

L 41 Connaught Circus
New Delhi 110001
India

Auditors' Report

T +91 11 4278 7070
F +91 11 4278 7071
E NEWDELHI@wcgt.in

To
The Members of
Bhartiya Samruddhi Finance Limited

1. We have audited the attached Balance Sheet of Bhartiya Samruddhi Finance Limited (the 'Company') as at 31 March 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. We draw attention to Note 4 of Schedule 19 to the financial statements, regarding transactions with parties covered in the register maintained under Section 301 of the Act, in respect of which the Company is in the process of seeking necessary approvals from the Central Government of India as required under the provisions of Section 297 of the Act.

Walker, Chandiook & Co

5. Further to our comments in the Annexure referred to 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 those books;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

Walker, Chandiook & Co

For Walker, Chandiook & Co
Chartered Accountants
Firm Registration No: 001076N

David Jones

Per David Jones
Partner
Membership No.: 98113

New Delhi
30 April 2010



Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Bhartiya Samruddhi Finance Limited, on the financial statements for the year ended 31 March 2010.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- i (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- ii (a) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- iii (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(e) 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 Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- iv Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.
- v (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- vi The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Bhartiya Samruddhi Finance Limited, on the financial statements for the year ended 31 March 2010.

- vii In our opinion, the Company has an internal audit system, commensurate with its size and the nature of its business.
- viii To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- ix (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, *though there has been a slight delay in a few cases, in respect of tax deducted at source, contribution of employee state insurance and profession tax.* Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.
- (b) There are no amounts in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess that have not been deposited with the appropriate authorities on account of dispute, other than those referred below:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	783,428	2003-2004	Income Tax Appellate Tribunal
		2,402,494	2004-2005	
		3,774,442	2005-2006	
		1,875,381	2006-2007	
				Commissioner of income tax (Appeals)

- x In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- xi The Company has no dues payable to debenture holders during the year. In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank during the year.
- xii The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- xiii In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- xv The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Bhartiya Samruddhi Finance Limited, on the financial statements for the year ended 31 March 2010.

- xvi In our opinion, the term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been invested in liquid investments, payable on demand.
- xvii In our opinion, no funds raised on short-term basis have been used for long-term investment.
- xviii The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- xix The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- xx The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- xxi We have been informed that during the year covered by our audit, following cases of frauds were noticed or reported by the Company as given below:
- (a) Six cases of cash embezzlements by the employees of the Company aggregating to Rs. 147,918, of which Rs. 118,584 have been recovered by the Company. The services of employees involved in such instances have been terminated and amounts not recovered as of 31 March 2010 has been written-off.
 - (b) Forty eight cases of cash embezzlements by the agents of the Company aggregating to Rs. 1,530,607 of which Rs. 1,034,231 have been recovered by the Company. The services agreements with agents involved in such fraudulent activities have been terminated and the amounts not recovered as of 31 March 2010 has been written off.

Walker, Chandiook & Co

For Walker, Chandiook & Co
Chartered Accountants
Firm Registration No: 001076N

David Jones

Per David Jones
Partner
Membership No.: 98113



New Delhi
30 April 2010

L 41 Connaught Circus
New Delhi 110001
India

T +91 11 4278 7070
F +91 11 4278 7071
E NEWDELHI@wcgt.in

Auditors' Report

[Pursuant to the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008]

To
The Board of Directors
Bhartiya Samruddhi Finance Limited
D9, First Floor,
Greater Kailash Enclave I,
New Delhi-110 048

1. We have audited the attached Balance Sheet of Bhartiya Samruddhi Finance Limited, (the 'Company') as at 31 March 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements') and have issued an unqualified opinion vide our report dated 30 April 2010.
2. As required by the paragraphs 3 and 4 of Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, issued by the Reserve Bank of India ("the RBI") vide Notification No. DNBS. 201/DG(VL)-2008 dated 18 September 2008 (amended from time to time) and based on our audit, we report on the matters specified in paragraph 3 and 4 of the said directions:
 - a. The Company is engaged in the business of Non-Banking Financial Institution (without accepting or holding public deposits) and pursuant to the provisions of Section 45(1A) of the Reserve Bank of India Act, 1934 (as amended) it has obtained a certificate of registration vide certificate no. 14.01502 dated 19 August 1999.
 - b. In our opinion, and in terms of the Company's assets and income pattern for the year ended and as at 31 March 2010, the Company is entitled to continue to hold the certificate of registration issued by the RBI.
 - c. The Company is not a Asset Finance Company as defined under the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

- d. The board of directors of the Company in their meeting held on 25 April 2009 has passed a resolution for non-acceptance of any public deposits during the financial year 1 April 2009 to 31 March 2010.
- e. The Company has not accepted any public deposits during the year ended 31 March 2010.
- f. In our opinion, the Company has complied with the prudential norms issued by the RBI in relation to recognition of income, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of the Non-Banking Financial (Non-deposit accepting or holding) companies prudential norms (Reserve Bank) Directions 2007.
- g. Form NBS-7 furnished with the RBI on 2 July 2009 in respect of the capital adequacy ratio as at 31 March 2009 had carried certain incorrect computation. In our opinion, the recomputed capital adequacy ratio as at 31 March 2009 is in compliance with the minimum capital to the risk asset ratio prescribed by the RBI.
- h. As explained by management, due to certain networking and related technical defects, the Company could electronically furnish the annual statement of capital funds, risk assets/exposures and risk asset ratio (NBS-7) with the RBI on 2 July 2009, subsequent to the stipulated period of three months from the end of financial year.

Walker, Chandiook & Co

For Walker, Chandiook & Co
Chartered Accountants
Firm Registration No: 001076N

David Jones

Per David Jones
Partner
Membership No: 98113

New Delhi
30 April 2010



	Schedules	As at 31 March	
		2010	2009
I. SOURCES OF FUNDS			
Shareholders' funds			
(a) Capital	1	330,131,310	257,090,360
(b) Stock options outstanding	19 [11]	7,333,793	-
(c) Reserves and surplus	2	1,588,295,733	392,741,294
		<u>1,925,760,836</u>	<u>649,831,654</u>
Loan funds			
(a) Secured loans	3	9,596,877,361	4,021,508,688
(b) Unsecured loans	4	18,009,618	24,526,534
		<u>9,614,886,979</u>	<u>4,046,035,222</u>
Deferred tax liabilities, net	19 [15]	-	12,228,000
	Total	<u>11,540,647,815</u>	<u>4,708,094,876</u>
II. APPLICATION OF FUNDS			
Fixed assets	5		
(a) Gross block		241,992,455	128,513,343
(b) Less: Depreciation and amortization		<u>63,121,929</u>	<u>29,667,371</u>
(c) Net block		178,870,526	98,845,972
(d) Capital works-in-progress		<u>1,420,000</u>	-
		<u>180,290,526</u>	<u>98,845,972</u>
Investments	19 [6]	2,000,000	-
Deferred tax asset, net	19 [15]	13,397,716	-
Current assets, loans and advances			
(a) Loans to rural producers	6	7,723,123,635	3,739,841,891
(b) Sundry debtors	7	73,308,011	43,153,256
(c) Cash and bank balances	8	5,062,113,016	1,520,702,306
(d) Other current assets	9	194,457,077	85,241,327
(e) Loans and advances	10	356,141,888	106,423,773
		<u>13,409,143,627</u>	<u>5,495,362,553</u>
Less: Current liabilities and provisions			
(a) Liabilities	11	2,004,425,987	858,151,363
(b) Provisions	12	<u>59,758,067</u>	<u>27,962,286</u>
		<u>2,064,184,054</u>	<u>886,113,649</u>
Net current assets		11,344,959,573	4,609,248,904
	Total	<u>11,540,647,815</u>	<u>4,708,094,876</u>
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the financial statements.

