

# BHARTIYA SAMRUDDHI FINANCE LTD

			Rupees in '000s	
BALANCE SHEET AS AT	Sch	31-Mar-04	31-Mar-03	
<b>LIABILITIES</b>				
<b>SHAREHOLDERS FUNDS</b>				
Share Capital	1	207,001	206,001	
Reserves and Surplus	2	22,834	8,767	
		<b>229,834</b>	<b>214,768</b>	
<b>LOAN FUNDS</b>				
Secured Loans	3	98,458	97,203	
Unsecured Loans	4	101,125	71,390	
		<b>199,583</b>	<b>168,593</b>	
<b>Deferred taxation (net)</b>		<b>1,197</b>	<b>1,046</b>	
<b>TOTAL</b>		<b>430,615</b>	<b>384,407</b>	
<b>ASSETS</b>				
<b>FIXED ASSETS (At cost less depreciation)</b>	5	<b>16,145</b>	<b>5,826</b>	
<b>INVESTMENTS</b>	6	<b>10,090</b>	<b>39,940</b>	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Cash and Bank Balances	7	82,814	59,357	
Unsecured Loans to Rural Producers (Owned & Managed)		384,910	307,956	
Less: Securitised Loans Derecognised		21,512	-	
Net Loans (Owned)	8	363,398	307,956	
Interest Receivable on Loans		7,818	7,611	
Advances Recoverable and other current assets	9	18,608	6,144	
		<b>472,638</b>	<b>381,068</b>	
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	10	59,649	40,828	
Other Provisions	11	8,660	1,700	
		<b>68,309</b>	<b>42,528</b>	
<b>NET CURRENT ASSETS</b>		<b>404,329</b>	<b>338,539</b>	
<b>MISCELLANEOUS EXPENDITURE</b> <i>(To the extent not written off or adjusted)</i>		<b>51</b>	<b>101</b>	
<b>TOTAL</b>		<b>430,615</b>	<b>384,407</b>	

## Accounting Policies and Notes to Accounts

17

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

for **BHARTIYA SAMRUDDHI FINANCE LTD**

Hyderabad  
April 24, 2004

**(V. NAGARAJAN)**  
Partner

Company  
Secretary

Director

Managing Director

Audited Financials for the year ended March 31, 2004

**BHARTIYA SAMRUDDHI FINANCE LTD**

Rupees in '000s

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED**

	Sch	31-Mar-04	31-Mar-03
<b>INCOME</b>			
Income from Operations	12	94,375	64,742
Income from Investments	13	7,039	7,172
Other Income	14	1,039	1,704
<b>Total</b>		<b>102,453</b>	<b>73,618</b>
<b>EXPENDITURE</b>			
Interest on Borrowed Funds		18,120	16,225
Salaries, Allowances and Benefits to Staff	15	24,593	17,305
Financial Service Charges to Customer Service Agents		9,782	7,114
Other Operating Expenses	16	28,137	17,314
<b>Non Cash Charge</b>			
Bad Debts Written Off		8,315	8,771
Provision for Doubtful Debts		4,440	(641)
Diminution in the Value of Investments		48	
Depreciation		1,167	1,482
Amortisation of Intangible Assets/Miscellaneous		1,051	51
<b>Total</b>		<b>95,654</b>	<b>67,621</b>
<b>Profit Before Tax</b>		<b>6,799</b>	<b>5,998</b>
Provision for Tax		3,506	1,700
Provision for deferred tax		151	(14)
<b>Profit After Tax</b>		<b>3,142</b>	<b>4,312</b>
<b>APPROPRIATIONS:</b>			
<b>Profit brought forward from last account</b>		<b>1,280</b>	<b>568</b>
<b>Transferred to</b>			
Portfolio Risk Reserve		4,300	3,600
Balance carried over		121	1,280

**Accounting Policies and Notes to Accounts** 17

As per our report of even date  
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Hyderabad  
April 24, 2004

