

<p>AUDITORS' REPORT TO THE MEMBERS OF BHARTIYA SAMRUDDHI FINANCE LIMITED</p>

We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2002 and the Income and Expenditure account 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we state in the annexure, a statement of matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred above:
 - 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 accounts as required by the law have been kept by the company, so far as appears from our examination of the books maintained at the Head office and all the branches of the company visited by us;
 - c) the Balance Sheet and the Income and Expenditure account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Income and Expenditure Account and the Balance Sheet comply with the accounting standards referred to in sub section 3(C) of section 211 of the Companies Act, 1956.

- e) On the basis of the written representations received from the directors as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) During the year the company has changed its accounting policy with respect to over-due loans. In our opinion there is no material change in the Profits of the company due to the change in accounting policy.
- g) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account read together with the notes on accounts attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002 and
 - ii. In the case of Income and Expenditure account, of the profits of the company for the year ended on that date.

Hyderabad,
April 27, 2002

for **V. NAGARAJAN & Co.,**
Chartered Accountants

(V. NAGARAJAN)
Partner

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN OUR REPORT
OF EVEN DATE TO THE MEMBERS OF

BHARTIYA SAMRUDDHI FINANCE LIMITED

[Pursuant to the Manufacturing and Other Companies (Auditor's Report) Order, 1988]

- I. In respect of items stated in sub paragraph (A) of Paragraph 4 of the Order:
1. The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets of the company have been physically verified by the management at least once in six months. Out of the verification so done, no material discrepancy was reported to have been noticed.
 2. No fixed assets have been revalued during the period under review.
 3. The company has taken loans, from companies required to be listed in the register required to be maintained under section 301 of the Companies Act, 1956. The terms of the loan are not prejudicial to the interest of the company.
 4. The company has not given any loans, secured or un-secured to companies, firms and other parties listed in the register required to be maintained under section 301 of the Companies Act, 1956.
 5. The parties, to whom loans or advances in the nature of loans have been given by the company in the ordinary course of business, are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
 6. In our opinion and according to the information and explanations given to us, the company has adequate internal control procedures commensurate with the size of the company.
 7. The Company has an internal audit system commensurate with the size of the company.
 8. The company has not accepted any deposits from the public.
 9. The company has regularly deposited during the period under review, Provident Fund with the appropriate authorities.
 10. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, sales tax and custom duty which were outstanding as at March 31, 2002 for a period more than six months from the date they become payable.

11. According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to the revenue account other than those payable under the contractual obligations or in accordance with the generally accepted business practices.
12. In respect of the other activities covered by clause 4(D) of the Manufacturing and other Companies (Auditors' Report) order, 1988, the company's finance activities are considered to be under the purview of the above clause. The items covered by this clause, we report that no special statute is applicable except the Non Banking Companies Directions of the Reserve Bank of India, which the company has been complying with. The company does not trade in shares and securities nor provides loans and advances against the pledge of shares and securities.
13. Other clauses of the order are not applicable to the Company.

Hyderabad,
April 27, 2002

for **V. NAGARAJAN & Co.,**
Chartered Accountants

(V. NAGARAJAN)
Partner

AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED

[Pursuant to Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998]

We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2002 and the Income and Expenditure account for the year ended on that date annexed thereto and report that:

Further to our audit report of even date issued under section 224 of the Companies Act, 1956, as required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, based on the information and explanations given to us and based on the records produced, we state below a statement of matters specified in paragraph 3 of the said Directions.