As per our report of even date

Walker Chandiook & Co
 For Walker, Chandiook & Co
 Chartered Accountants

David Jones
 Per David Jones
 Partner



New Delhi
 30 April 2010

For and on behalf of the Board of Directors

Vijay Mahajan
 Vijay Mahajan
 Chairman
S Ramachandran
 S Ramachandran
 Chief Financial Officer

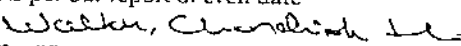
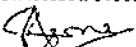
Hyderabad
 30 April 2010

Sajeey Viswanathan
 Sajeey Viswanathan
 Managing Director
Baljeet Kaur
 Baljeet Kaur
 Company Secretary

Bhartiya Samruddhi Finance Limited
 Profit and Loss Account for the year ended 31 March 2010
 (All amounts in Indian Rupees, unless otherwise stated)

	Schedules	For the year ended 31 March	
		2010	2009
INCOME			
Income from operations	13	2,156,475,741	1,007,717,721
Other income	14	52,384,739	24,372,823
		<u>2,208,860,480</u>	<u>1,032,090,544</u>
EXPENDITURE			
Interest on borrowed funds	15	689,002,399	310,426,099
Staff costs	16	370,134,714	231,721,072
Operating and other expenses	17	624,088,869	335,182,337
Provision for non performing assets		30,069,569	1,023,512
Depreciation and amortization		28,358,720	12,102,539
		<u>1,741,654,271</u>	<u>890,455,559</u>
Profit before taxation		467,206,209	141,634,985
Provision for taxation			
- Current tax		179,575,763	55,582,000
[including tax for earlier years Rs. 798,000 (2009: 10,082,000)]			
- Deferred tax (benefit)/ expenses		(25,635,625)	4,078,000
[including tax for earlier years Rs. 10,101,000 (2009: Rs. Nil)]			
- Fringe benefit tax		-	5,246,872
Profit after taxation		313,266,071	76,728,113
Prior period items	18	3,426,634	-
Net profit		<u>309,839,437</u>	<u>76,728,113</u>
Profit brought forward		31,859,936	14,121,364
Profit available for appropriation		<u>341,699,373</u>	<u>90,849,477</u>
APPROPRIATION			
Transfer to statutory reserve		61,967,887	17,363,000
Proposed dividend @ Rs. 1 per share (2009: Rs. 0.75) on equity shares of Rs.10 each		29,214,306	16,348,169
Dividend distribution tax		4,964,971	2,778,372
Transfer to general reserve		-	22,500,000
Surplus carried to Balance Sheet		245,552,209	31,859,936
Earnings per share	19 [5]		
- Basic		12.04	3.55
- Diluted		11.96	3.55
Weighted average number of equity shares used in computation of earnings per		25,726,938	21,611,258
Notes to accounts	19		

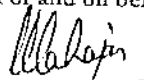
The schedules referred to above and notes to accounts form an integral part of the financial statements.

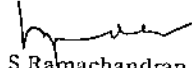
As per our report of even date

 For Walker, Chandiook & Co
 Chartered Accountants

 Per David Jones
 Partner




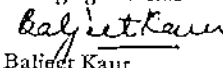
New Delhi
 30 April 2010

For and on behalf of the Board of Directors


 Vijay Mahajan
 Chairman


 S Ramachandran
 Chief Financial Officer

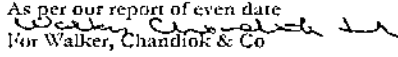

 Sajeev Viswanathan
 Managing Director


 Baljeet Kaur
 Company Secretary

Hyderabad
 30 April 2010

Bhartiya Samruddhi Finance Limited
Cash flow statement for year ended 31 March 2010
(All amounts in Indian Rupees, unless otherwise stated)



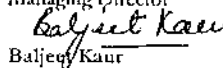
	For the year ended 31 March	
	2010	2009
A. Cash flows from operating activities		
Profit before taxation	463,779,575	141,634,985
Adjustments for		
Depreciation and amortization	34,257,349	12,102,546
Employee stock options outstanding	7,333,793	-
Provision for non performing assets	30,069,569	1,023,512
Profit on sale of investments	(1,112,459)	-
Provision for doubtful advances	11,828,443	-
Provision for gratuity	1,188,032	-
Provision for compensated absences	5,492,367	-
Bad debts and other assets written off	36,037,778	12,322,395
Loss on sale of assets	71,319	197,686
Operating profit before working capital changes	588,945,766	167,281,124
Increase in loans to rural producers	(5,453,609,270)	(2,379,445,762)
Increase in loans securitized	1,404,220,180	607,207,253
Increase in sundry debtors	(33,633,464)	(22,914,802)
Increase in other current assets	(117,107,995)	(27,663,958)
Increase in other loans and advances	(93,635,246)	40,141
Increase in current liabilities	1,146,274,624	461,648,423
Cash used for operating activities	(2,558,545,405)	(1,193,847,581)
Income tax paid [including fringe benefit tax]	(165,827,540)	(50,678,387)
Net cash used in operating activities	(2,724,372,945)	(1,244,525,968)
B. Cash flows from investing activities		
Purchase of fixed assets	(77,489,736)	(45,013,009)
Proceeds from sale of fixed assets	455,421	150,314
Purchase of investments	(702,000,000)	-
Proceeds from sale of investments	701,112,459	-
Fixed Deposits	(473,080,177)	(91,722,955)
Net cash used in investing activities	(551,002,033)	(136,585,650)
C. Cash flows from financing activities		
Proceeds from long term borrowings	8,431,000,000	3,700,000,000
Share issue expenses	(24,458,769)	(7,396,839)
Equity Proceeds	1,019,320,091	300,000,000
(Repayment) / Proceeds from short term borrowings, net	(52,176,203)	32,422,133
Repayment of long term borrowings	(2,850,637,040)	(1,397,414,232)
Dividends and dividends distribution tax	(19,126,541)	(12,635,460)
Net cash provided by financing activities	6,503,921,538	2,614,975,602
Net change in cash and cash equivalents during the year (A+B+C)	3,228,546,560	1,233,863,984
Cash and cash equivalents at the beginning of the year	1,426,370,461	192,506,477
Cash and cash equivalents at the end of the year (refer note 1 below)	4,654,917,021	1,426,370,461
Notes 1:		
Cash and bank balances as per Schedule 8	5,062,113,016	1,520,702,306
Less: Fixed deposits considered as restricted cash	(407,195,995)	(94,331,845)
Cash and cash equivalents considered for cash flow	4,654,917,021	1,426,370,461
Note 2: Interest paid	670,859,551	306,805,550
Note 3: Interest income	1,297,535,393	651,434,988
Note 4: Fixed assets acquired under finance lease	40,665,000	-