**(V. NAGARAJAN)**  
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Managing Director

# BHARTIYA SAMRUDDHI FINANCE LTD

SCHEDULES TO THE ACCOUNTS AS AT	Rupees in '000s	
	31-Mar-04	31-Mar-03
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised:</b>		
<b>Equity Shares</b>		
25,000,000 Equity Shares of Rs. 10 each	250,000	250,000
<b>Preference Shares</b>		
50,00,000 Preference Shares of Rs. 10 each	50,000	50,000
<i>Total Authorised Capital</i>	<b>300,000</b>	<b>300,000</b>
<b>Issued Subscribed and Paid up:</b>		
20,700,000 Equity Shares of Rs.10 each	207,000	206,000
Fully paid up (Previous Year : 20,600,000 Shares)		
Share warrants		
900 Sweat Equity Share Warrants (Previous Year:1,000 Warrants)	1	1
<b>Total</b>	<b>207,001</b>	<b>206,001</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<i>a. Capital Reserve</i>		-
<b>Additions during the year</b>		
<i>(I) On account of acquisition of Intangible Assets</i>	9,000	
<i>(ii) Grant from Small Industries Development Bank of India</i>	1,925	
	<b>10,925</b>	
<i>b. General Reserve</i>		
Opening Balance	1,747	2,807
Less: Transfer to deferred tax liability on initial adoption	-	1,060
	<b>1,747</b>	<b>1,747</b>
<i>c. Portfolio Risk Reserve</i>		
Opening Balance	5,740	2,140
Add: Transfers	4,300	3,600
	<b>10,040</b>	<b>5,740</b>
<i>d. Income and Expenditure Account</i>		
	121	1,280
<b>Total</b>	<b>22,834</b>	<b>8,767</b>

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

for **BHARTIYA SAMRUDDHI FINANCE LTD**

Hyderabad  
April 24, 2004

**(V. NAGARAJAN)**  
Partner

Company  
Secretary

Director

Managing Director

# BHARTIYA SAMRUDDHI FINANCE LTD

## SCHEDULE 3: SECURED LOANS

Rupess in '000s

Sr. No.	Name of bank/financial institution	Amount availed as on March 31, 2004		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium	Type of security
		Date availed	Rupees	31-Mar-04	31-Mar-03				
1	Small Industries Development Bank of India - I	30-Sep-99	20,000	-	8,036	-	11.00%	Moratorium: 1 year Repayable in: 5 years	Prepaid on Dec 1, 2003.
2	CORDAID, Netherlands	21-Mar-00	20,000	15,500	17,500	2,500	9.50%	Moratorium: 2 years Repayable in: 10 years	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).
3	Small Industries Development Bank of India - II	29-Mar-01	30,000	10,667	21,334	10,667	11.00%	Moratorium: 1 year Repayable in: 4 years	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 ie., Rs. 30 lacs
4	Small Industries Development Bank of India - III	21-Oct-02	15,000	10,714	15,000	4,286	11.00%	Moratorium: 6 months Repayable in: 4 1/2 years	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 ie., 15 lacs.
5	Small Industries Development Bank of India - III	15-Sep-03	15,000	12,500	-	5,000	11.00%	Repayable in: 3 1/2 years	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 ie., 15 lacs.
6	CORDAID, Netherlands	23-Dec-02	20,000	20,000	20,000	1,250	9.50%	Moratorium: 2 years Repayable in: 10 years	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).
7	HDFC Bank (Term Loan)	02-Feb-03	10,000	5,000	10,000	5,000	10.75%	Repayable in: 2 years	A charge by hypothecating book debts present and future non-farm loans up to Rs 200 lakhs. Interest was reduced from 12.10% to 10.75% w.e.f. July 01, 2003.
8	HDFC Bank (Term Loan)	31-Jul-03	10,000	7,500	-	5,000	10.75%	Repayable in: 1 year 11 months.	
9	UTI Bank	20-Mar-03	5,000	4,833	5,000	2,000	11.00%	Moratorium: 1 year Repayable in: 3 1/2 years	A charge created by hypothecating book debts pertaining to a) General Purpose loans to SHGs; Individual; Individual S&C b)SHGs with Cash Security and c) Federation of SHGs and MACTS
10	UTI Bank	21-Aug-03	10,000	9,667	-	4,000	11.00%	Moratorium: 4 months Repayable in: 3 years	
11	Cash Credit Facilities from Scheduled Banks		10,000	569	-	-	12.50%	Open ended Short Term Working Capital Cash Credit Facility	A charge by hypothecating book debts present and future non-farm loans up to Rs 100 lakhs.
12	Overdraft Facilities from Scheduled Banks			1,508	334			Open ended	Against Pledge of Fixed Deposits Receipts of Rs. 82.50 Lakhs.
	<b>Total</b>		<b>165,000</b>	<b>98,458</b>	<b>97,204</b>	<b>39,703</b>			

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2004

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

Hyderabad  
April 24, 2004

**(V. NAGARAJAN)**  
Partner

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Company Secretary    Director    Managing Director

