

V.NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF BHARTIYA SAMRUDDHI FINANCE LIMITED


We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2007, the Income and Expenditure account and annexed thereto and the Cash Flow Statement for the year ended on that. 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. On the basis of our audit we report that:

As required by The Companies (Auditors' Report) Amendment Order, 2004 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.

Further to our comments in the Annexure referred 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 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, 2007 and taken on record by the Board of Directors, we



report that none of the directors is disqualified as on March 31, 2007 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the 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, 2007,
 - ii. In the case of Income and Expenditure account, of the profits of the Company for the year ended on that date and
 - iii. In the case of Cash Flow Statement of the cash flows for the year ending as on 31st March 2007.

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

Hyderabad
April 28, 2007


(V. NAGARAJAN)
Partner
Membership No.19959

V.NAGARAJAN & CO.,

Chartered Accountants

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN OUR REPORT
OF EVEN DATE TO THE MEMBERS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED
[Pursuant to the Companies (Auditor's Report) Amendment Order, 2004]

- I. In respect of items stated in Paragraph 4 of the Order:
 1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
 2. The fixed assets have been physically verified by the Management at reasonable intervals. The discrepancies noticed were not material and have been given effect in the books of account.
 3. The Company has disposed some of the fixed assets, which in our view is not substantial and does not affect its status of going concern.
 4. The Company has not either granted secured or unsecured loans to the Company, firms or other parties listed in the register required to be maintained under section 301 of the Companies Act, 1956.
 5. The Company has an exhaustive internal control system with measures to deal with large number of low value cash transactions in the rural areas where it is operating.
 6. There are no contracts and arrangements, which need to be entered in to register maintained under section 301 of the Act.
 7. The Company has not accepted any deposits from the public.
 8. The Company has an internal audit system commensurate with the size of the Company and nature of its business for the purchase of fixed Assets and the Sale/rendering of Services.
 9. The Company has generally been regular in depositing statutory dues with appropriate authorities. As on the last date of the financial year there are no dues outstanding for more than six months.
 10. The Company does not have any accumulated losses at the end of the year. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
 11. The Company has availed loans from financial institutions and banks and there has been no default in respect of repayment of principal or interest.
 12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. The Company does not deal or trade in shares or debentures or other investments.

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14. The Company has not given any guarantee for loans taken by others from bank or financial institutions, except in respect of securitized portfolio.
 15. The Company had applied term loans for the purpose for which it has been raised.
 16. The Company was in the business of providing micro finance, which involves provision of short-term loans up to a maximum period of 18 months in all cases. In few cases term loans are provided up to a period of three years. Most of the funds raised for these purposes are medium and long term and were rotated in the business until they become due for payment. The details of payments in respect of borrowings falling due within the next one year are reported in the financial statements.
 17. The Company has not made any preferential allotment of shares during the year
 18. The Company has not issued any debenture during the year.
 19. The Company during the year has not raised any money through public issue of shares.
 20. The Company has noticed frauds by employees and agents to the tune of Rs 4,76,128/- during the financial year 2006-07 which is mainly in the nature of misappropriation of collection from borrowers, out of which the Company has recovered Rs 3,49,248/-
 21. Other clauses of the order are not applicable to the Company.

Hyderabad,
April 28, 2007

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

(V. NAGARAJAN)
Partner
Membership No.19959

V.NAGARAJAN & CO.,

Chartered Accountants

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

[Pursuant to Non-Banking Finance Companies Auditor's report (Reserve Bank) Directions, 2007]

We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2007 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 Sec 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 Sec 45IA of the Reserve Bank of India Act, 1934 (2 of 1934).
2. IN THE CASE OF NON-BANKING FINANCIAL COMPANIES 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 28, 2007 for the non-acceptance of public deposits.
 - b) The Company has not accepted any public deposits during the period under review.
 - c) The Company has through a Board resolution identified the group and Subsidiary Companies.
 - d) The Company has complied with the prudential norms relating to income recognition; asset classification, accounting standards and provisioning for Bad & doubtful debts during the period ended March 31, 2007.

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

Hyderabad,
April 28, 2007

(V. NAGARAJAN)
Partner
Membership No.19959

BHARTIYA SAMRUDDHI FINANCE LIMITED

Rupees in '000s

BALANCE SHEET AS AT	Sch	31-Mar-07	31-Mar-06
LIABILITIES			
SHAREHOLDERS FUNDS			
Share Capital	3	216,000	216,000
Reserves and Surplus	4	56,368	35,566
		272,368	251,566
LOAN FUNDS			
Secured Loans	5	1,016,584	730,613
Unsecured Loans	6	39,574	54,918
		1,056,158	785,531
Deferred taxation (net)		4,806	3,519
TOTAL		1,333,332	1,040,616
ASSETS			
FIXED ASSETS (At cost less depreciation)	7	38,466	28,796
INVESTMENTS	8	90	90
CURRENT ASSETS, LOANS & ADVANCES			
Cash and Bank Balances	9	267,171	127,565
Loans to Rural Producers (Owned & Managed)		1,397,027	1,006,996
<i>Less: Assigned Portfolio to Banks</i>		180,000	-
Net Loans (Owned)	10	1,217,027	1,006,996
Interest Receivable on Loans		23,475	17,908
Advances Recoverable and other current assets	11	59,707	27,861
		1,567,380	1,180,330
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	237,305	146,118
Other Provisions	13	35,299	22,482
		272,604	168,600
NET CURRENT ASSETS		1,294,776	1,011,730
TOTAL		1,333,332	1,040,616
Significant Accounting Policies	1		
Notes to Accounts	2-24		