- 1) IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES (PARAGRAPH 3 (A) OF THE ORDER):
 - a) The company has obtained a certificate of registration as a Non-Banking Financial Company vide Certificate no. 14.01502 dated August 19, 1999 pursuant to section 45IA of the Reserve bank of India Act, 1934 (2 of 1934)
- 2) IN THE CASE OF A NON-BANKING FINANCIAL COMPANY NOT ACCEPTING PUBLIC DEPOSITS (PARAGRAPH 3(C) OF THE ORDER):
 - a) The Board of Directors has passed a resolution in the meeting held on April 27, 2002 for the non-acceptance of any public deposits.
 - b) The company has not accepted any public deposits during the period under review.
 - c) The company has complied with the prudential norms relating to income recognition; assets classification, accounting standards and provisioning for bad and doubtful debts during the period ended March 31, 2002.
 - d) The company has also followed the capital adequacy norms; the accounting policies followed by the company in respect of the same is reported in the notes forming part of accounts.

for **V. NAGARAJAN & Co.,**
Chartered Accountants

Hyderabad,
April 27, 2002

(V. NAGARAJAN)
Partner



BHARTIYA SAMRUDDHI FINANCE LTD

Rupees in '000s

BALANCE SHEET AS AT		31-Mar-02		31-Mar-01	
	Sch				
LIABILITIES					
SHAREHOLDERS FUNDS					
Share Capital	1	206,001		40,495	
Reserves and Surplus	2	5,515	211,516	3,188	43,683
LOAN FUNDS					
Secured Loans	3	65,579		77,755	
Unsecured Loans	4	104,209	169,788	65,079	142,834
TOTAL			381,305		186,517
ASSETS					
FIXED ASSETS (<i>At cost less depreciation</i>)	5		5,286		3,802
INVESTMENTS	6		43,590		90
CURRENT ASSETS, LOANS & ADVANCES					
Cash and Bank Balances	7	121,958		32,331	
Unsecured loans to Rural Producers	8	222,778		153,219	
Interest Receivable on Loans		7,311		5,208	
Advances Recoverable	9	6,635	358,682	3,260	194,019
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	10	24,906		10,697	
Provision for Taxation		1,500	26,406	900	11,597
NET CURRENT ASSETS			332,277		182,422
MISCELLANEOUS EXPENDITURE			152		202
<i>(To the extent not written off or adjusted)</i>					
TOTAL			381,305		186,517

Accounting Policies and Notes to Accounts

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*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 27, 2002

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

Director

Audited Financial Statements for the year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LTD

Rupees in '000s

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED		31-Mar-02	31-Mar-01
	Sch		
INCOME			
Income from Operations	11	45,607	29,695
Income from Investments		3,520	631
Other Income	12	590	2,239
Total		49,717	32,565
EXPENDITURE			
Interest on Borrowed Funds		15,615	11,566
Salaries, Allowances and Benefits to Staff	13	9,491	5,923
Financial Services Charges to Customer Service Agents		5,121	1,690
Other Operating Expenses	14	10,833	7,892
Bad Debts written off		4,602	2,203
Provision for Doubtful Debts		970	824
Depreciation		373	291
Total		47,005	30,389
Profit Before Taxation		2,712	2,175
Provision for Taxation		600	900
Profit After Taxation		2,112	1,275
Earlier year provision written back		215	-
Total		2,327	1,275
APPROPRIATIONS:			
Profit brought forward from last account		34	40
Transferred to			
Portfolio Risk Reserve		1,293	482
General Reserve		500	800
Balance carried over		568	35

Accounting Policies and Notes to Accounts **15**

*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for BHARTIYA SAMRUDDHI FINANCE LTD

Hyderabad
April 27, 2002

Managing Director

(V. NAGARAJAN)

Partner

Company Secretary

Director

Audited Financial Statements for the year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LTD

	Rupees in '000s	
SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-02	31-Mar-01
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
Equity Shares		
25,000,000 Equity Shares of	250,000	250,000
Rs. 10 each (Previous year: 25,000,000)		
Preference Shares		
50,00,000 Preference Shares of Rs. 10 each (Previous year: 50,00,000)	50,000	50,000
<i>Total Authorised Capital</i>	300,000	300,000
Issued Subscribed and Paid up:		
20,600,000 Equity Shares of Rs.10 each	206,000	40,495
Fully paid up in cash (Previous Year : 4,049,500 Shares)		
<i>Total Paid up</i>		
1,000 Sweat Equity Share Warrants (Previous Year: NIL)	1	-
Total	206,001	40,495
SCHEDULE 2 : RESERVES AND SURPLUS		
<i>a. General Reserve</i>	2,307	1,507
Add : Transfer	500	800
	2,807	2,307
<i>b. Portfolio Risk Reserve</i>	847	365
Add : Transfer	1,293	482
	2,140	847
<i>c. Income and Expenditure Account</i>	568	34
Total	5,515	3,188