Audited Financial Statements for the year ended March 31, 2004

# BHARTIYA SAMRUDDHI FINANCE LTD

## SCHEDULE 4: UNSECURED LOANS

Rupees in '000s

Sr. No.	Name of bank/financial institution	Amount availed as on March 31, 2004		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium Payable in
		Date availed	Rupees	31-Mar-04	31-Mar-03	31-Mar-05		
1	Housing Development Finance Corporation Limited.	31-May-00	10,000	-	5,955	-	12.00%	Prepaid on Nov 29, 2003.
2	Developpement international Desjardins, Canada (Loan 1)	03-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	23,920	23,920	8.33%	Bullet payment due on March 30, 2005
4	Developpement international Desjardins, Canada (Loan 2)	05-Feb-02	13,739	13,739	13,739	-	6.00%	Payable in eight semi-annual installments beginning on Sep 30, 2009
5	Developpement international Desjardins, Canada (Loan 3)	13-Dec-02	15,448	15,448	15,448	-	6.00%	Payable in eight semi-annual installments beginning on Sep 30, 2011
6	Development International Desjardins, Canada (Loan 4)	31-Oct-03	17,129	17,129	-	-	6.00%	Payable in eight semi-annual installments beginning on Mar 31, 2012
7	Housing Development Finance Corporation Limited.	29-Dec-03	20,000	18,560	-	6,146	10.50%	Repayable in twelve quaterly equated installments beginning from 31st March 2004.
<b>Total</b>			<b>112,565</b>	<b>101,125</b>	<b>71,391</b>	<b>30,066</b>		

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2004

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad  
April 24, 2004

**(V. NAGARAJAN)**  
Partner

Company Secretary      Director      Managing Director

Audited Financial Statements for the Year ended March 31, 2004

# BHARTIYA SAMRUDDHI FINANCE LTD

## SCHEDULE 5: FIXED ASSETS AS AT MARCH 31, 2004

Rupees in '000s

Assets	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		
	As on 31.3.2003	Additions during year	Deletions during the year	As on 31.03.2004	Accumulated Depreciation Upto 31.3.2003	Depreciation for the year	Accumulated Depreciation on the assets deleted	As on 31.03.2004	As on 31.3.2004	As on 31.03.2003
Furniture And Fixture	1,763	708	9	2,462	253	139	3	389	2,074	1,511
Professional Equipment	4,864	1,326	81	6,108	1,740	909	35	2,615	3,493	3,123
Office Equipment	1,323	576	36	1,863	183	114	10	288	1,575	1,140
Vehicles	77	2	74	5	24	5	28	2	3	53
<b>Sub Total</b>	<b>8,027</b>	<b>2,611</b>	<b>200</b>	<b>10,438</b>	<b>2,201</b>	<b>1,168</b>	<b>75</b>	<b>3,294</b>	<b>7,145</b>	<b>5,826</b>
Intangible Assets	-	10,000	-	10,000	-	1,000	-	1,000	9,000	-
<b>Total</b>	<b>8,027</b>	<b>12,611</b>	<b>200</b>	<b>20,438</b>	<b>2,201</b>	<b>2,168</b>	<b>75</b>	<b>4,294</b>	<b>16,145</b>	<b>5,826</b>
<b>As on 31.3.2003</b>	<b>6,025</b>	<b>2,088</b>	<b>85</b>	<b>8,027</b>	<b>737</b>	<b>1,483</b>	<b>19</b>	<b>2,201</b>	<b>5,826</b>	

Notes: Depreciation has been provided on straight line method at the rates stated in Notes to Accounts

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad  
April 24, 2004

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Director

Managing Director

# BHARTIYA SAMRUDDHI FINANCE LTD

	Rupees in '000s	
<b>SCHEDULES TO THE ACCOUNTS AS AT</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
<b>SCHEDULE 6: INVESTMENTS</b>		
<b>Short Term:</b>		
<b>Non-Trade - Quoted</b>		
In ICICI Prudential Mutual Fund 2,000,000 units of Face Value Rs. 10/-	-	20,000
In ICICI Prudential Mutual Fund - Treasury Plan- Growth 741,663 units of Face Value Rs. 10/-	-	9,993
In HDFC Income Fund- Growth Plan 770,937 units of Face Value Rs. 10/-	-	9,857
In HDFC Income Fund 929,861 units of Face Value Rs. 10/- (Market Value Rs. 9,952)	10,000	-
13.05 % Government Stock 2007 800 units of Face Value of Rs. 100/-	90	90
<b>Total (Aggregate Market Value Rs. 10,042)</b>	<b>10,090</b>	<b>39,940</b>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash in hand	780	538
Balances with Scheduled Banks in:		
Current Accounts (including in transit)	17,602	9,149
Fixed Deposits		
<i>Unencumbered</i>	52,633	43,170
<i>Pledged</i>	11,800	6,500
<b>Total</b>	<b>82,814</b>	<b>59,357</b>
<b>SCHEDULE 8: UNSECURED LOANS TO PRODUCERS</b>		
Nonfarm-Micro Enterprises (ST)	195,913	153,390
Agri Allied	86,964	68,144
Agri Short Term	33,579	52,594
Agri Long Term	11,167	8,856
House Repairs & Extensions	15,773	8,845
Crop Thru On Lenders	1,016	1,110
Nonfarm-Small & Medium (Long Term)	620	770
Nonfarm-Growth Micro Enterprises	528	707
SHGs and Federation of SHGs	17,529	12,413
Vehicle Loans to CSA/Employees	3,162	2,916
Loans: SUDAMA	87	118
Sub Total	366,339	309,863
LESS: Provision for Doubtful debts	(2,941)	(1,907)
<b>Total*</b>	<b>363,398</b>	<b>307,956</b>