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 28, 2007

(V. NAGARAJAN)
Partner
Membership No.19959

Company Secretary *Managing Director* *Chairman*

BHARTIYA SAMRUDDHI FINANCE LIMITED

Rupees in '000s

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED	Sch	31-Mar-07	31-Mar-06
INCOME			
Income from Operations	14	350,850	241,259
Income from Investments	15	2,768	1,261
Other Income	16	2,426	1,353
Excess provision for doubtful debts written back		4,982	(5,706)
Total		361,026	238,167
EXPENDITURE			
Interest on Borrowed Funds	17	77,641	51,607
Salaries, Allowances and Benefits to Staff	18	88,923	56,737
Remuneration to Managing Director	19	1,941	1,851
Financial Service Charges to LSAs/LPAs		39,429	25,929
Other Operating Expenses	20	91,840	61,916
Non Cash Charge			
Bad Debts Written Off	21	9,002	8,526
Depreciation		3,781	2,635
Amortisation of Intangible Assets & Miscellaneous Expenditure		1,000	1,000
Total		313,557	210,201
Profit Before Tax		47,469	27,966
Provision for Tax	22	18,207	12,924
Profit After Tax		29,262	15,042
APPROPRIATIONS:			
Profit brought forward from last account brought down		353	144
Add/(deduct): Excess / (Shortfall) in provision for taxation of prior years		(879)	1,167
Less: Statutory Reserve 20%		5,853	-
Less: Proposed Dividend including Dividend Tax		7,581	-
Add: Transferred from Portfolio Risk Reserve		2,838	-
Less: Transfer to General Reserve		18,000	16,000
Balance carried over		140	353
Significant Accounting Policies	1		
Notes to Accounts	2-24		

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 28, 2007

(V. NAGARAJAN)
Partner
Membership No.19959

Company Secretary
Managing Director
Chairman

Bhartiya Samruddhi Finance Limited

Rs. In '000s

Cash Flow Statement	Year Ended 31.03.2007	Year Ended 31.03.2006
Cash Flow From Operating Activities		
Net Profit before taxes	47,469	27,966
Adjustment for Non Cash Expenditure:		
Bad Debts Written Off	9,002	8,526
Provision for Doubtful Debts	(4,982)	5,706
Depreciation On Fixed Assets	3,781	2,635
Amortisation of Intangible Assets/Miscellaneous Expenditure written off	1,000	1,000
Sundry Balances Written off	973	611
Loss on sale of assets	586	76
<i>Operating Profit before Working Capital Changes:</i>	57,829	46,520
Adjustments for:		
(Increase)/Decrease in Operating Assets		
Disbursement of loans to rural producers	(1,702,174)	(1,259,752)
Recovery of aforesaid loans	1,302,169	816,294
Portfolio Buy out to Banks	180,000	-
Interest Receivable on Loans to Borrowers	(5,566)	(7,666)
Other Advances/Recoverables	(12,739)	1,951
Increase / (Decrease) in Cash Security from Rural Producers	61,206	60,827
Increase / (Decrease) in Current Liabilities	22,400	5,829
Cash Used in Operations:	(96,875)	(335,997)
(i) Advance Tax Paid (including FBT paid)	(19,108)	(12,375)
(ii) Income Tax Refund	-	780
Net Cash Flow from Operating Activities (A)	(115,983)	(347,592)
Cash Flows from Investment Activities		
Purchase of Fixed Assets	(15,097)	(10,948)
Sale proceeds of Fixed Assets	60	115
Net cash flows from Investments Activities (B)	(15,037)	(10,833)
Cash Flows from Financing Activities		
Increase/ (Decrease) in Secured Loans	285,970	456,032
Increase/ (Decrease) in Unsecured Loans	(15,344)	(16,141)
Net Cash Flows from Financing Activities (C)	270,626	439,891
Net increase or decrease in Cash or Cash equivalents (A) + (B) + (C)	139,606	81,466
Add: Opening Cash and Cash equivalents	127,565	46,099
Closing Cash and Cash Equivalents as per the Books	267,171	127,565

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 28, 2007

(V. NAGARAJAN)
Partner
Membership No.19959

Company Secretary Managing Director Chairman

Bhartiya Samruddhi Finance Limited

Schedules to the Audited Financial Statements for the Year ended March 31, 2007

All amounts in Indian Rupees in '000s

Significant Accounting Policies and Notes on Accounts

1 SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of Preparation of Financial Statements

1.1.1 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 (ICAI) to the extent applicable, except otherwise stated and stipulated in the directions issued by Reserve Bank of India (RBI) for Non Banking Financial (Non – Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 from time to time.