*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for BHARTIYA SAMRUDDHI FINANCE LTD

Hyderabad
April 27, 2002

Managing Director

(V. NAGARAJAN)

Partner

Company Secretary

Director



BHARTIYA SAMRUDDHI FINANCE LTD

SCHEDULE 3: SECURED LOANS

Sr. no	Name of bank/financial institution	Amount availed as on March 31, 2002		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium Payable in	Type of security
		Date availed	Rupees	31-Mar-01	31-Mar-02				
1	Global Trust Bank Ltd.	1-Mar-99	16,200	6,820	1,395	31-Mar-03	10.50%	Six quarterly installments commencing from April 17, 2000	Loans of Self help groups(SHG)/CDFIs
2	Small Industries Development Bank of India - I	30-Sep-99	20,000	18,750	13,393	5,357	11.00%	Five years including moratorium of one year; payable in eight half-yearly installments falling on June 01 and Dec.01 each year, commencing from December 2000	A charge in trust on assets created out of the said loan (viz: loans to Non Farm Sector) and pledge of fixed deposit receipts to the extent of 10% of the loan.
3	CORDAID, Netherlands	21-Mar-00	20,000	20,000	18,750	1,250	10.00%	Two years moratorium and Repayable in Eight installments on March 15 every year commencing from March 15, 2002	A lien of financial assets, being the loan portfolio of Agriculture Allied loans stated as first class (without any repayment problems) with initial worth of Rs 300 Lakhs (being 150% of the loan).
4	ICICI Bank Ltd	13-Jun-00	40,000	12,185	2,034	-	Prime Lending Rate Currently 13.5%	Open ended Short term Working capital Cash Credit Facility. Margin - 35%	Direct Crop Loans, Crop loans through on-lenders and Agriculture long term loans
5	Small Industries Development Bank of India - II	1-Jun-01	30,000	20,000	30,000	8,333	11.00%	Four years including moratorium of one year. Payable quarterly on Mar 01, June 01, Sep 01 and Dec 01 each year.	A charge in trust on assets created out of the said loan (viz: loans to Non Farm Sector).
6	Overdraft with Canara Bank, Khammam	18-Feb-02	750	-	6	-	9.75%	Open-ended.	Against Fixed deposit
	Total		126,950	77,755	65,578	16,335			

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2002

*As per our report of even date
for **V. NAGARAJAN & Co.**,
Chartered Accountants*

*for **BHARTIYA SAMRUDDHI FINANCE LIMITED***

Hyderabad
April 27, 2002

(V. NAGARAJAN)
Partner

Company
Secretary

Director

Managing Director

Audited Financial Statements for the year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LTD

SCHEDULE 4: UNSECURED LOANS

Rupees in '000s

Sr. No.	Name of bank/financial institution	Amount availed as on March 31, 2002		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium Payable in
		Date availed	Rupees	31-Mar-01	31-Mar-02			
1	Housing Development Finance Corporation Limited.	31-May-00	10,000	10,000	8,256	31-Mar-03	12.00%	48 consecutive equated monthly installments (EMIs) of Rs 274,363
2	Development International Desjardins, Canada	3-Jan-01	12,329	12,329	12,329	-	6.00%	Principal amount shall be repayable in eight semi-annual installments beginning on Mar 31, 2009
3	Shorebank Corporation, Chicago	10-Oct-01	23,920	-	23,920	-	8.33%	Bullet payment due on March 30, 2005
4	Development International Desjardins, Canada	5-Feb-02	13,739	-	13,739	-	6.00%	Payable in eight semi-annual installments beginning on Sep 30, 2009
5	Bhartiya Samruddhi Investing and Consulting Services Limited	27-Feb-02	47,870	42,750	45,965	7,623	11.00%	12 equal Quarterly payments of 1,905,833 commencing form March 2002 payable March 31, June 30, September 30 and December and final installment of Rs 25,000,000 on March 31, 2005
	Total		107,858	65,079	104,209	10,230		