\* Secured to the extent of Rs.53,500 (Previous year: Rs. 38,145)(Rs. in '000)

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

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Hyderabad  
April 24, 2004

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Secretary

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Managing Director

**BHARTIYA SAMRUDDHI FINANCE LTD**

Rupees in '000s

<b>SCHEDULES TO THE ACCOUNTS AS AT</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
<b>SCHEDULE 12: INCOME FROM OPERATIONS</b>		
<b>a. Income from Loans to Rural Producers</b>		
Interest on Loans to Rural Producers	78,302	55,705
Loan Processing Fees and Other Service Charges	10,006	8,070
Recovery of debts written off in earlier years	481	797
Reimbursement of expenses for management of securitised Portfolio	1,790	-
<b>b. Income from Insurance Distribution</b>		
Income from Insurance Distribution	3,796	170
<b>Total</b>	<b>94,375</b>	<b>64,742</b>
<b>SCHEDULE 13: INCOME FROM INVESTMENTS</b>		
Interest	2,253	6,370
Dividend	291	952
Profit on Sale of Investments	4,494	(150)
<b>Total</b>	<b>7,039</b>	<b>7,172</b>
<b>SCHEDULE 14: OTHER INCOME</b>		
Consulting Income	-	1,580
Other Income	1,039	124
<b>Total</b>	<b>1,039</b>	<b>1,704</b>
<b>SCHEDULE 15 : SALARIES, ALLOWANCES AND BENEFITS TO STAFF</b>		
Salaries, Allowances and other Benefits	21,696	13,967
Contributions to Provident and Other Funds	1,171	933
Training and Staff Expenses	1,726	2,405
<b>Total</b>	<b>24,593</b>	<b>17,305</b>
<b>SCHEDULE 16 : OTHER OPERATING EXPENSES</b>		
Travel and Conveyance		
- Directors	1,080	1,345
- Others	10,446	5,796
	11,526	7,141
Technical Assistance and Support Services	97	57
Administrative Expenses	1,105	991
Postage and Telecommunications	2,702	1,635
Printing and Stationery	2,119	1,507
Rent, Rates and Taxes	2,222	1,471
Auditors' Remuneration and Expenses	942	752
Office Maintenance	1,840	1,079
Bank Charges	884	519
Professional Charges	3,145	645
Legal Charges	231	668
Internal Audit Fees	581	437
Sundry balances adjusted	673	366
Loss on Exchange Fluctuation	1	27
Loss on Sale of Assets	71	16
<b>Total</b>	<b>28,137</b>	<b>17,313</b>

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for **V.NAGARAJAN & CO.,**  
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Hyderabad  
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Secretary

Director Managing Director

# BHARTIYA SAMRUDDHI FINANCE LIMITED

## SCHEDULE TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

### SCHEDULE 17: NOTES ON ACCOUNTS

#### I) 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 and income on Insurance distribution 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 overdue 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 following rates:

Category of Asset	Rate of depreciation
Furniture & Fixtures	6.33%
Professional Equipment	16.21%
Office Equipment	7.07%
Vehicles	9.5%

- 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 have been made as per the norms stated in the Non-Banking Financial Companies Norms (Reserve Bank) Directions, 1988.

##### f) Write-off Policy:

Loans are written off when the management has exhausted all reasonable options for recovery of Principal and interest on the loan.

## 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 in equal installments.

### i) Accounting for Taxes on Income:

Taxes on income have been accounted in accordance with AS – 22. Deferred tax liability and asset are recognized subject to consideration of prudence and timing difference.

### j) 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.

### k) Intangible Assets:

The intangible assets are being taken at the cost of acquisition and will be amortized over the period of 10 years time in equal installments based on Expected Future Economic Benefits accruing to the company.

## II. NOTES TO ACCOUNTS

- 1) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs. 3,543,750 (Previous year: Nil).