1.2 Revenue Recognition:

1.2.1 All income arising from various business segments, micro finance, micro insurance and agriculture and business development and institutional development services are recognized in accrual basis, unless other wise stated.

1.2.2 Interest on loans are charged and accounted on diminishing balance method, and allied income, loan processing charges, are accounted on as per contracts with the borrowers. However, income on non-performing assets (NPA) is recognized only when realized and unrealised interest on Non Performing Assets (NPA), is reversed from the current interest, when an asset becomes into a NPA.

1.2.3 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.

1.3 Fixed Assets:

1.3.1 These are stated at cost.

1.3.2 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	9.50%

1.3.3 In respect of additions the depreciation is provided prorata from the date the assets are put into use.

1.3.4 No depreciation is provided on assets amounting to Rs 1.8 million acquired through grants.

1.4 Investments:

1.4.1 Classification of Investments: Current (less than 12 months at time of investing) and any investment beyond this period is classified as long term.

Bhartiya Samruddhi Finance Limited

1.4.2 Valuation of Investments:

Type of investments	Method of valuation
Quoted Investments	At cost or market value which is lower
Unquoted investments	At cost or break up value which ever is lower
Mutual fund investments	Net Asset Value declared by the Fund
Unquoted Government securities or Government guaranteed bonds and commercial papers	At carrying cost

1.4.3 Accounting for Appreciation and depreciation on values: Depreciation (scrip wise) is fully provided and appreciation is ignored as matter of prudence, until realised.

1.4.4 Inter-class Transfer: Generally not done, if done only on April 1 or Oct 1, of the respective financial year.

1.5 Loans and Advances:

1.5.1 These are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

1.6 Provision for Loan Losses:

1.6.1 Provision for doubtful loans and advances have been made as per the norms stated in the above Directions by Reserve Bank of India, 2007, which are stated below:

Classification of Assets	Criteria for Classification	Minimum Provisioning required as per Directions
Standard Assets	The assets in respect of which, no default in repayment of principal or payment of interest is perceived	Nil
Sub standard Assets	An asset which has been classified as non-performing asset (NPA) for a period not exceeding 18 months.	10% of the loan outstanding
Doubtful Debts	An assets which remained as sub standard assets for a period of 18 months after becoming NPA	100% of unsecured portion of the loan outstanding and an increasing % over a period of three years on secured portion
Loss Assets	As identified by the management, auditors and RBI at any point of time.	To be written off or provided at 100%

* NPA is an asset in respect of which interest has remained overdue for a period of six months or more.

1.7 Write-Off Policy:

1.7.1 All Non Performing Loans, other than crop loans, with outstanding due for more than 365 days, are written off while other loans are written off after the management has exhausted all reasonable options for recovery of principal and interest on the loan. In case of crop loans the overdue outstanding is reckoned for a period over 730 days.

1.8 Employee Benefits:

1.8.1 Provident Fund: Contribution is accounted on actual liability basis and paid to the government managed Employees' Provident Fund Organization.

1.8.2 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.

Bhartiya Samruddhi Finance Limited

1.9 Accounting for Taxes on Income:

1.9.1 Taxes on income have been accounted in accordance with Accounting Standards-22 of the ICAI. Deferred tax liability and asset are recognized subject to consideration of prudence and timing difference.

1.10 Foreign Exchange Transactions:

1.10.1 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.

1.11 Intangible Assets:

1.11.1 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. Valued at the cost of acquisition, these assets are amortized over a period of 10 years in equal installments, based on expected future economic benefits accruing to the Company.

2 NOTES ON BUSINESS OPERATIONS:

2.1 The Company provides livelihood promotion services mainly to low-income rural households, comprising:

2.1.1 Livelihood financial services, namely micro-credit and micro-insurance distribution (for lives and livelihoods of customers) to rural customers mostly un-reached by the formal banking system and insurance companies, with the main purpose of promoting sustainable livelihoods.