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2002

As per our report of even date

for V. NAGARAJAN & Co.,
Chartered Accountants

for Bhartiya Samruddhi Finance Ltd

Hyderabad
April 27, 2002

(V. NAGARAJAN)
Partner

Company Director Managing Director
Secretary

Audited Financial Statements for the year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LTD

Rupees in
'000s

SCHEDULE 5: FIXED ASSETS AS AT MARCH 31, 2002

Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As on 31.3.2001	Additions during year	Deletions during the year	As on 31.03.2002	Rate of Depreciation	Upto 31.3.2001	For the year	Deletions during the year	As on 31.03.2002	As on 31.03.2002
Furniture And Fixture	955	269	-	1,225	6.33%	100	70	-	170	1,055
Professional Equipment	2,259	1,688	-	3,947	7.07%	218	224	-	442	3,505
Office Equipment	598	192	-	790	7.07%	59	50	-	109	681
Vehicles	496	-	434	63	9.50%	130	29	141	17	45
Total	4,308	2,150	434	6,025		507	373	141	739	5,287
As on 31.3.2001	3,199	1,110	-	4,309		216	291	-	507	3,802

Notes: Depreciation has been provided on straight line method at the rates prescribed by Schedule XIV of the Companies Act, 1956.

for **V. NAGARAJAN & Co.,**
Chartered Accountants

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 27, 2002

(V. NAGARAJAN)
Partner

Company
Secretary

Director

Managing Director



BHARTIYA SAMRUDDHI FINANCE LTD

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-02	31-Mar-01
SCHEDULE 6 : INVESTMENTS		
Short Term:		
Non-Trade – Quoted		
In ICICI Prudential Mutual Fund- Fixed Maturity Plan half-yearly 2,344,935 units of Face Value Rs 10/- (Market Value Rs.23,975)	23,500	-
In ICICI Prudential Mutual Fund - Gilt Plan 975,667 units of Face Value Rs 10/- (Market Value Rs.10,022)	10,000	-
In HDFC Income Fund- Dividend Plan 938,351 units of Face Value Rs 10/-(Market Value Rs.10,040)	10,000	-
13.05 % Government Stock 2007	90	90
800 units of Face value of Rs 100 (Market Value Rs.98)		
Total	43,590	90
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash in hand	1,230	466
Balances with Scheduled Banks in:		
Current Accounts (including in transit)	4,887	3,662
Fixed Deposits	115,840	28,203
Total	121,958	32,331
SCHEDULE 8: UNSECURED LOANS TO PRODUCERS		
Nonfarm-Micro Enterprises (Short Term)	102,151	57,453
Agri Allied	49,462	29,568
Agri Short Term	47,020	32,569
General Purpose	11,980	21,763
Agri Long Term	7,626	6,796
House Repairs and Extensions	998	625
Crop through On Lenders	1,198	3,484
Nonfarm-Small and Medium (Long Term)	594	1,124
Nonfarm-Growth Micro Enterprises	1,259	2,457
Smart Card Micro Loans	37	-
Vehicle Loans to CSA/Employees	3,000	1,711
Sub Total	225,327	157,550
Less: Provision for Doubtful debts	(2,548)	(1,578)
Total	222,778	155,972

*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for Bhartiya Samruddhi Finance Ltd

Hyderabad
April 27, 2002

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

Director

Audited Financial Statements for the year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LTD