### 2) CONTINGENT LIABILITIES:

- a) Contingent liability on account of securitized portfolio Rs. 7,122,350 (Previous year: Nil).

### 3) DEFERRED TAX LIABILITY/ASSET:

The Company has accounted for Deferred Tax in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Accordingly, the component of the deferred tax asset/liability as at March 31, 2004 is as follows:

(Rs. in thousands)

<b>Deferred Tax Liability</b>	<b>As at 31.03.2004</b>	<b>As at 31.03.2003</b>
<b>Deferred Tax Asset</b>	<b>Nil</b>	<b>Nil</b>
<b>Deferred Tax Liability</b>		
Depreciation	1,185	1,018
Miscellaneous Expenses	12	28
<b>Total Deferred Tax Liability</b>	<b>1,197</b>	<b>1,046</b>
<b>Deferred Tax Liability (Net)</b>	<b>1,197</b>	<b>1,046</b>

## BHARTIYA SAMRUDDHI FINANCE LIMITED

### 4) 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.

### 5) SHARE CAPITAL:

#### a) Shareholding Pattern:

Sl. No	Shareholder's Name	Nos	Amount Rs.000s	% Holding	Amount Rs.000s	% Holding
<b>Equity Shares of Rs 10 each</b>			March 31, 2004		March 31, 2003	
1	Bhartiya Samruddhi Investment and Consulting Services Ltd.	9,790,500	97,905	47.3%	96,905	47.0%
2	International Finance Corporation, Washington	4,700,000	47,000	22.7%	47,000	22.8%
3	Stichting Hivos – Triodos Fonds, Netherlands	2,350,000	23,500	11.4%	23,500	11.4%
4	Shorebank Corporation, Chicago	2,350,000	23,500	11.4%	23,500	11.4%
5	ICICI Ltd.	1,000,000	10,000	4.8%	10,000	4.9%
6	Housing Development Finance Company Ltd.	500,000	5,000	2.4%	5,000	2.4%
7	Other Individuals	9,500	95	0.0%	95	0.0%
	<b>Total</b>	<b>20,700,000</b>	<b>207,000</b>	<b>100.0%</b>	<b>206,000</b>	<b>100.0%</b>
<b>Optionally Convertible Share Warrants of Re. 1 each</b>						
8	Bhartiya Samruddhi Investment and Consulting Services Ltd.	900	1	100%	1	100%
	<b>Total Equity Funds</b>		<b>207,001</b>		<b>206,001</b>	

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

The owner of the warrants has opted for conversion of 10 warrants amounting to Rs. 1 million in the form of equity shares and the same is being converted into equity (100,000 shares of Rs. 10/- each). The balance warrants have a value of Rs. 9.0 Million of conversion value into equity.

Accordingly, as per the terms of allotment of warrants, the acquisition of copyrights, technical know how and intellectual proprietary rights in the field of Micro finance and Livelihood promotion has been accounted for as Intangible assets, for appropriate amortization over a period of 10 years time as per the accounting policy followed by the company.

#### 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.

## BHARTIYA SAMRUDDHI FINANCE LIMITED

### 6) RESERVE AND SURPLUS:

As per the prevailing policy for Portfolio Risk Reserve (PRR) the company would have to write back Rs. 2.3 million from its existing PRR. In view of the need for maintaining prudential level of reserves, the company has instead decided to transfer PRR Rs. 4.3 million. (Previous year Rs. 3.6 million). This is subject to approval by the Shareholders.

### 7) 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:

*Rs. '000*

Asset Classification	Loan Outstanding (without provisioning)				Provision			Loan Outstanding (Net of provisioning)	
	As on 31.03.04		As on 31.03.03		Upto 31.03.03	During the year	Upto 31.03.04	As on 31.03.04	As on 31.03.03
	No of Acs	Amount	No of Acs	Amount					
Assets									
Standard *	52,972	347,349	37,377	295,161	-	-	-	347,349	295,161
Sub-Standard	2,897	17,833	1,704	14,217	1,422	361	1,783	16,050	12,795
Doubtful	20	1,157	4	485	485	672	1,157	-	-
<b>Total</b>	<b>55,889</b>	<b>366,339</b>	<b>39,085</b>	<b>309,863</b>	<b>1,907</b>	<b>1,033</b>	<b>2,940</b>	<b>363,399</b>	<b>307,956</b>

\* 4,338 loans worth Rs. 42.1 million was securitised to ICICI Bank on November 24, 2003. Out of that 3,026 loans for Rs.21.5 million is outstanding as on March 31, 2004, which is not included in these assets.

- b) An additional provision of Rs 3.41 million has been made for few cases of misappropriation detected by the Company for which appropriate police and legal action has been initiated.
- c) The Company has secured balance confirmation from borrowers on a random basis only from this year onwards in respect of 5% of the total borrowings.