2.1.2 The company does not provide any savings services as it does not take any deposits.

2.1.3 Details of interest charged on loans and loan product details are summarized as below:

Sl. No.	Product	Interest Rate	Cash Security	Maximum Loan Size (In Rs)	Maximum Term
FARM AND ALLIED LOANS					
1	Crop Loans	24%	10%	25,000	11 Months
2	Agri Investment Loans	24%	10%	200,000	36 Months
3	Agri-allied Loans	24%	10%	200,000	36 Months
NON FARM LOANS					
4	Micro Enterprises (NFS) Loans	24%	10%	50,000	36 Months
5	Growth Micro Enterprises (NFS) Loans	24%	10%	200,000	24 Months
6	Growth Micro Enterprises (NFs) Loans - Long Term	21%	10%	200,000	Minimum of 25 Months and maximum of 60 Moths
GENERAL PURPOSE LOANS					
7	Gen purpose loans to Women JLGs	24%	-	5,000	12 Months
8	ROSCAS (Revolving Savings & Credit Associations)	21%	10%	100,000	24 Months
9	Gen purpose loans to SHG	15%	10%	-	24 Months
10	Federation of SHG, or MACTS Category A	12%	-	-	36 Months
11	Federation of SHG, or MACTS Category B	15%	-	-	36 Months
12	Federation of SHG, or MACTS Category C	18%	-	-	36 Months
OTHER LOANS					
13	Housing and Infrastructure Loans	24%	-	25,000	36 Months
14	Vehicle Loan Employees/LSAs	12%	-	40,000	36 Months

Bhartiya Samruddhi Finance Limited

2.1.4 Agricultural and Business Development Services to enhance productivity and income or reduce cost of production and mitigate risk to its customers. Local value addition and market linkages are also sought to be provided, through collaborators.

2.1.5 Institutional Development Services for rural producers' institutions to build their capacity establish information and management systems and build collaborations and undertake occasional sector and policy work.

2.1.6 The Company adopts Know Your Customer (KYC) norms as well as Fair Practices Code for Non Banking Financial (Non-Deposit Accepting or Holding) Companies issued by Reserve Bank of India from time to time.

3 SHARE CAPITAL:

3.1 Shareholding Pattern:

3.1.1 The Company has an authorized capital of Rs. 300 million comprising of Equity Shares of 25 million of Rs 10 each and Preference Shares of 50 million of Rs 10 each

SHARE CAPITAL:	31-Mar-07	31-Mar-06
Authorized:		
Equity Shares		
25,000,000 Equity Shares of Rs 10 each	250,000	250,000
Preference Shares		
50,00,000 Preference Shares of Rs 10 each	50,000	50,000
Total Authorised Capital	300,000	300,000
Issued Subscribed and Paid up:		
21,600,000 Equity Shares of Rs 10 each	216,000	216,000
Fully paid up		
Total	216,000	216,000

3.1.2 As of now the Company has issued and paid up Equity Shares of 21,600,000 of Rs 10 each

Sl. No.	Shareholder's Name	Nos	Amount Rs 000s	% Holding	Amount Rs 000s	% Holding
	Equity Shares of Rs 10 each		March 31, 2007		March 31, 2006	
1	Bhartiya Samruddhi Investments and Consulting Services Ltd. *	8,530,500	85,305	39.5%	106,905	49%
2	International Finance Corporation, Washington	4,700,000	47,000	21.8%	47,000	22%
3	Stichting Hivos - Triods Fonds, Netherlands	2,350,000	23,500	10.9%	23,500	11%
4	Shorecap International Ltd	2,350,000	23,500	10.9%	23,500	11%
5	ICICI Bank Ltd.	1,000,000	10,000	4.6%	10,000	5%
6	Housing Development Finance Company Ltd.	500,000	5,000	2.3%	5,000	2%
7	Sarva Jana Seva Kosh Limited *	2,160,000	21,600	10.0%	-	0%
8	Other Individuals	9,500	95	0.0%	95	0%
	Total	21,600,000	216,000	100%	216,000	100%

*Except for a transfer of 10% of the holdings by BASICS Ltd. to Sarva Jana Seva Kosh Limited, there was no other change or increase in the Capital of the Company.

3.2 Issue of share warrants for "Sweat Equity":

3.2.1 The owner of the warrants has opted for conversion of 1,000 warrants amounting to Rs 10 million in the form of equity shares and the same has been converted into equity.

Bhartiya Samruddhi Finance Limited

3.2.2 Accordingly, as per the terms of allotment of warrants, the acquisition of copyrights, technical know how and intellectual proprietary rights in the field of Microfinance 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.

3.3 Issue of Share Warrants to Employee Stock Option Trust:

3.3.1 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 up to 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 is yet to issue the warrants.

4 RESERVES AND SURPLUS:

4.1 In addition to the provisions for doubtful debts as required under RBI Directions, the Company has established a Portfolio Risk Reserve (PRR) amounting to Rs 12.7 million as on March 31, 2007 (Rs 15.5 million on March 31, 2006).