As per our report of even date

For Walker, Chandiook & Co
Chartered Accountants
Per D. Jayo Jones
Partner



New Delhi
30 April 2010

For and on behalf of the Board of Directors


Vijay Mahajan
Chairman

Sajeev Viswanathan
Managing Director

Baljeet Kaur
Chief Financial Officer
Company Secretary

Hyderabad
30 April 2010

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	As at 31 March	
	2010	2009
Schedule 1: Capital		
Authorised		
55,000,000 Equity shares of Rs.10 each	550,000,000	550,000,000
5,000,000 Preference shares of Rs.10 each	50,000,000	50,000,000
	<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up		
33,243,131 (2009: 26,709,036) equity shares of Rs.10 each fully paid-up	332,431,310	267,090,360
Less: Amount recoverable from the trust [Refer note 11 on Schedule 19]	2,300,000	10,000,000
	<u>330,131,310</u>	<u>257,090,360</u>
Schedule 2: Reserves and surplus		
Capital reserve		
Opening balance	1,926,000	1,926,000
Adjusted during the year	(1,926,000)	-
	<u>-</u>	<u>1,926,000</u>
General reserve		
Opening balance	76,247,000	53,747,000
Additions during the year	-	22,500,000
	<u>76,247,000</u>	<u>76,247,000</u>
Statutory reserve		
Opening balance	31,195,000	13,832,000
Additions during the year	61,967,887	17,363,000
	<u>93,162,887</u>	<u>31,195,000</u>
Share premium account		
Opening balance	257,513,358	-
Additions during the year	941,659,048	264,910,358
Less: Share issue expenses	24,458,769	7,397,000
	<u>1,174,713,637</u>	<u>257,513,358</u>
Less: Amount recoverable from the trust [Refer note 11 on Schedule 19]	1,380,000	6,000,000
	<u>1,173,333,637</u>	<u>251,513,358</u>
Balance in profit and loss account	<u>245,552,209</u>	<u>31,859,936</u>
	<u>1,588,295,733</u>	<u>392,741,294</u>



lll / hz @u

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	As at 31 March	
	2010	2009
Schedule 3: Secured loans		
[Refer note 8 and 14(b) on Schedule 19]		
Term loans		
From banks	6,176,212,361	3,074,688,085
[Repayable within one year Rs. 2,907,541,877 (2009: Rs.1,614,987,485)]		
From others	3,380,000,000	894,644,400
[Repayable within one year Rs.1,130,000,000 (2009: Rs.334,644,000)]		
Working capital loans from banks	-	52,176,203
[Payable within one year]		
Finance lease obligations	40,665,000	-
[Secured against the underlying assets]		
	<u>9,596,877,361</u>	<u>4,021,508,688</u>
Schedule 4: Unsecured loans		
[Refer note 9 on Schedule 19]		
Other loans and advances		
From others	18,009,618	24,526,534
[Repayable within one year Rs. 6,516,916 (2009 : Rs.6,516,916)]		
	<u>18,009,618</u>	<u>24,526,534</u>



This space is intentionally left blank

[Signature]

[Signature]

[Signature]

[Signature]

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

Schedule 5: Fixed assets

Particulars	Gross block			Depreciation/amortization			Net block			
	As at 1 April 2009	Additions during the year	Deletions/ Adjustments during the year	As at 31 March 2010 #	Up to 31 March 2009	Charge for the year*	Deletions/ Adjustments during the year	Up to 31 March 2010	As at 31 March 2010 #	As at 31 March 2009
Goodwill	10,000,000	-	-	10,000,000	6,000,000	1,000,000	-	7,000,000	3,000,000	4,000,000
Buildings	6,918,900	-	-	6,918,900	32,134	112,778	-	144,912	6,773,988	6,886,766
Office equipment	20,957,796	11,627,587	101,154	32,484,229	3,038,007	5,466,692	24,634	8,480,065	24,004,164	17,919,789
Furniture and fixtures	13,908,062	52,395,589	12,747	66,290,904	1,959,233	9,535,074	9,408	11,484,899	54,806,005	11,948,829
Computers and software	76,728,585	52,711,468	3,141,631	126,298,422	18,637,997	18,142,805	768,749	36,012,053	90,286,369	58,090,588
	128,513,343	116,734,644	3,255,532	241,992,455	29,667,371	34,257,349	802,791	63,121,929	178,870,526	98,845,972
Previous year	87,793,883	45,013,202	4,293,742	128,513,343	21,510,833	12,102,546	3,946,008	29,667,371	98,845,972	

* Depreciation charge for the period includes Rs. 5,898,629 relating to earlier years, the same is classified under prior period items

Include Rs.40,665,000 (2009; Rs. Nil) on account of furniture and fixtures acquired under finance lease arrangement.

My by



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	As at 31 March	
	2010	2009
Schedule 6: Loans to rural producers		
[Refer note 18 on Schedule 19]		
Secured, considered good	1,325,197,264	619,112,031
Unsecured, considered good	8,680,084,680	3,998,667,800
Unsecured, considered doubtful	33,524,380	3,455,000
	<u>10,038,806,324</u>	<u>4,621,234,831</u>
Less: Assigned portfolio	2,282,158,309	877,938,129
Less: Provision for doubtful loans	33,524,380	3,454,811
	<u>7,723,123,635</u>	<u>3,739,841,891</u>
Schedule 7: Sundry debtors		
(Unsecured, considered good)		
Outstanding for more than six months	2,183,269	747,945
Other debts	71,124,742	42,405,311
(Unsecured, considered doubtful)		
Outstanding for more than six months	3,478,709	-
Other debts	76,786,720	43,153,256
Less: Provision for doubtful receivables	3,478,709	-
	<u>73,308,011</u>	<u>43,153,256</u>
Schedule 8: Cash and bank balances		
Cash balances on hand	9,557,318	1,452,306
Balances with Scheduled banks		
on current accounts#	552,119,974	251,912,177
on deposit accounts*	4,497,893,271	1,264,795,000
# includes Rs.12,105,338 (2009: 4,324,512) held in trust with respect to insurance claims pending settlement to customers		
* Rs. 407,195,995 (2009: 94,331,845) represents margin money towards guarantees issued by banks and cash securities against borrowings.		
Balances with non-scheduled banks on current accounts	2,542,453	2,542,823
	<u>5,062,113,016</u>	<u>1,520,702,306</u>
Maximum amount outstanding at any time during the year with non scheduled banks		
Rushikulya Grameen Bank	1,799,363	616,591
Pragathi Grameen Bank	2,943,136	132,273
The Andhra Pradesh Co-operative Bank	14,152,339	652,390
Sagameshwara Grameen Bank	-	40,940
The Andhra Pradesh Grameen Vikas Bank	1,940,358	1,100,629



This space is intentionally left blank

[Signature]

[Signature]

[Signature]

[Signature]