### 8) DETAILS OF BAD DEBTS WRITTEN OFF

a) In the opinion of the Board of Directors the following loans are unrecoverable and the company has exhausted all reasonable options for the recovery.

*(Rs. in thousands)*

	As on 31.03.2004		As on 31.03.2003	
	No of Acs	Amount	No of Acs	Amount
Loans overdue by 730 days or over	520	4,488	407	4,385
Loans overdue between 400 to 730 days	509	3,746	402	3,925
Loans overdue below 400 days	18	81	57	460
<b>Total</b>	<b>1,047</b>	<b>8,315</b>	<b>866</b>	<b>8,771</b>

In the opinion of the Board of Directors, all the other 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

b) During the year an amount of Rs. 480,838 (Previous year Rs 796,991) has been recovered in respect of the loans written off in earlier years.

## BHARTIYA SAMRUDDHI FINANCE LIMITED

### 9) INTEREST ON LOANS TO RURAL PRODUCERS:

This is net of rebates for on time Repayment of Rs. 1,561,247 (Previous year Rs. 1,324,729) and interest de recognized of Rs. 1,497,811 (Previous year Rs. 2,045,501).

### 10) REMUNERATION TO MANAGING DIRECTOR

Total Remuneration includes:

		Rs. in thousands	
		March 31, 2004	March 31, 2003
(i)	Salary & Allowances	836	Nil
(ii)	Contribution to Provident and other funds	53	Nil
(iii)	Estimated amount of Gratuity	138	Nil
<b>Total</b>		<b>1,027</b>	<b>Nil</b>

### 11) AUDITORS' REMUNERATION

This includes:

		Rs in thousands	
Year / Year ended	March 31, 2004	March 31, 2003	
a) Audit Fees	539	425	
b) Fee for Certification	45	42	
c) Taxation	90	73	
d) Out of Pocket Expenses	267	212	
<b>Total</b>	<b>941</b>	<b>752</b>	

### 12) EARNINGS AND OUTGO IN FOREIGN CURRENCY:

		Rs in thousands	
Year ended	March 31, 2004	March 31, 2003	
<i>Income:</i>			
Consultancy Fees	-	1,580	
<i>Expenditure:</i>			
Interest on Loans	5,847	4,027	
Travel	614	241	
<i>Outgo:</i>			
Remittance on account of Principal Repayment	2,000	1,250	

### 13) MISCELLANEOUS:

- Pending expected completion by March 31, 2005 of IFC Technical Assistance Facility through Bhartiya Samruddhi Investments and Consulting Services Ltd, the assets in the form of Information Technology, Systems Design and related Hardware, Software for improvement of the business operations of the Company, have not been valued and recorded in the books of the company as at March 31, 2004.
- Miscellaneous Expenditure (not written off) consists of statutory payments for increasing Authorized Capital.
- No amount is due to any small-scale industrial undertaking by the company.
- Balance sheet abstract and company's general business profile, pursuant to Part III to Schedule VI is separately attached

## **BHARTIYA SAMRUDDHI FINANCE LIMITED**

- e) 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.
  - f) Previous Year figures have been regrouped and rearranged wherever necessary.
- 

*for* **V. NAGARAJAN & Co.,**  
*Chartered Accountants*  
Hyderabad,  
April 24, 2004