RESERVES AND SURPLUS:	31-Mar-07	31-Mar-06
a. Capital Reserve		
Opening Balance	1,926	8,925
Less: Amount transferred to Share Capital on Conversion of Warrants to equity	-	6,999
	1,926	1,926
b. General Reserve		
Opening Balance	17,747	1,747
Add: Transferred during the year	18,000	16,000
	35,747	17,747
c. Portfolio Risk Reserve		
Opening Balance	15,540	15,540
Less: Excess transferred to P&L A/c	2,838	-
	12,702	15,540
d. Statutory Reserve 20% as per NBFC Directions by Reserve Bank of India	5,853	-
	5,853	-
e. Income and Expenditure Account	140	353
Total	56,368	35,566

4.2 Portfolio Risk Reserve:

Provision for Doubtful Debts	As on 31.03.07	During the Year	up to 31.03.06
(I) As per Company Policy			
Portfolio at Risk (90 days)	16,628	3,528	13,100
Other Advances Recoverable	3,266	(140)	3,406
100% for five villages of Krishna District	1,161	(1,039)	2,200
Total (I)	21,055	2,349	18,706
(II) Provision and Portfolio Risk Reserve (PRR):			
Statutory requirement (RBI) as per Note 1.6 above	2,472	(3,803)	6,275
Other advances recoverable	3,266	(140)	3,406
100% for five Villages of Krishna District	1,161	(1,039)	2,200
(a) Total Provision as per financial statements	6,899	(4,982)	11,881
Portfolio Risk Reserve > 90 days	12,702	5,877	6,825
Additional amount set apart for AP Portfolio*	-	(8,715)	8,715
(b) Total PRR as per financial statements	12,702	(2,838)	15,540

Bhartiya Samruddhi Finance Limited

*Additional amount set apart of Rs 8,715 during earlier year, on account of adverse situation prevailed in Andhra Pradesh is adjusted to the extent of Rs 5,877 against the set apart required for over due loans above 90 days, and the balance amount of Rs 2,838 is transferred to the General Reserve.

5 SECURED LOANS:

Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2007		Balance Outstanding as on		Moratorium	Repayment period	Type of security
		Date availed	Rupees	31-Mar-07	31-Mar-06	In Months	In Months	
1	CORDAID - I, Netherlands	21-Mar-00	20,000	7,000	10,000	24	96	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 60 million (being 150% of the loan).
2	Small Industries Development Bank of India - III	21-Oct-02	15,000	-	2,142	6	40	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 i.e., 4 million
		15-Sep-03	15,000	-	2,500	-	34	
		08-Nov-04	10,000	-	2,500	-	22	
3	Small Industries Development Bank of India - IV	10-Dec-04	20,000	10,001	15,715	6	40	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 i.e., 7 million
		11-Mar-05	50,000	25,001	39,286	3	40	
4	Small Industries Development Bank of India - V	22-Feb-06	50,000	39,286	50,000	6	40	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 5% on Rs 50 million 2.5% on Rs 150 million of the loan i.e., 6.3 million.
		29-Mar-06	50,000	39,286	50,000	3	40	
		30-Aug-06	50,000	39,286	-	-	40	
		27-Feb-07	50,000	45,833	-	-	34	
5	HDFC Bank - II	06-May-05	30,000	12,500	22,500	-	36	Specific first charge created by hypothecating book debts to the extent of 110% of Loan Outstanding
		14-Jun-05	20,000	8,333	15,000			
		20-Jun-05	20,000	8,333	15,000			
		23-Jun-05	17,500	7,292	13,125			
6	HDFC Bank - III	01-Nov-05	20,000	7,500	17,500	-	24	Specific first charge created by hypothecating book debts to the extent of 110% of Loan Outstanding
		22-Nov-05	20,000	7,500	17,500			
		24-Nov-05	20,000	7,500	17,500			
		23-Mar-06	40,000	26,667	40,000			
7	HDFC Bank-IV	27-Jul-06	50,000	41,667	-	-	36	Specific first charge created by hypothecating book debts to the extent of 110% of Loan Outstanding
		11-Aug-06	20,000	16,667	-			