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	As at 31 March	
	2010	2009
Schedule 9: Other current assets		
(Unsecured, considered good)		
Interest earned on loans to rural producers	176,224,595	80,295,427
Interest earned but not due on fixed deposits	18,158,523	4,945,900
Other receivables	73,959	-
(Unsecured, considered doubtful)		
Other receivables	7,892,245	-
	<u>202,349,322</u>	<u>85,241,327</u>
Less: Provision for doubtful receivables	7,892,245	-
	<u>194,457,077</u>	<u>85,241,327</u>
 Schedule 10: Loans and advances		
(Unsecured, considered good)		
Advance recoverable in cash or in kind or for value to be received		
- Prepaid expenses	7,450,676	6,841,886
- Advance for expenses	116,835,949	34,033,042
- Other advances	-	5,418,544
Deposits with public financial institution [Against amounts borrowed]	217,966,027	57,750,000
Security deposits	13,889,236	2,380,301
	<u>356,141,888</u>	<u>106,423,773</u>
(Unsecured, considered doubtful)		
Other advances	4,211,489	3,754,000
	<u>360,353,377</u>	<u>110,177,773</u>
Less: Provision for doubtful advances	4,211,489	3,754,000
	<u>356,141,888</u>	<u>106,423,773</u>
 Schedule 11: Liabilities		
Sundry creditors		
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues other than micro enterprises and small enterprises	150,500,349	75,045,744
	<u>150,500,349</u>	<u>75,045,744</u>
Cash security collected from rural producers	1,325,197,264	619,112,031
Payable against assigned loans	285,715,089	86,375,947
Unearned income		
- on assigned loans	114,482,213	20,999,042
- on agriculture and business development services	92,434,428	37,232,991
Interest accrued but not due on loans	26,027,397	7,884,549
Other liabilities	10,069,247	11,501,059
	<u>2,004,425,987</u>	<u>858,151,363</u>



(Signature)

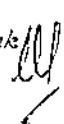



(Signature)

(Signature)

(Signature)

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	As at 31 March	
	2010	2009
Schedule 12: Provisions		
Provision for taxation, net of advance tax	10,062,646	-
Provision for contingent tax liability	8,835,745	8,835,745
Provision for dividends including dividend tax	34,179,277	19,126,541
Provision for gratuity	1,188,032	-
Provision for compensated absences	5,492,367	-
	<u>59,758,067</u>	<u>27,962,286</u>

This space is intentionally left blank    



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	For the year ended 31 March	
	2010	2009
Schedule 13: Income from operations		
Micro credit services		
(a) Interest on loans to rural producers	1,393,464,561	693,128,415
(b) Loan processing and service fee	382,771,115	148,137,376
(c) Income from securitization	98,402,276	38,191,085
Micro insurance agency services	129,442,596	66,057,697
Income from consultancy services		
(a) Agricultural and business development services	142,974,853	53,120,780
(b) Institutional development services	3,605,781	4,161,661
(c) Other consultancy services	1,685,460	4,920,707
Other services	4,129,099	-
	<u>2,156,475,741</u>	<u>1,007,717,721</u>
Schedule 14: Other income		
Recovery of loans written-off	2,646,810	445,860
Interest on fixed deposits (Gross)	34,178,880	7,956,031
[Tax deducted at source of Rs.4,441,775 (2009: Rs.1,578,138)]		
Income from short-term non-trade investments		
Dividend on investments in units of mutual funds	1,112,449	-
Miscellaneous income	14,446,600	15,970,932
	<u>52,384,739</u>	<u>24,372,823</u>
Schedule 15: Interest on borrowed fund		
On fixed period loans	688,253,912	307,568,388
On other loans	748,487	2,857,711
	<u>689,002,399</u>	<u>310,426,099</u>
Schedule 16: Staff cost		
Salaries, wages and bonus	332,312,314	213,491,026
Contributions to provident and other funds	14,705,515	9,968,707
Staff welfare expenses	17,446,455	5,781,106
Gratuity	5,670,430	2,480,233
	<u>370,134,714</u>	<u>231,721,072</u>



Handwritten signatures and initials.

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
(All amounts in Indian Rupees, unless otherwise stated)

	For the year ended 31 March	
	2010	2009
Schedule 17: Operating and other expenses		
Livelihood service advisor charges	231,908,065	106,464,426
Meeting expenses	8,060,205	4,024,735
Bank charges	48,537,925	22,018,788
Travelling and conveyance	106,405,296	71,756,694
Printing and stationery expenses	34,533,686	20,536,814
Power and fuel	4,043,255	2,833,831
Rent	20,022,897	12,943,926
Repairs and maintenance - others	19,017,627	11,698,154
Legal and professional charges	41,663,552	26,392,070
Insurance	7,185,345	3,833,757
Rates and taxes	4,292,489	5,267,577
Communication expenses	22,747,774	14,187,326
Training and recruitment expenses	15,264,043	11,502,143
Auditors' remuneration		
- Audit fee	4,129,969	2,400,000
- Certification fee	33,000	167,569
- Other matters	2,000,000	-
- Out of pocket expenses	72,787	327,108
Provision for doubtful advances	11,828,443	-
Loss assets written off	27,685,954	9,655,100
Miscellaneous expenses	14,656,557	5,473,917
Share issue expenses	-	3,698,402
	<u>624,088,869</u>	<u>335,182,337</u>
Schedule 18: Prior period items		
Depreciation	5,898,629	-
Service tax input credit	1,226,407	-
Share issue expenses	(3,698,402)	-
	<u>3,426,634</u>	<u>-</u>

This space is intentionally left blank



Handwritten signatures and initials are present in this area.

1. Company overview

Bhartiya Samruddhi Finance Limited ("the Company" or "BSFL") incorporated on 12 August 1996 in accordance with the provisions of the Companies Act, 1956 of India ("the Act") is a limited liability company. Effective 19 August 1999 the Company is also registered as a "Non Banking Financial Company" under the rules and regulations framed by the Reserve Bank of India ("the RBI").

The Company is primarily engaged in providing the livelihood promotion services such as micro-credit to rural customers un-reached by the formal banking systems and other allied services such as distribution of insurance products, Agricultural and Business Development services and Institutional Development Services etc.

2. Significant accounting policies

a. Basis of preparation of financial statements

The financial statements are prepared in accordance with Accounting Principles generally accepted in India ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956 ("the Act"), pronouncements of The Institute of Chartered Accountants of India ("ICAI"), other relevant provisions of the Act and the RBI directives and guidelines to the extent applicable to non-banking financial companies. The financial statements have been prepared under the historical cost convention on an accrual basis, except in the case of interest in respect of non performing loan assets have been accounted for on a cash basis. The accounting policies applied by the Company, except for the changes therein discussed below, are consistent with those used in the previous year.

b. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful loans and advances and debtors, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower. Advances paid towards the acquisition of fixed assets and outstanding at each balance sheet date and the cost of assets under construction are disclosed as capital work-in-progress.

[Handwritten signatures]



d. Depreciation

Depreciation is provided on Straight Line Method ("SLM") based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule XIV to the Act, except in respect of office equipments which are depreciated over 14 years which is lower than the useful lives as prescribed under the Act.

Assets acquired under finance lease arrangements are depreciated on a straight line basis over the useful lives of such assets or over the lease term whichever is shorter.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be. Individual assets acquired for Rs. 5,000 or less are entirely depreciated in the year of acquisition.

e. Intangible assets

Acquisition of goodwill in the form of right for use of brand name "Basix" and other intellectual proprietary rights in the field of micro finance and livelihood promotion has been accounted for as intangible assets at the purchase price. These assets are amortized over a period of 10 years on a straight line method. Computer software are amortized over a period of three to five years from the date of purchase.

f. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

g. Government grant

Government grants relating to specific fixed assets are adjusted against the cost of underlying fixed assets and revenue grants are credited to Profit and Loss Account on a systematic basis in the profit and loss account over the periods necessary to match them with the related costs which they are intended to compensate.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue measured and collectibility is reasonably assured.