**(V. NAGARAJAN)**  
*Partner*

*for* **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director

Company Secretary

Managing Director

# BHARTIYA SAMRUDDHI FINANCE LTD

Rs in thousands

Cash Flow Statement	Year Ended 31.03.2004	Year ended 31.03.2003
<b>Cash Flow From Operating Activities</b>		
Net Profit before taxes	6,799	5,997
<b>Adjustments for</b>		
Provision for Doubtful Debts	4,440	(641)
Diminution in the value of investments	48	-
Depreciation On Fixed Assets	1,167	1,482
Amortisation of Intangible Assets/Miscellaneous Expenditure written off	1,051	51
Loss on sale of assets	71	16
Profit on sale of Investments	(4,494)	
<b>(Increase)/Decrease in Operating Assets</b>		
Interest Receivable on Loans to Borrowers	(207)	(300)
Other Advances/Recoverables	(12,464)	491
Other liabilities and provisions	10,426	993
<b>Loans to Rural Producers</b>		
Unsecured Loans to Rural Producers	(500,881)	(290,278)
Cash Security Returned	(27,328)	(21,277)
Loans Recovered	415,932	204,042
Cash Security Received	42,683	36,406
Net (Increase)/Decrease in Loans	(69,594)	(71,107)
<b>Gross Cash used in operating activities (A)</b>	(62,757)	(63,018)
<b>Cash Flows from Investment Activities</b>		
Purchase of Fixed Assets	(2,611)	(2,088)
Sale of Fixed Assets	54	50
Amount invested in Mutual Funds	(10,000)	
Sale of Investments	44,344	3,650
<b>Net cash flows from Investments Activities (B)</b>	31,787	1,612
<b>Cash Flows from Financing Activities</b>		
Increase/(decrease) in Borrowed Funds		
-Global Trust Bank	-	(1,396)
-HDFC Bank	2,500	10,000
-UTI Bank	9,500	5,000
-CORDAID	(2,000)	18,750
-SIDBI	(10,490)	974
-DID	17,129	15,448
-HDFC	12,605	(2,301)
-ICICI Bank	21,512	(2,034)
-Bhartiya Samruddhi Investments and Consulting Services Ltd	-	(45,964)
-Increase in Overdraft facilities	1,746	328
Capital Grant from SIDBI	1,925	-
<b>Net Cash Flows from Financing Activities (C)</b>	54,427	(1,195)
<b>Net increase or decrease in Cash or Cash equivalents (A)+(B)+(C)</b>	23,457	(62,601)
<b>Add: Opening Cash and Cash equivalents</b>	59,357	121,958
<b>Closing Cash and Cash Equivalents as per the Books</b>	82,814	59,357

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

for **BHARTIYA SAMRUDDHI FINANCE LI**

Hyderabad  
April 24, 2004

Managing Director

**(V. NAGARAJAN)**  
Partner

Company Secretary Director

# BHARTIYA SAMRUDDHI FINANCE LIMITED

## Enclosure to Notes forming part of accounts for the year ended March 31, 2004

The Information Relating to the Balance Sheet abstract and the Company's General Business Profile.  
As per Part IV of Schedule VI to the Companies Act, 1956 as under:

### I. Registration Details

Registration No. 

		5	5	-	8	1	1	2	7
--	--	---	---	---	---	---	---	---	---

 State Code 

5	5
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Balance Sheet Date 

3	1		0	3		2	0	0	4
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### II. Capital Raised During the Period (Amount in Rs. Thousands)

Public Issue	Right Issue																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>										0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>										0
									0												
									0												
Bonus Issue	Private Placement																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>										0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>						1	0	0	0	0
									0												
					1	0	0	0	0												

### III. Position of Mobilization and deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>3</td><td>0</td><td>6</td><td>1</td><td>5</td></tr></table>			4	3	0	6	1	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>3</td><td>0</td><td>6</td><td>1</td><td>5</td></tr></table>			4	3	0	6	1	5
		4	3	0	6	1	5										
		4	3	0	6	1	5										
<b>Sources of Funds</b>																	
Paid up Capital	Reserves and Surplus																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>0</td><td>7</td><td>0</td><td>0</td><td>1</td></tr></table>			2	0	7	0	0	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>2</td><td>8</td><td>3</td><td>3</td></tr></table>			2	2	8	3	3	
		2	0	7	0	0	1										
		2	2	8	3	3											
Secured Loans	Unsecured Loans																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>9</td><td>8</td><td>4</td><td>5</td><td>8</td></tr></table>			9	8	4	5	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>0</td><td>1</td><td>1</td><td>2</td><td>5</td></tr></table>			1	0	1	1	2	5	
		9	8	4	5	8											
		1	0	1	1	2	5										
Deferred Taxation																	
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>1</td><td>1</td><td>9</td><td>7</td></tr></table>				1	1	9	7										
			1	1	9	7											

### Application of Funds

Net Fixed Assets	Investments																
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		1	6	1	4	5											
		1	0	0	9	0											
Net Current Assets	Miscellaneous Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>0</td><td>4</td><td>3</td><td>2</td><td>9</td></tr></table>			4	0	4	3	2	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>5</td><td>1</td></tr></table>							5	1
		4	0	4	3	2	9										
						5	1										
Accumulated Losses																	
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0</td></tr></table>								0									
							0										

### IV. Performance of Company (Amount in Rs. Thousands)

Total Receipts	Total Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td></td><td>1</td><td>0</td><td>2</td><td>4</td><td>5</td><td>3</td></tr></table>	+		1	0	2	4	5	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td></td><td></td><td>9</td><td>5</td><td>6</td><td>5</td><td>4</td></tr></table>	+			9	5	6	5	4
+		1	0	2	4	5	3										
+			9	5	6	5	4										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	+	-							<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	+	-						
+	-																
+	-																
Profit/Loss before Tax	Profit/Loss after Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>6</td><td>7</td><td>9</td><td>9</td></tr></table>				6	7	9	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>3</td><td>1</td><td>4</td><td>1</td></tr></table>				3	1	4	1		
			6	7	9	9											
			3	1	4	1											
Earning Per Share Rs.	Dividend																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>0</td><td>.</td><td>1</td><td>5</td></tr></table>				0	.	1	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>									
			0	.	1	5											