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Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2007		Balance Outstanding as on		Moratorium	Repayment period	Type of security	
		Date availed	Rupees	31-Mar-07	31-Mar-06				In Months
8	UTI Bank - I	20-Mar-03	5,000	-	167	12	30	A charge created by hypothecating book debts pertaining to a) General Purpose loans to SHGs; Individual; Individual S&C b)SHGs with Cash Security c) Federation of SHGs and MACTS and d)Housing Loans to the extent of 110% of Loan Outstanding	
		21-Aug-03	10,000	-	2,333	7			
9	UTI Bank - II	30-Aug-05	20,000	12,778	19,444	6	36		
		25-Oct-05	15,000	9,583	14,583	5			
10	UTI Bank - III	26-Mar-07	30,000	30,000	-	6	30		
11	IDBI Bank	24-Aug-04	10,000	2,000	6,000	6	30		Specific first charge created by hypothecating book debts pertaining to Non Farm Sector to the extent of 110% of Loan Outstanding
		30-Aug-04	10,000	2,000	6,000				
		26-Oct-04	20,000	6,000	14,000				
12	Development Credit Bank	05-Jan-05	30,000	19,852	40,000	-	36		A charge created by hypothecating book debts pertaining to a) Agri Short term b) Agri Long term c) Crop thru on lenders Loans to the extent of 110% of Loan Outstanding
		14-Feb-05	10,000						
		25-Feb-05	10,000						
		01-Mar-05	10,000						
13	ABN Amro Bank - I	31-Aug-04	15,000	13,360	26,680	6	30	Specific first charge created by hypothecating book debts pertaining to Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding	
		21-Sep-04	5,000						
		13-Oct-04	5,000						
		23-Nov-04	5,000						
		02-Dec-04	5,000						
		24-Dec-04	5,000						
14	ABN Amro Bank - II	26-Jul-05	20,000	9,980	16,660	6	30		
		17-Aug-05	20,000	9,980	16,660				
		08-Sep-05	20,000	9,980	16,660				
		20-Sep-05	20,000	9,980	16,660				
		23-Sep-05	20,000	9,980	16,660				
		27-Sep-05	20,000	9,980	16,660				
15	ABN Amro Bank - III	29-Dec-05	20,000	11,650	18,330	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding	
		14-Mar-06	20,000	13,320	20,000				
		26-Jun-06	40,000	29,980	-				
		28-Jun-06	20,000	14,990	-				
16	ABN Amro Bank - IV	27-Nov-06	20,000	18,330	-	-	36		
		29-Nov-06	40,000	36,660	-				
17	ING Vysya Bank Ltd - I	26-Jul-05	20,000	9,980	16,660	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied to the extent of 115% of Loan Outstanding	
		08-Aug-05	20,000	9,980	16,660				
		25-Aug-05	20,000	9,980	16,660				
18	ING Vysya Bank Ltd - II	23-Mar-07	40,000	40,000	-	-	36		
		27-Mar-07	40,000	40,000	-				
19	ICICI Bank	06-Jul-06	20,000	15,000	20,000	12	24	Specific first charge created by hypothecating book debts pertaining to Crop Loans to the extent of 110% of Loan Outstanding	
		12-Jul-05	30,000	22,500	30,000				

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Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2007		Balance Outstanding as on		Moratorium	Repayment period	Type of security
		Date availed	Rupees	31-Mar-07	31-Mar-06			
20	Citi Bank	22-Jun-06	40,000	30,776	-	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied loans to the extent of 110% of Loan Outstanding
21	Standard Chartered Bank	18-Jul-06	20,000	16,667	-	-	36	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector in Maharashtra State to the extent of 110% of Loan Outstanding
		24-Jul-06	20,000	16,667	-			
		24-Aug-06	20,000	16,667	-			
		26-Oct-06	20,000	18,333	-			
		09-Nov-06	20,000	18,333	-			
22	Corporation Bank	18-Sep-06	100,000	100,000	-	12	36	Specific first charge created by hypothecating book debts pertaining to Crop & Agri Allied loans to the extent of 100% of Loan Outstanding
Cash Credit Limits								
23	UTI Bank	-	30,000	4,700	8,158	-	12	A charge created by hypothecating book debts pertaining to a) General Purpose loans to SHGs; Individual; Individual S&C b)SHGs with Cash Security c) Federation of SHGs and MACTS and d)Housing Loans to the extent of 110% of Loan Outstanding
24	ING Vysya Bank Ltd	-	20,000	6,634	17,027	-	12	Specific first charge created by hypothecating book debts pertaining to Agri Allied to the extent of 110% of Loan Outstanding
25	HDFC Bank	-	20,000	10,333	7,682	-	12	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector and Agri Allied to the extent of 110% of Loan Outstanding
Total			1,587,500	1,016,584	730,613			
<p>Notes: 1. All loans are Rupee denominated and carry no exchange risk. No payment is overdue as on March 31, 2007.</p> <p>2. For amounts becoming due within the next twelve months refer to the table on maturity buckets, (infra)</p>								

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6 UNSECURED LOANS:

Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2007		Balance Outstanding as on		Repayment period including moratorium Payable in
		Date availed	Rupees	31-Mar-07	31-Mar-06	
1	Development International Desjardins, Canada - I	03-Jan-01	12,329	12,329	12,329	Principal amount shall be repayable in eight semi-annual installments beginning on Mar 31, 2009
2	Development International Desjardins, Canada - II	05-Feb-02	13,739	13,739	13,739	Payable in eight semi-annual installments beginning on Sep 30, 2009
3	Housing Development Finance Corporation Limited-II	29-Dec-03	20,000	-	5,597	Repayable in twelve quarterly equated installments beginning from 31st March 2004.
4	Housing Development Finance Corporation Limited-III	28-Apr-05	30,000	13,506	23,253	Repayable in twelve quarterly equated installments beginning from 01st August 2005.
Total			76,068	39,574	54,918	

Notes: 1. All loans are Rupee denominated and carry no exchange risk. No payment is overdue as on March 31, 2007.
2. For amounts becoming due within the next twelve months refer to the table on maturity buckets, (infra)