- Interest on loans to rural producers is recognised on accrual basis, except in the case of Non Performing Assets ("NPAs") where interest is recognised upon realisation, in accordance with the directives of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended).
- Loan processing fees is accounted for up-front when it becomes due.



Handwritten signatures and initials, including a large signature on the left, a signature in the middle, and a signature with a checkmark on the right.

- Revenue from fixed priced contracts for agricultural and business development services and institutional development service is recognized on a straight line basis over the specified period of contract.
- Income from service contracts is recognized on the basis of proportionate completion of the contract with reference to the stage of performance.
- Interest income on deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- Dividend is recognized when the right to receive the payment is established.

j. Asset classification

Loans to rural producers are classified as performing and non-performing assets and the non-performing assets are further classified as sub-standard, doubtful and loss assets in accordance with the directives of the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 (amended).

Provision for loan losses and income recognition

During the current financial year the Company has changed its policy in respect of provision for loan losses using the rates estimated by management, which are higher than those prescribed under the directives issued by the RBI from time to time. The management basis of classification of loan assets and the estimated rates for the year ended 31 March 2010 for creating provision for loan losses are as follows:

Non performing assets	Loan asset classification as per the RBI prudential norms	Provision (in %)	
		Management estimate	As per the prudential norms of the RBI
Other than Crop loans			
Overdue > 90 to 180 days	Standard	50	Nil
Overdue > 181 to 365 days	Sub-standard	50	10
Overdue > 365 days*	Sub-standard /doubtful	100	10 to 100
Crop loans			
Overdue > 180 to 365 days	Substandard	10	10
Overdue > 365 to 730 days	Sub-standard	10	10
Overdue > 730 days*	Sub-standard /doubtful	100	20 to 100

**Write-off of loans*

Non-performing loans, other than crop loans, which are overdue for more than 365 days and where management has exhausted all reasonable options for recovery of principal and interest are considered as loss assets and are provided for 100%. Crop loans are considered as loss assets and are written off fully when they are past due for more than 730 days.

Loss assets

An asset is classified as loss asset when it is adversely affected by a potential threat of non recoverability as assessed by the management.



Handwritten signatures and initials: *AL*, *LS*, *OL*, *VS*

k. Securitization of loans and advances

Transactions relating to transfers of loans and advances through securitization with other financial institutions and banks are accounted for in accordance with the Guidance Note issued by the ICAI on "Accounting for Securitisation". Such transferred loans and advances are de-recognised from the financial statements and gains/losses are accounted for only where the Company surrenders rights to benefits specified in the loan contract in favour of the counter parties.

l. Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

m. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Share issue expenses

Expenditure incurred in relation to issue of equity shares is adjusted against the share premium account, net of corresponding tax benefits, if any.

o. Employee benefits

Provident Fund

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid as an expense in the period in which the employee renders services. There are no other obligations of the Company other than the contributions made to the fund.



[Handwritten signatures]

Gratuity

Gratuity is a post employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the period in which such gains or losses arises.

Employee state insurance

The Company contributes to the Employees State Insurance Fund maintained by the state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services. There are no other obligations of the Company other than the contributions made to the funds.

Compensated absences

The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Employee share based payments:

Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the guidance note on accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to Profit and Loss Accounts using the straight line method over the vesting period.

p. Leases

Operating leases:

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight line basis.

Finance lease:

All leases other than operating leases are classified as a finance lease and are capitalized as fixed assets at the present value of minimum lease rentals with corresponding amount shown as lease liability. The principal component in the lease rentals is adjusted against the lease obligation and the finance charges are charged to Profit and Loss Account as they arise.

q. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

[Handwritten signatures]



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

Notes to the accounts

3. Commitments and contingent liabilities

	As at 31 March	
	2010	2009
<i>Commitments</i>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	7,789,913	1,234,000
<i>Contingent liabilities</i>		
Contingent obligations on account of assigned loans to banks	364,499,470	83,784,000

4. Transactions with related parties

During the year ended 31 March 2010 the Company had entered into contracts for professional services, with the parties covered under the provisions of Section 297 of the Act requiring prior approval of the Central Government of India. The Company has initiated necessary process to seek requisite approvals and for the condonation of the delay in this regard.

Name of the parties	Year ended 31 March	
	2010	2009
Safal Solutions Private Limited	899,079	974,403
Ctran Consulting Private Limited	688,814	637,262
Indian Grameen Services	1,018,699	19,549,000
Intellectual Capital Advisory Services Pvt. Ltd.	15,487,000	63,22,000

5. Earnings per share

Reconciliation of basic and diluted shares used in computation of earnings per share

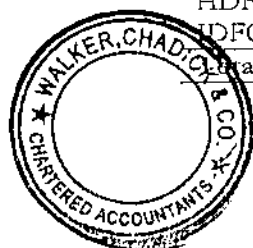
Particulars	Year ended 31 March	
	2010	2009
Net profit as per profit and loss account (Rs)	309,839,437	76,728,113
Weighted average number of shares considered for computation of basic earnings per share	25,726,938	21,611,258
Add: Effect of potential dilutive stock options	184,600	-
Weighted average number of shares considered for computation of diluted earnings per share	25,911,538	21,611,258
Nominal value per share (Rs)	10	10

6. Investments

As at 31 March 2010 investments represents long term, unquoted, trade investment of 200,000 (2009: Nil) equity shares of Rs. 10 each fully paid-up of Alpha Micro Finance Consultants Private Limited.

The details of short term, non-trade and unquoted investments purchased and sold during the year ended 31 March 2010 (2009: Nil) are as follows (including dividends reinvested):

Description of investment	Units purchased during the year	Units sold during the year	Amount invested	Amount received on disposal
Birla sunlife mutual fund	20,007,345	20,007,345	200,000,000	200,209,504
HDFC mutual fund	22,853,399	22,853,399	230,000,000	230,382,839
UDFC mutual fund	27,047,954	27,047,954	270,000,000	270,520,116
Total			700,000,000	701,112,459



Handwritten signatures and initials.

7. Details of loans and advances securitized

	As at 31 March	
	2010	2009
Loans to rural producers de-recognized	2,282,158,309	877,938,129
Loans to rural producers assigned during the year	2,654,121,277	1,355,512,740
Income from securitization recognized during the year	98,402,276	38,191,085

8. Secured loans

Loans availed from the financial institutions and banks as detailed below are fully secured by way of hypothecation of 'loans to rural producers' and by way of pledge of fixed deposits in certain cases:

Name of the bank/financial institution	Outstanding as at 31 March	
	2010	2009
Small Industries Development Bank of India	3,130,000,000	894,644,400
RABO India Finance Limited	250,000,000	-
HDFC Bank	863,571,432	726,552,620
Axis Bank	1,055,602,905	665,925,623
IDBI Bank	555,000,000	160,000,000
ABN Amro Bank	131,600,000	189,760,000
ING Vysya Bank Limited	274,956,081	143,312,038
Citibank, NA	449,659,278	120,500,288
Corporation Bank	416,656,000	249,996,000
Standard Chartered Bank	270,833,335	320,833,333
ICICI Bank	200,000,000	400,000,000
Punjab National Bank	100,000,000	-
Central Bank of India	250,000,000	-
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	550,000,000	-
Indian Overseas Bank	458,333,330	-
Syndicate Bank	500,000,000	-
South Indian Bank	100,000,000	149,984,386
	9,556,212,361	4,021,508,688

9. Unsecured loans

Unsecured loans represent loans taken from Development International Desjardins, Canada.