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-02	31-Mar-01
SCHEDULE 9 : ADVANCES RECOVERABLE		
<i>(Unsecured - Considered Good)</i>		
Advances and other amounts recoverable in cash or kind or value to be received		
-Advance for Expenses	911	1,084
-Due from Company under same Management		
Bhartiya Samruddhi Investment and Consulting Services Ltd	910	-
-Prepaid Insurance	307	276
-Interest receivable on Fixed Deposits	1,866	350
-Rent and Telephone Deposits	381	345
-Advance to Customer Service Agents for delivery of financial services (Net)		
Financial Services (Net)	144	729
-Due from Commercial Intermediaries	577	-
-Advance Tax	1,539	476
Total	6,635	3,260
SCHEDULE 10 : CURRENT LIABILITIES		
Cash Security from Borrowers	23,016	9,568
Sundry Creditors	530	320
Interest Accrued but not due on Loans	959	763
Statutory Liabilities	401	43
Other Liabilities	-	3
Total	24,906	10,697

*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for Bhartiya Samruddhi Finance Ltd

Hyderabad
April 27, 2002

Managing Director

(V. NAGARAJAN)

Partner

Company Secretary

Director

BHARTIYA SAMRUDDHI FINANCE LTD



	Rupees in '000s	
SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-02	31-Mar-01
SCHEDULE 11: INCOME FROM OPERATIONS		
Income from Loans to Rural Producers		
Interest on Loans to Rural Producers (<i>net of rebates and derecognised Interest</i>): See Note 7 Schedule 15	40,607	26,642
Loan Processing Fees	4,559	2,980
Recovery of debts written off in earlier years	439	73
Total	45,605	29,695
SCHEDULE 12 : OTHER INCOME		
Consultancy Fees	380	2,075
Other Income	210	164
Total	590	2,239
SCHEDULE 13: SALARIES, ALLOWANCES AND BENEFITS		
Salaries, Allowances and other Benefits	8,166	4,784
Contributions to Provident and Other Funds	603	369
Meeting, Training and Staff Expenses	722	770
Total	9,491	5,923
SCHEDULE 14 : OTHER OPERATING EXPENSES		
Travel and Conveyance		
- Directors	116	194
- Others	2,839	2,062
	2,954	2,256
Administrative Expenses	934	364
Postage and Telecommunications	1,351	908
Printing and Stationery	1,073	730
Rent, Rates and Taxes	1,025	853
Auditors' Remuneration and Expenses	596	463
Office Maintenance	547	338
Bank Charges	511	426
Professional Charges	885	380
Repairs and Maintenance	295	629
Sundry balances adjusted(net)	309	167
Vehicle Maintenance	183	326
Loss on Sale of Assets	116	-
Statutory Payments	51	51
Total	10,833	7,892

*As per our report of even date
for V. NAGARAJAN & Co.,
Chartered Accountants*

for Bhartiya Samruddhi Finance Ltd

Hyderabad
April 27, 2001

(V. NAGARAJAN)
Partner

Managing Director

Company Secretary

Director

BHARTIYA SAMRUDDHI FINANCE LIMITED



SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2002

SCHEDULE 15: NOTES ON ACCOUNTS

1) ACCOUNTING POLICIES:

a) Basis of preparation of Financial Statements:

The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable, except otherwise stated and the directions issued by Reserve Bank of India for Non Banking Financial Companies from time to time, wherever applicable.

b) Revenue Recognition:

- i) Interest on loans is recognized on accrual basis, as per contracts with the borrowers.
- ii) Income on non-performing assets is recognized only when realized and no interest, which has remained past due for more than six months at the end of the accounting Year, is treated as income.
- iii) In respect of service contracts income is recognized on the basis of proportionate Completion of the Contract with reference to the stage of performance and corresponding income.

c) Fixed assets:

- i) These are stated at cost.
- ii) Depreciation is provided on the straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- iii) In respect of additions the depreciation is provided prorata from the date the assets are put into use.

d) Loans and Advances:

These are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions 1998.

e) Provision for Loan Losses:

- i) Provision for doubtful loans and advances has been made as per the norms stated in the Non-Banking Financial Companies Norms (Reserve Bank) Directions, 1988.
- ii) In addition the company also sets aside an amount equal to 40% (cumulative 50%) of the principal outstanding of loans overdue by 400 days to a Portfolio Risk Reserve.

f) Write-off Policy:

Loans are written off if the management is satisfied that it has exhausted all options for recovery of Principal and interest on the loan.