Ageing details of term loan repayments and maturity buckets for repayments						
Sl. No.	Banks/ Financial Institutions	31-Mar-07	12 Months	24 Months	36 Months	> 3 Years
SECURED LOANS:						
1	Small Industries Development Bank of India	198,693	79,522	74,526	44,644	-
2	ABN Amro Bank	198,170	106,880	71,490	19,800	-
3	HDFC Bank	143,958	88,333	43,958	11,667	
4	ING Vysya Bank Ltd	109,940	40,040	36,567	26,667	6,667
5	Corporation Bank	100,000	16,668	33,336	33,336	16,660
6	Standard Chartered Bank	86,667	33,333	33,333	20,000	-
7	UTI Bank	52,361	17,667	22,694	12,000	-
8	ICICI Bank	37,500	25,000	12,500	-	-
9	Citi Bank	30,776	12,944	14,050	3,782	-
10	Development Credit Bank	19,852	19,852	-	-	-
11	IDBI Bank	10,000	10,000	-	-	-
12	Cordaid, Netherlands	7,000	3,500	3,500	-	-
13	Cash Credit Limits	21,668	21,668			
Total Secured Loans		1,016,584	475,407	345,954	171,896	23,327
UNSECURED LOANS:						
14	Housing Development Finance Corporation	13,506	10,680	2,826	-	-
15	Development International Desjardins, Canada	26,068	-	-	4,800	21,268
Total Unsecured Loans		39,574	10,680	2,826	4,800	21,268
Total Borrowings		1,056,158	486,087	348,780	176,696	44,595
Percentage to total borrowings outstanding		<i>100%</i>	<i>46.0%</i>	<i>33.0%</i>	<i>16.7%</i>	<i>4.2%</i>

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7 FIXED ASSETS:

Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As on 01.04.06	Additions during the year	Deletions during the year	As on 31.03.07	Accumulated Dep up to 01.04.06	Depreciation for the year	Accumulated Dep on the assets deleted	Accumulated Depreciation up to 31.03.07	As on 31.03.07	as ON 31.03.06
Furniture and Fixture	4,072	1,564	832	4,804	824	274	257	841	3,963	3,248
Professional Equipment	20,291	10,373	181	30,483	5,813	3,086	169	8,730	21,753	14,478
Office Equipment	4,767	3,159	82	7,844	701	420	25	1,096	6,748	4,066
Vehicles	5	-	5	-	2	1	3	-	-	3
100% Written Off Assets (with 1/- value)	1	1	-	2	-	-	-	-	2	1
Sub Total	29,136	15,097	1,100	43,133	7,340	3,781	454	10,667	32,466	21,796
Intangible Assets	10,000	-	-	10,000	3,000	1,000	-	4,000	6,000	7,000
Total	39,136	15,097	1,100	53,133	10,340	4,781	454	14,667	38,466	28,796
As on 31.03.2006	28,535	10,947	347	39,135	6,857	3,638	155	10,340	28,796	

Notes: Depreciation has been provided on straight line method at the rates stated in Policy no.1.8 of Significant Accounting Policies.

8 INVESTMENTS:

	31-Mar-07	31-Mar-06
13.05% Government Stock 2007 (At cost or market price whichever is lower)		
800 units of Face Value of Rs 100/- (Market value Rs 113/-)	90	90
Total	90	90

9 CASH AND BANK BALANCES:

	31-Mar-07	31-Mar-06
Cash in hand	641	391
Balances with Scheduled Banks in:		
Current Accounts (including in transit)	64,730	62,524
Fixed Deposits		
Unencumbered	160,400	50,000
Pledged	41,400	14,650
Total	267,171	127,565

10 LOANS TO RURAL PRODUCERS:

	31-Mar-07	%	31-Mar-06	%
Agri Short Term	20,441	1.7%	74,492	7.4%
Agri Long Term	28,675	2.4%	21,257	2.1%
Agri Allied	395,076	32.5%	335,614	33.3%
Nonfarm-Micro Enterprises (ST)	650,272	53.4%	486,720	48.3%
Nonfarm - Small & Medium (Long Term)	407	0.0%	248	0.0%
Nonfarm - Growth Micro Enterprises	57	0.0%	796	0.1%
Gen. Purpose - Women JLG's	61,625	5.1%	30,690	3.0%
SHGs and Federation of SHGs	24,049	2.0%	27,410	2.7%
House Repairs & Extensions	33,513	2.8%	25,487	2.5%
Vehicle Loans to LSA/ Employees	2,912	0.2%	4,284	0.4%
Total *	1,217,027	100%	1,006,996	100%

* Secured to the extent of Rs 194,750 (Previous year: Rs 133,544)

Bhartiya Samruddhi Finance Limited

Average Loan Outstanding

1,256,076

838,920

10.1 Other than the vehicle loans to Livelihood Service Advisors and Employees, for the purposes of discharge of their duties, no other loans are provided to employees, Directors and other individuals. On vehicle loans an interest of 12% is charged and recovered.

10.2 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 account.