10. Government grants

The Company has entered into an arrangement with the Government of State of Orissa to set up customer service centers (CSC) across various locations within the State of Orissa to provide various services using the Internet Connectivity. Pursuant to the terms of the arrangement, the government of Orissa shall reimburse up to a maximum of Rs. 2,604 per CSC per month towards revenue support. During the year ended 31 March 2010 the Company has commenced 335 customer service centers and accordingly recognized income from revenue support amounting to Rs. 4,129,099 (2009: Rs Nil).

11. Employee stock options

The Company had instituted Basic Employee and Agent Stock Option Plan ("the Plan" or "the Scheme") and had also established BSFL Employees Shareholding Trust ("the Trust") to subscribe equity shares of the Company under the scheme and to administer the plan. The scheme was formulated in accordance with the provisions of Section 81(1A) and other applicable provision of the Act, and was duly approved by way of a special resolution passed in the annual general meeting of the members held on 19 July 2008.



[Handwritten signatures]

Pursuant to the terms of such approvals, the Company had granted advance of Rs. 16,000,000 to the Trust to subscribe one million equity shares of Rs. 10 each fully paid-up at a premium of Rs.6 per share. Amounts due from the trust in respect of equity shares not granted as at 31 March 2010 is adjusted against the share capital and share premium account respectively.

On 6 February 2010 the members of the Company, in the extra-ordinary general meeting, approved Employee BSFL Employee Stock Option Plan 2 and earmarked 2,490,000 equity shares of Rs.10 each, to be issued to the trust for future grant of options to eligible employees based on specific recommendations of the Human Resources and Development Committee under the plan. Each option comprises of one underlying equity share of Rs.10 each, however, no options were granted under the said plan as of 31 March 2010.

On 24 October 2009, based on specific recommendations of the Human Resources Development Committee ("HRDC"), the trust has granted 770,000 equity shares of Rs. 10 each, fully paid-up at an exercise price of Rs. 17 each to eligible employees of the Company subject to progressive vesting over a period of thirty months from the date of the grant and exercise price being payable immediately. As of 31 March 2010 the total number of equity shares held by the trust is 230,000 (2009: 1,000,000). These options were granted at an exercise price lower than the market value per share of Rs. 62 as estimated by the management and using the intrinsic value method as prescribed under the Guidance Note, the Company has recognized the excess of market value per share over the exercise price as compensation expense over the progressive vesting period.

During the year ended 31 March 2010 the Company has amortized stock compensation expenses amounting to Rs. 7,333,788 (2009: Rs.Nil).

Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2010 (2009: Nil) were as follows:

Particulars	Number of Shares	Weighted average exercise price
Outstanding at the beginning of the year	-	-
Granted during the year	770,000	17
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	770,000	17
Exercisable at the end of the year	-	-

In accordance with the disclosure principles laid down under the Guidance Note, the Company is required to provide the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation.

(Handwritten signatures)



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

Applying the fair value based method defined in the said guidance note the impact on the reported net profit and earnings per share is as follows.

Particulars	Year Ended 31 March	
	2010	2009
Profit after tax as reported	309,839,437	76,728,113
Add: Employee stock option compensation under intrinsic value method	7,333,793	-
Less: Employee stock option compensation under fair value method	7,496,761	-
Proforma net profit	309,676,469	76,728,113
Earnings per share		
Basic		
• As reported	12.04	3.55
• Proforma	12.04	3.55
Diluted		
• As reported	11.96	3.55
• Proforma	11.95	3.55

The fair value of stock options is estimated using the "Black and Scholes method" and based on the following assumptions:

Assumptions	Year ended 31 March	
	2010	2009
Risk free interest rate	6.56%	-
Expected life	30 months	-
Expected volatility	0%	-
Expected dividend yield	0%	-

As per the terms of the scheme, shares granted and fully exercised by the employees, on the date of grant, are subject to continuous employment for a specified period. As of 31 March 2010, none of the stock options have met the unconditional vesting conditions, hence there are no information provided in respect of weighted average share price at the date of exercise for stock options exercised during the year. Options outstanding as at 31 March 2010 had an exercise price of Rs.17, and a weighted average remaining contractual life of 1.73 years (2009: Nil).

Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

	Year ended 31 March	
	2010	2009
Deferred employee stock compensation as at 1 April 2009	-	-
Add: Deferred employee stock compensation accrued in 2009-2010	34,650,000	-
	34,650,000	-
Less: Deferred employee stock compensation amortized in 2009-2010	7,333,793	-
Deferred employee stock compensation as at 31 March 2010	27,316,207	-



[Handwritten signatures]

12. Employee benefits

Provident fund

During year ended 31 March 2010 the Company contributed Rs.13,632,545 (2009: Rs.9,358,685) to the Provident Fund.

Employee state insurance

During year ended 31 March 2010 the Company contributed Rs.1,072,970 (2009: Rs.610,022) to the Employee's State Insurance Corporation.

Gratuity

The Company has obtained the actuarial valuation report in line with the requirements of Accounting Standard -15 'Employee Benefits', in respect of gratuity liability and the estimated liability as at 31 March 2010 is provided in the books of accounts. The details of present value of obligations, current service cost and actuarial assumptions are given hereunder:

The amounts recognized in the profit and loss account are as follows:

	Year ended 31 March	
	2010	2009
Current service cost	3,016,890	952,381
Interest cost	431,919	187,684
Expected return on plan assets	(610,536)	(332,171)
Recognised net actuarial loss	2,832,157	1,672,339
Total included in 'employee benefit expenses'	5,670,430	2,480,233
Actual return on plan assets	640,686	332,171

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

	Year ended 31 March	
	2010	2009
Defined benefit obligation at beginning of the year	4,683,147	2,346,056
Current service cost	3,016,890	952,381
Interest cost	431,919	187,684
Benefits paid	(119,813)	(475,313)
Actuarial loss	2,832,157	1,672,339
Defined benefit obligation at the end of the year	10,844,300	4,683,147

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

	Year ended 31 March	
	2010	2009
Fair value of plan assets at beginning of the year	6,672,530	3,813,121
Expected return on plan assets	610,536	332,171
Actuarial gains/(loss)	30,150	-
Contribution by employer	2,462,865	3,002,551
Benefits paid	(119,813)	(475,313)
Fair value of plan assets at the end of the year	9,656,268	6,672,530



[Handwritten signatures]

The assumptions used in accounting for the gratuity plan are set out as below:

	Year ended 31 March	
	2010	2009
Discount rate	8%	8%
Expected return on plan assets	9.15%	8.7%
Attrition rate	3% to 19%	3% to 10%
Salary escalation	6.1%	5%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long term plans of growth and industry standards.

