 | 20000 |

*There are no dues to Micro, small and medium enterprises.

SCHEDULE - 6

| Year Ended | | Year Ended |
|------------|-----|------------|
| 31.03.2011 | | 31.03.2010 |
| (Rs. | P.) | Rs. |

ADMINISTRATION

| | | |
|-------------------------------------|-----------|-------|
| Salaries | 66000.00 | 0 |
| Managing Director's Remuneration | 220000.00 | 0 |
| Staff welfare | 3510.00 | 0 |
| Printing & Stationery | 1570.00 | 0 |
| Membership & subscription | 39170.00 | 0 |
| Conveyance | 5030.00 | 0 |
| Advertisement | 15759.00 | 0 |
| Exchange fluctuations | 4257.00 | 0 |
| Filing Fees | 20000.00 | 0 |
| <u>Auditors Remuneration</u> | | |
| As Audit Fee | 10000.00 | 10000 |
| Professional Charges | 116695.00 | 10000 |
| Bank Charges | 2015.50 | 200 |
| Misc Expenses | 7460.00 | 1250 |
| | <hr/> | <hr/> |
| | 511466.50 | 21450 |

RAHUL MERCHANDISING LIMITED
SCHEDULE- 7: NOTES TO THE ACCOUNTS

1. **SIGNIFICANT ACCOUNTING POLICIES**

i) **BASIS OF ACCOUNTING**

Accounts have been prepared to comply in all material aspects with applicable accounting principles in India, Companies (Accounting Standards) Rules, 2006 by the Central Government and relevant provisions of the Companies Act, 1956. Financial Statements are based on historical cost and are prepared on accrual basis.

ii) **FIXED ASSETS**

All fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties, freight and other identifiable direct cost incurred to bring the assets to their working condition for intended use. Interest on borrowed funds attributable to the qualifying assets upto the period such assets are put to use is included in the cost of fixed assets.

iii) **DEPRECIATION**

Depreciation on fixed assets is provided on Written Down Value method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 on pro rata basis from the date of put to use. In respect of assets sold, discarded etc. during the year, depreciation is provided up to date of sale/discard. Assets costing up to Rs.5000/- each are depreciated fully in the year of purchase.

iv) **REVENUE RECOGNITION**

Sales are shown net of returns and excluding sales tax wherever applicable.

v) **INVENTORIES**

Inventories are shown at lower of cost or net realizable value.

vi) **INVESTMENTS**

Long-term investments are valued at cost with an appropriate provision for permanent diminution in value.

vii) **TAXATION**

Provision for current tax is made after taking into consideration benefits admissible under the Provisions of the Income Tax Act, 1961.

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

are recognized only to the extent there is virtual certainty and convincing evidence that there will be sufficient future taxable income available to realize such assets.

viii) Preliminary expenses are to be amortized in five years.

ix). **IMPAIRMENT OF ASSETS**

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment of assets. If any such indication exists, impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of accounts. In case there is any indication that an impairment loss recognized for an asset in prior accounting periods no longer exists or may have decreased, the recoverable value is reassessed and the reversal of impairment loss is recognized as income in the profit & loss account.

x). **PROVISIONS/CONTINGENT LIABILITIES**

A provision is recognized when the company has a present obligation as a result of a past event and it is probable that an outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and are adjusted to effect the current best estimation. A contingent Liability is disclosed after a careful evaluation of the facts and legal aspects of the matter involved where the possibility of an outflow of resources embodying the economic benefits is remote.

NOTES

2. i). **CONTINGENT LIABILITIES**

| | As on 31.03.11 Rs. in lacs | As on 31.03.10 Rs. in lacs |
|--|-------------------------------|-------------------------------|
| a) Claim against the company not acknowledged as debts. | NIL | NIL |
| b) Bank Guarantees, Letter of Credits and Co-acceptances (other than LUT) | 40.81 | 40.81 |
| c) Income Tax and interest thereon for which the company has preferred appeals. | 50.30 | 50.30 |
| d) Income tax and interest thereon for which the income tax department has preferred appeals. | 5.40 | 5.40 |
| e) Export obligation in respect of Custom duty exemption availed under advance License scheme | 22.00 | 22.00 |

ii). **Deferred Taxation** – Deferred Tax impact is not recognized on the basis of prudence.

iii). **Computation of earnings per share**

| | As on 31.03.11 | As on 31.03.10 |
|---|----------------|----------------|
| Loss attributable to Equity Shareholder (Rs.) A | (66461) | (21450) |
| Basic/Weighted average of Equity share | B | 35,12,250 |
| Nominal Value (Rs.) | 10/- each | 10/- each |
| Basic/Diluted EPS | (A/B) (0.018) | (0.006) |

iv). Some of the debtors, current liabilities and advances are subject to confirmation/reconciliation.