### VI. Generic Name of Three Principal Products/Services of the Company.

Item Code No. (ITC Code): 

	N	.	A	.		
--	---	---	---	---	--	--

  
Product Description 

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad  
April 24, 2004

**Managing Director**

**(V. NAGARAJAN)**  
Partner

**Director Company Secretary**

## BHARTIYA SAMRUDDHI FINANCE LTD

### SCHEDULE

As required in terms of Paragraph 9BB of NBFC prudential Norms (Reserve Bank) Directions, 1998 as on March  
**Rs. in thousand**

	Particulars	Amount Outstanding	Amount Overdue
<b>I</b>	<b>Liabilities side:</b>		
	<b>Loans and advances availed by the NBFCs*</b>		
a	Debtures : Secured		0
	: Unsecured		0
	(other than falling within the meaning of public deposits)		
b	Deferred Credits	0	
c	Term Loans	199,583	
d	Inter-corporate loans and borrowings	0	
e	Commercial paper	0	
f	Public Deposits	0	
g	Other loans (specify nature)		
	- Bank Borrowing	0	
<b>II</b>	<b>Breakup of 1(f) above (outstanding public deposits)*</b>		
a	In the form of Unsecured debtures	0	
b	In the form of partly secured debtures i.e., debtures where there is a shortfall in the value of security	0	
c	Other public deposits	0	

\*Interest accrued but not paid - Nil

#Represents unrenewed deposits

	Particulars	Amount Outstanding
<b>III</b>	<b>Assets side:</b>	
	<b>Break-up of Loans and Advances including bills receivables (other than those included in (IV) below):</b>	
a	Secured	53,500
b	Unsecured (including Advance for Business Assets)	309,898
<b>IV</b>	<b>Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL/HP activities:</b>	0
(i)	Lease assets including lease rentals under sundry debtors	0
a	Financial Lease	0
b	Operating Lease	0
(ii)	Net stock on hire including hire charges under sundry debtors	0
a	Assets on hire	0
b	Repossessed Assets	0
(iii)	hypothecation loans counting towards EL/HP activities:	0
a	Loans where assets have been repossessed	0
b	Loans other than (a) above	0

	Particulars	Cost	Market value*
<b>(V)</b>	<b>Break-up of Investments:</b>		
	<b>Current Investments:</b>		
<b>1</b>	<b>Quoted</b>	10,000	9,952
<b>2</b>	<b>Unquoted</b>		
(i)	Preference Shares		
(ii)	Units of mutual funds		
	<b>Long Term Investments</b>		
<b>1</b>	<b>Quoted:</b>		
(i)	Equity Shares		
(ii)	Debtures and Bonds		
(iii)	Government Securities	90	90
<b>2</b>	<b>Unquoted</b>		
(i)	Equity Shares		
(ii)	Government Securities		
(iii)	Units of mutual funds		
	<b>Total</b>		

\*Unquoted Investments disclosed at break up / fair value / NAV

## BHARTIYA SAMRUDDHI FINANCE LTD

### (VI) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances

	Category	Amount net of provision		
		Secured	Unsecured	Total
1	Related Parties**	0	0	0
	a Subsidiaries	0	0	0
	b Companies in the same group	0	0	0
	c Other related parties	0	0	0
2	Other than related parties	53,500	309,898	363,398
	<b>Total</b>	<b>53,500</b>	<b>309,898</b>	<b>363,398</b>

### (VII) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

	Category	Market Value Break up or fair value or NAV	Book Value (Net of provisions)
1	Related parties **		
	a Subsidiaries		
	b Companies in the same group		
	c Other related parties		
2	Other than related parties	10,042	10,042
	<b>Total</b>	<b>10,042</b>	<b>10,042</b>

\*\* As per Accounting Standard

### (VIII) Other Information

	Particulars	Amount
(i)	<b>Gross Non-Performing Assets</b>	
	a Related Parties	
	b Other than related parties	20,671
(ii)	<b>Net Non-Performing Assets</b>	
	a Related Parties	
	b Other than related parties	18,867
(iii)	Assets acquired in satisfaction of debt (during the year)	

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

for **BHARTIYA SAMRUDDHI FINANCE LTD**

Hyderabad  
April 24, 2004

Managing Director

**(V. NAGARAJAN)**  
Partner

Company Secretary

Director