13. Related party disclosures

i. Names of related parties and nature of relationship

Names	Nature of relationship
Bhartiya Samruddhi Investments and Consulting Services Limited (BASICS Limited)	Entity having significant influence over the Company
Indian Grameen Services (IGS)	Entity in which directors are interested
Safal Solutions Private Limited	Entity in which directors are interested
Ctran Consulting Private Limited	Entity in which directors are interested
Intellectual Capital Advisory Services Pvt. Ltd	Entity in which directors are interested
Mr. N V Ramana (up to 19 July 2008)	Key management personnel
Mr. Vijay Mahajan	Key management personnel
Mrs. Savita Mahajan	Relatives of a key management personnel
Mr. Sajeer Viswanathan (from 1 October 2009)	Key management personnel

ii. Nature of transactions

	Year ended 31 March	
	2010	2009
Transactions with entities in which directors are interested		
IGS		
- Rent	3,781,668	2,945,000
- Shared services arrangements	1,018,699	3,000,000
- Business acquisition	-	16,549,000
- Receipts from SRTT Project Risk Fund	1,230,000	-
Safal Solutions Private Limited		
- Shared services arrangements	899,079	974,403
Ctran Consulting Private Limited		
- Shared services arrangements	688,814	637,262
Transactions with key management personnel		
- Managerial remuneration		
N. V. Ramana	-	2,397,000
Sajeer Viswanathan	3,642,673	-
- Stock options		
300,000 equity shares granted to Mr. Sajeer Viswanathan at an exercise price of Rs. 17 per share under the employee stock option scheme framed by the Company.		
Dividends paid		
Mr. Vijay Mahajan	1,725	1,150



Handwritten signatures and initials corresponding to the figures in the table above.

	Year ended 31 March	
	2010	2009
Transactions with enterprises having significant influence over the Company		
BASICS Limited		
- Dividends paid	8,392,875	5,596,250
- Management consultancy fee	8,782,705	4,000,000
- Software license fee	2,705,460	3,600,000
- Software maintenance fee	2,211,667	816,000
- Shared service arrangements	1,248,717	658,000
- Receipts on shared service arrangements	117,000	3,735,000
Transactions with the relatives of key management personnel		
- Dividends paid to Mrs Savita Mahajan	750	500

iii. Balance payable / (receivable)

	As at 31 March	
	2010	2009
BASICS Limited	4,200,459	1,742,875
Safal Solutions Private Limited	-	374,403
Ciran Consulting Private Limited	-	637,262
Intellectual Capital Advisory Services Pvt. Ltd.	14,232,340	5,287,027

14. Leases

(a) Operating leases:

The Company has entered into significant non-cancellable operating leasing arrangements in respect of office premises. The future minimum lease commitments for non-cancelable operating lease arrangements, including those leases for which renewal options may be exercised, are as below:

Particulars	As at 31 March	
	2010	2009
Payable not later than one year	10,664,652	-
Payable later than one year and not later than five years	47,622,736	-
Payable after five years	26,098,363	-

Operating and other expenses for the year ended 31 March 2010 include expenses towards operating leases amounting to Rs. 20,022,897 (2009: Rs: 12,943,926).

(b) Finance leases:

In March 2010 the Company had entered into a non-cancelable comprehensive lease arrangement in respect of office premises including furniture and fixture. Based on the analysis of the terms and condition of the lease arrangement, the Company has designated lease of furniture and fixture as finance lease and accordingly, at the inception of the lease arrangement, it has recognized fixed assets at lower of fair value of leased assets or the present value of future minimum lease payments and corresponding liabilities.

Handwritten signatures and initials: "ll", "L", "B", "Y"



The future minimum lease rentals payable as at 31 March 2010 and the corresponding present value of such payments is as follows (2009: Nil):

Particulars	As at 31 March 2010	
	Minimum lease rent payments	Present value of minimum lease rent payments
Payable not later than one year	7,581,000	2,854,832
Payable later than one year and not later than five years	34,308,811	20,294,716
Payable after five years	19,834,756	17,515,452
Total	61,724,567	40,665,000
Less: Future finance charges	21,059,567	-
Present value of minimum lease payments	40,665,000	-

15. Deferred tax asset/(liability), net

Particulars	As at 31 March	
	2010	2009
Deferred tax liability on account of depreciation	15,259,448	12,228,000
Deferred tax asset on account of		
Provision for loan losses	26,386,496	-
Others	2,270,668	-
Total deferred tax assets	28,657,164	-
Net deferred tax asset/ (liability)	13,397,716	(12,228,000)

16. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of Schedule VI to the Act, to the extent applicable.

(a) Change in accounting policy

Hitherto, the Company used to follow the provisions of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended) for the purposes of income de-recognition and for making provision for loan losses. However, effective 1 April 2009 the Company has changed its policy to recognize provision for loan losses and de-recognition of interest income earlier to the schedule as prescribed under the Directives issued by the RBI from time to time. Had the Company continued to follow its earlier method of income de-recognition and provision for loan losses as per the directives of the RBI, the net profit for the year and balance in profit and loss account would have been higher by Rs.18,672,152 net of tax and the balances in loans to rural producers as at 31 March 2010 would have been higher by Rs.28,286,854.

(b) Managerial remuneration

Particulars	Year Ended 31 March	
	2010	2009
Salaries	1,056,774	700,000
Allowances and other perquisites	1,056,774	35,000
Contribution to provident and other funds	126,813	84,000
Others	1,402,312	1,578,000
	3,642,673	2,397,000



[Handwritten signatures]

The above figures do not include provision for gratuity payable to the Directors as the same is actuarially determined for the Company as a whole. Stock compensation cost amounting to Rs.2,857,320 (2009: Nil) pertaining to stock options issued to the Managing Director have not been considered as remuneration in the table above.

(c) Auditors' remuneration

Particulars	Year Ended 31 March	
	2010	2009
Statutory audit fees	4,129,969	2,200,000
Taxation matters	-	200,000
Certification	33,000	167,000
Other matters	2,000,000	-
Out of pocket expenses	72,787	327,000
	6,235,756	2,894,000

(d) Expenditure incurred in foreign currency

Particulars	Year Ended 31 March	
	2010	2009
Travelling expenses	1,211,391	539,469
Staff training and reimbursement of expenses	1,249,941	851,531
Interest payment of foreign loans	-	283,500
Total	2,461,332	1,674,500

(e) Amounts remitted during the year in foreign currency on account of Dividends

Particulars	Year Ended 31 March	
	2010	2009
Amount remitted	3,528,378	2,350,000
Number of non-resident shareholders	5	3
Number of shares held by non-resident shareholders	11,043,636	9,400,000
The year to which the dividend relates	2009	2008

17. Additional disclosures pursuant to the Reserve Bank Directions vide circular no. RBI/2008-09/116, DNBS (PD).CC.No.125/03.05.002/2008-2009, dated 1 August 2008

(i) Capital to Risk-Assets ratio (CRAR)

Particulars	As at 31 March	
	2010	2009
CRAR (%)	23.98%	17.81%
CRAR – Tier 1 capital (%)	23.98%	17.81%
CRAR – Tier II capital (%)	-	-



[Handwritten signatures]