v). In the opinion of the Board, all the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amounts at which those are stated in the Balance Sheet.

vi). Information pursuant to provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

a). CIF value of imports Nil (NIL)

b). Expenditure in foreign currency Nil (NIL)

c). Earnings in foreign exchange Rs. 445005/- (NIL)

Note: figures in brackets above are in respect of previous year.

vii) Exchange fluctuations against export debtors are not accounted as the company has filed ECGC claims for recovery of such debtors and the payment against the export debtors will be recovered in India.

viii). Previous year figures have been re-grouped and rearranged wherever necessary to make them comparable with those of the current year.

As per our Report of even date
For **JAGDISH SAPRA & CO.**
CHARTERED ACCOUNTANTS

NEW DELHI
DATED:30-05-2011

-sd-
PARTNER

-sd- -sd-
DIRECTORS

RAHUL MERCHANDISING LIMITED

Cash Flow Statement for the year ended on 31st March 2011

| PARTICULARS | AS AT | | AS AT |
|---|--------------------|----------|-----------------|
| | 31st March 2011 | | 31st March 2010 |
| | Rs. | P. | Rs. |
| Cash flow from Operating Activities | | | |
| Net Profit (loss) before tax and extraordinary items | (66,461.50) | | (21,450) |
| Adjustment for | | | |
| : Depreciation | | 0 | 0 |
| : Interest | | 0 | 0 |
| Operating Profit/ (loss) before working capital changes | (66,461.50) | | (21,450) |
| Adjustment for | | | |
| (Increase)/Decrease in receivables | | 0 | 0 |
| (Increase)/Decrease in trade payables | 43255.00 | | 15,000 |
| Cash generated from operations | (23,206.50) | | (6,450) |
| Less: Interest Paid | | 0 | 0 |
| : Taxes Paid | | 0 | 0 |
| Net Cash flow from operating activities (A) | (23,206.50) | | (6,450) |
| Cash flow from Investing Activities | | | |
| Purchase/ (Sales) of Fixed Assets | | 0 | 0 |
| Net Cash used in Investment activities (B) | | 0 | 0 |
| Cash flow from financing activities | | | |
| Increase /(Decrease) in Borrowings | (55,500.00) | | 0 |
| Net Cash from financial activities (C) | (55,500.00) | | 0 |
| Net Increase in cash/ cash activities | (78,706.50) | | (6,450) |
| Cash/ Cash equivalents at beginning of the year | 120739.87 | | 127,191 |
| Cash/ Cash equivalents at the close of the year | 42033.37 | | 120,741 |

As per our Report of even date

For Jagdish Sapra & Co.

Chartered Accountants

-sd-

Vipal Kalra

Partner

M.No. 084583

For and on behalf of Board of Directors

-sd-

(Suresh Mansharamani)
Chairman cum Managing Dir

-sd-

(Pardeep Kumar)
Director

RAHUL MERCHANDISING LIMITED

Registered office: 138A, First Floor, Taimoor Nagar, New Delhi-110065

FORM OF PROXY

Folio no. _____

I/We _____ in the district of _____
being a member/ members of the above named Company hereby
appoint _____ of _____ in the
district of _____ fall him _____ of
_____ in the district _____ as my/our proxy to attend
and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday
the 30th September 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011

| | |
|-----------------|--|
| For Office Use | |
| Proxy No. | |
| Date of receipt | |
| No. of Shares | |

Revenue
Stamp of
Rs.1/-

Note: The proxy form should be deposited at the Registered Office of the Company not less than (48) forty-eight hours before the commencement of the Meeting.

RAHUL MERCHANDISING LIMITED

Registered office: 138A, First Floor, Taimoor Nagar, New Delhi-110065

ATTENDANCE SLIP

Name of the attending member _____

Folio No. _____ No. of Shares _____

Name of Proxy _____

(If Proxy attends instead of member)

I hereby record my presence at the Annual General Meeting of the Company to be held on Friday, 30th day of September, 2011 at Registered Office of the Company at 138A Taimoor Nagar, New Friends Colony, New Delhi-110065 at 10:30 A.M.

Signature _____

Signature of Member/ Proxy

NOTES:

1. Member /Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting.
2. Member/ Proxyholder desiring to attend the meeting should bring his/her copy of Annual Report for reference at the meeting.