Audited Financial Statements for the Year ended March 31, 2002



BHARTIYA SAMRUDDHI FINANCE LIMITED

- g) Employee Benefits:
- i) *Provident Fund*: Contribution is accounted on actual liability basis and paid into Government.
 - ii) *Gratuity*: is being computed as per statutory norms on actuarial valuation basis and paid into a trust created with and for this purpose, through the group schemes of Life Insurance Corporation of India.

- h) Miscellaneous Expenditure:

Written off over five years time at equal installments

- i) Foreign Exchange Transactions:

Foreign Currency Current assets and current liabilities outstanding at the Balance Sheet date are translated at the exchange rates prevailing on that date and the net gain or loss is recognized in the Income and Expenditure Account. All other currency gains and losses are recognized in the Income and Expenditure Account.

2) CONTINGENT LIABILITES: Nil

3) BUSINESS OPERATIONS:

The Company provides financial services, which is currently predominantly micro credit, and technical assistance to rural poor clients, mostly unreached by the formal banking system, with the main purpose of promoting sustainable livelihoods. The business is characterized by intense field presence, as the transactions of small value happen at the customer's home or work place. The company has developed, and well-tested, the methodology for its operations, and is planning to expand to increase outreach. The company will strive to demonstrate that these services can be provided to its customers in a profitable manner.

4) SHARE CAPITAL:

a) Shareholding Pattern:

Sl. No	Shareholder's Name	Nos	Amount Rs.000s	% Holding	Amount Rs.000s	% Holding
	Equity Shares of Rs 10 each		March 31,2002		March 31,2001	
1	Bhartiya Samruddhi Investment and Consulting Services Ltd.	9,690,500	96,905	47.0%	40,400	99.7%
2	International Finance Corporation, Washington	4,700,000	47,000	22.8%		
3	Stichting Hivos - Triodos Fonds, Netherlands	2,350,000	23,500	11.4%		
4	Shorebank Corporation, Chicago	2,350,000	23,500	11.4%		
5	ICICI Ltd.	1,000,000	10,000	4.9%		
6	Housing Development Finance Company Ltd.	500,000	5,000	2.4%		
7	Other Individuals	9,500	95	0.0%	95	0.3%
	Total	20,600,000	206,000	100.0%	40,495	100.0%
	Optionally Convertible Share Warrants of Re. 1 each					
8	Bhartiya Samruddhi Investment and Consulting Services Ltd.	1000	1	100%	-	-
	Total Equity Funds		206,001			

BHARTIYA SAMRUDDHI FINANCE LIMITED



b) Issue of share warrants for "Sweat Equity".

- The company had committed (by a resolution in Extra-ordinary General Meeting held on Nov 2, 2000) to issue 1000 share warrants for a consideration of Re 1 each, as sweat equity pursuant to section 79 A of the Companies Act, 1956, jointly in favour of the three promoters of the holding company. This commitment was in consideration for know-how and intellectual property in the field of micro-finance and livelihood promotion.
- These warrants are convertible into 1000 equity shares fully paid up for each of such share warrants within a Year of ten years from Oct 21, 2000, provided a minimum of ten warrants are converted at a time. These entitlements have been availed by the promoters and were assigned to Bhartiya Samruddhi Investments and Consulting Services Ltd. (BASICS Ltd) Accordingly during the year the company has issued 1000 warrants to the BASICS Ltd, which shall rank *pari passu* with the existing share-holders whenever BASICS Ltd opts for conversion into equity share. However, BASICS Ltd has not opted for any conversion upto March 31, 2002 and is holding the same as warrants only.

c) Issue of Share Warrants to Employee Stock Option Trust:

The Board of Directors of the Company had been authorized (by a resolution in the Annual General Meeting of the company held on May 29, 2000) to create a trust for BASIX-Employees and Agents Stock Option Plan and issue warrants carrying a right to subscribe / convert into the capital of the company upto 10,00,000 equity shares. Such shares, when converted, shall rank *pari passu* with the existing shares at the time of conversion. However the company is yet to create such trust and hence is yet to issue the warrants.