(ii) Exposure to real estate sector

Particulars	As at 31 March	
	2010	2009
Direct Exposure		
A. Residential mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	Nil	Nil
B. Commercial real estate -		
Lending secured by mortgages on commercial real estate (including non-fund based limits).	Nil	Nil
C. Investments in mortgage backed securities and other securitized exposures in residential and commercial real estate	Nil	Nil
Indirect Exposure		
Fund and non fund based exposures on national housing bank and housing finance companies.	Nil	Nil



[Handwritten signatures]

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

(iii) Asset liability management

As at 31 March 2010	Maturity within						Total As per balance sheet		
	1 to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years		3 to 5 years	5 years and above
Liabilities									
Secured loans	86,661,020	304,866,629	561,933,094	976,188,685	2,107,892,449	5,104,212,118	407,458,366	7,000,000	9,556,212,361
Unsecured loans	-	-	-	3,258,458	3,258,458	11,492,702	-	-	18,009,618
Payable against assigned loans	285,715,089	-	-	-	-	-	-	-	285,715,089
Assets									
Loans to rural producers	656,158,378	711,595,310	611,317,539	1,608,457,252	2,683,464,234	1,479,183,509	5,743,918	727,875	7,756,648,015

As at 31 March 2009	Maturity within						Total As per balance sheet		
	1 to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years		3 to 5 years	5 years and above
Liabilities									
Secured loans	97,436,688	119,978,000	306,018,000	479,480,000	998,895,000	1,953,049,000	66,652,000	-	4,021,508,688
Unsecured loans	-	-	-	3,258,458	3,258,458	13,034,000	4,975,618	-	24,526,534
Payable against assigned loans	86,375,947	-	-	-	-	-	-	-	86,375,947
Assets									
Loans to rural producers	333,113,000	384,555,000	309,229,000	771,571,000	1,222,827,000	718,213,000	3,788,702	-	3,743,296,702

Handwritten signatures and initials: "T", "OK", and a checkmark.



18. Loans and advances

Loan to rural producers portfolio has been classified in accordance with the directives issued by the RBI vide the Non-banking financial companies Prudential Norms (Reserve Bank) Directions, 2007, read with accounting policy mentioned in paragraph 20) above. The necessary provisions as per RBI norms have been made. The details are as follows:

Asset Classification	Loan outstanding (Without provisioning)				Provision					
	Number of accounts	Amount Outstanding	%	Number of accounts	Amount Outstanding	%	Up to 31 March 2010	Amount	Up to 31 March 2009	Amount
Standard assets	1,098,127	9,947,133,957	99.09	571,277	4,601,250,243	99.60	-	-	-	-
Sub-Standard assets	15,184	83,919,275	0.83	3,016	18,361,602	0.40	35,777,533	33,941,373	1,836,160	
Doubtful assets	5	1,127,830	0.01	14	1,622,986	-	1,120,330	(498,321)	1,618,651	
Sub-Total	1,113,316	10,032,181,062	99.93	574,307	4,621,234,831	100	36,897,863	33,443,052	3,454,811	
Loss Assets	1152	6,625,262	0.07	-	-	-	4,518,762	4,518,762	-	
Total	1,114,468	10,038,806,324	100	574,307	4,621,234,831	100	41,416,625	37,961,814	3,454,811	
Loans sold through securitization	277,268	2,382,158,309		104,880	877,938,129		7,892,245	7,892,245	-	
Net portfolio	837,200	7,756,648,015		469,427	3,743,296,702		33,524,380	30,069,569	3,454,811	

By *[Signature]*
By *[Signature]*



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

19. Segment reporting

Based on analysis of the Company's business model and considering the management structure, financial reporting and on consideration of the differential risk and return of segments, the management has classified its business operations into the following operating and reportable segments viz., 'Micro Credit', 'Micro Insurance Agency Related Services', 'Agriculture and Business Development and Consultancy Services', 'Customer Service Centers'.

The accounting policies of the segments are substantially the same as those described in the 'Statement of Significant Accounting Policies' as under para 2 above. Financial information in respect of the Company's operating and reportable segments for the year ended 31 March 2010 is as given below

Particulars	Micro credit	Micro insurance agency services	Agriculture / business development services and consultancy services	Customer service centres	Total for the year ended
External sales	1,874,637,951	129,442,596	148,266,095	4,129,099	2,156,475,741
Segment result	903,108,798	89,164,377	105,419,399	(2,392,441)	1,095,300,134
Unallocated corporate expenses					680,478,664
Operating profit					414,821,469
Interest income					52,384,740
Net profit before tax					467,206,209
Income taxes (including deferred taxes)					153,940,137
Net profit before prior period items					313,266,072
Prior period expenditure					3,426,634
Net profit					309,839,438

Other information:

Segment assets	13,309,382,040	192,909,532	-	31,214,151	13,533,505,723
Unallocated corporate assets					57,928,430
Segment liabilities	11,366,308,942	-	92,434,428	-	11,458,743,370
Unallocated corporate liabilities					220,334,650
Depreciation and amortization	19,351,264	-	-	9,007,456	28,358,720
Non cash expenses other than depreciation	66,105,057	3,478,909	-	-	69,583,966



Handwritten signatures and initials, including 'W', 'J', and 'R', are present over the bottom right portion of the table.

Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

Financial information in respect of the Company's operating and reportable segments for the year ended 31 March 2009 is as given below

Particulars	Micro credit	Micro insurance agency services	Agriculture / business development services and consultancy services	Customer service centres	Total for the year ended
External sales	879,456,876	66,057,697	62,203,148	-	1,007,717,721
Segment result	536,333,377	62,026,381	32,610,265	-	630,970,023
Unallocated corporate expenses					513,707,861
Operating profit					117,262,162
Interest income					24,372,823
Net profit before tax					141,634,985
Income taxes (including deferred taxes)					64,906,872
Net profit before prior period items					76,728,113
Prior period expenditure					-
Net profit					76,728,113
Other information:					
Segment assets	5,496,604,678	81,510,810	-	-	5,578,115,488
Unallocated corporate assets					12,417,368
Segment liabilities	4,780,406,791	-	37,232,991	-	4,817,639,782
Unallocated corporate liabilities					123,061,420
Depreciation and amortization	12,102,539	-	-	-	12,102,539
Non cash expenses other than depreciation	10,678,612	-	-	-	10,678,612

[Handwritten signatures and initials]

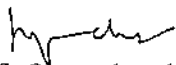



Bhartiya Samruddhi Finance Limited
Schedules to the financial statements
Schedule 19: Notes to accounts
(All amounts in Indian Rupees, unless otherwise stated)

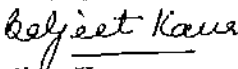
20. Payable to micro enterprises and small enterprises
On the basis of the information and records available with the management, there are no dues/overdue principal amounts payable to micro, small and medium enterprises as at 31 March 2010 and there is no interest is paid / payable for the year ended 31 March 2010.
21. Subsequent events
On 15 April 2010, the Company received Rs. 54,999,992 from Lok Capital, LLC the Republic of Mauritius towards subscription of 356,877 equity shares of Rs. 10 each fully paid-up at a premium of Rs. 144.11 per equity share.
22. Prior year comparatives
The previous year figures are regrouped /rearranged to confirm to current period presentation.

For and on behalf of the Board of Directors


Vijay Mahajan
Chairman


S. Ramachandran
Chief Financial Officer


Sajeew Viswanathan
Managing Director


Baljeet Kaur
Company Secretary

Hyderabad
30 April 2010