5) RESERVE AND SURPLUS:

Portfolio Risk Reserve: During the year, the company changed its policy on Portfolio Risk reserve. An amount of Rs 12,93,151 is being transferred during the year ended March 31, 2002 (Previous Year: Rs.482,000). No amount was transferable as per the earlier policy.

6) LOANS AND ADVANCES:

- a) Asset Classification: The loan portfolio has been classified as per the norms prescribed for classification by the Reserve Bank of India through Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. The necessary provisions as per RBI norms have been made. The details are shown below

<i>Rs. '000s</i>					
Asset Classification	Loan Outstanding (without Provisioning)	Provision up to March 31,2001	Provision during the Year	Provision as at March 31, 2002	Loan Outstanding (net of Provisioning)
Standard	214,670				214,670
Sub- standard	9,009	972	(71)	901	8,108
Doubtful	1,647	605	1042	1647	-
Total	225,326	1,577	971	2,548	222,778
Loss assets*	4,602	-	-	-	-
Previous year	154,796	753	824	1,577	

* Stands written off in the books as bad debts as per Note 1 (f) above

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- b) The company has changed its policy on write-off of unrecoverable loans. During the year an amount of Rs. 46,01,828 has been written off as per the new policy. Had the company followed the earlier policy, the write off amount would have been Rs 4,055,887. During the year an amount of Rs. 438,951 (Previous year Rs 72,604) has been recovered in respect of the loans written off in earlier years.
- c) In the opinion of the Board of Directors, the loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Accounts

7) INTEREST ON LOANS TO RURAL PRODUCERS:

This is net of rebates for on time Repayment of Rs 1,406,385 (Previous Year: Rs 728,186) and Interest de-recognised of Rs 2,767,004 (Previous Year: Rs 2,580,707)

8) AUDITORS' REMUNERATION

This includes:

Rs in thousands

Year / Year ended	March 31, 2002	March 31, 2001
a) Audit Fees	310	202
b) Fee for Certification	48	10
c) Taxation	50	50
d) Out of Pocket Expenses	188	202
Sub-Total	596	464
Audit Manual and systems*	105	-
Total	701	464

* included in Professional Charges

9) EARNINGS AND OUTGO IN FOREIGN CURRENCY:

Rs in thousands

Year ended	March 31, 2002	March 31, 2001
<i>Income:</i>		
Consultancy Fees	380	1,809
<i>Expenditure:</i>		
Interest on Loans	2,744	2,104
Travel	-	90
<i>Outgo:</i>		
Remittance on account of Principal Repayment	1,250	-

10) MISCELLANEOUS:

- a) Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None other than stated above.
- b) No amount is due to any small-scale industrial undertaking by the company.
- c) Amount outstanding as at March 31, 2002 from Bhartiya Samruddhi Investments and Consulting Services Ltd, a company under the same management: Rs.910,251 (Maximum amount due at point of time of the year: Rs.1,805,326).
- d) Balance sheet abstract and company's general business profile, pursuant to Part III to Schedule VI is separately attached
- e) Miscellaneous Expenditure (not written off) consists of statutory payments for increasing Authorized Capital.
- f) Previous Year figures have been regrouped and rearranged wherever necessary.

for **V. NAGARAJAN & Co.,** for **BHARTIYA SAMRUDDHI FINANCE LIMITED**
Chartered Accountants

Hyderabad,
April 27, 2002

(V. NAGARAJAN)
Partner

Company
Secretary

Director

Managing Director

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