10.3 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, 2007. The necessary provisions as per RBI norms have been made. The details are shown below:

Asset Classification	Loan Outstanding (Without provisioning)						Provision		
	As on 31.03.07			As on 31.03.06			Up to 31.03.07	During the Year	Up to 31.03.06
Assets	A/cs	Amount	%	A/cs	Amount	%	Amount	Amount	Amount
Standard	196,138	1,385,986	99.3%	141,831	994,101	98.9%	-	-	-
Sub-Standard	1,784	8,186	0.6%	694	4,108	0.4%	796	394	402
Doubtful	59	1,694	0.1%	445	6,588	0.7%	1,676	(4,196)	5,872
Sub-Total	197,981	1,395,866	100%	142,970	1,004,796	100%	2,472	(3,803)	6,275
Loss Assets *	301	1,161		362	2,200		1,161	(1,039)	2,200
Other Advances Recoverable							3,266	(140)	3,406
Total	198,282	1,397,027		143,332	1,006,996		6,899	(4,982)	11,881
Managed Portfolio #	37,224	180,000							
Net Portfolio	161,058	1,217,027							

* In the aftermath of events in Krishna district of Andhra Pradesh, where certain loans were not repaid and most of the outstanding are over due for more than 365 days, a provision 100% on entire outstanding in the five villages of Krishna district is made.

Represents portfolio sold to certain Banks (on the date of sale) and is managed on their behalf as a Service Provider. Managed on behalf of:

HDFC Bank Rs 80 Million
Development Credit Bank Rs 100 Million

10.4 Contingent liability:

10.4.1 Contingent liability on account of portfolio assigned to HDFC Bank is Rs 8,000 and DCB Rs 5,000.

10.5 Portfolio quality, at risk:

Period of payment delayed	%	Amount	%	Amount
	31-Mar-07		31-Mar-06	
Current	97.6%	1,187,565	97.8%	985,279
1-30 days late	0.4%	5,104	0.4%	3,775
31-60 days late	0.4%	5,333	0.2%	2,479
61-90 days late	0.2%	2,397	0.2%	2,363
91-180 days late	0.5%	5,730	0.2%	2,413
More than 180 days late	0.9%	10,898	1.1%	10,687
Total	100%	1,217,027	100%	1,006,996

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10.6 On-Time repayment rate (OTRR):

Particulars	31-Mar-07	31-Mar-06
1st quarter	98.3%	96.4%
2nd quarter	98.2%	96.7%
3rd quarter	98.2%	97.4%
4th quarter	98.8%	98.5%

OTRR is computed as follows:

$$\text{OTRR} = \frac{\text{Recovery - Prepayment}}{\text{Demand}} \times 100$$

Where,

OTRR is the On-time Repayment rate

Demand = Due (amount due as per repayment schedule) + Over Due Amount

11 ADVANCES RECOVERABLE:	31-Mar-07	31-Mar-06
<i>(Unsecured - Considered Good)</i>		
Advances and other amounts recoverable in cash or kind or value to be received		
Advance Income Tax	30,518	11,410
Advance for Expenses	9,147	5,832
Premium & Service Charges Receivable	10,297	3,632
Other Recoverables	3,266	3,406
Prepaid Expenses	3,030	1,490
Rent and Telephone Deposits	1,120	1,106
Interest accrued on Fixed Deposits	2,329	985
Total	59,707	27,861

12 CURRENT LIABILITIES:	31-Mar-07	31-Mar-06
Cash Security from Borrowers	194,750	133,544
Sundry Creditors	31,629	8,991
Ag/BDS Service charges collected in advance	6,176	-
Interest Accrued but not due on Loans	2,807	2,133
Statutory Liabilities	1,943	1,450
Total	237,305	146,118

12.1 Include a security deposit of Rs. 194,750 from the borrowers. The company collects 10% of the total loan disbursed every time and hold as security against possible defaults. No interest is paid on the same, but fully refunded at the full repayment of the loans and accruing interest thereupon.

13 OTHER PROVISIONS:	31-Mar-07	31-Mar-06
Provision for Taxation	28,400	10,601
Provision for Doubtful Debts	3,633	8,475
Provision for Doubtful Advances	3,266	3,406
Total	35,299	22,482

14 INCOME FROM OPERATIONS:	31-Mar-07	31-Mar-06
a. Income from Loans to Rural Producers		
Interest on Loans to Rural Producers	273,022	186,612
Loan Processing Fees and Other Service Charges	37,449	27,316

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Recovery of debts written off in earlier years	1,812	2,163
Premium income on Portfolio Assignment to Banks.	5,821	-
b. Income from Insurance Distribution	22,203	17,811
c. Income from Agricultural & Business Development Services	8,281	6,794
d. Income from Institutional Development Services	368	313
e. Consulting Services	1,894	250
Total	350,850	241,259

15 INCOME FROM INVESTMENTS:	31-Mar-07	31-Mar-06
Interest	2,768	1,261
Total	2,768	1,261

16 OTHER INCOME:	31-Mar-07	31-Mar-06
Other Income	2,426	1,353
Total	2,426	1,353

17 INTEREST AND OTHER CHARGES ON BORROWED FUNDS:	31-Mar-07	31-Mar-06
Interest and Other charges on		
- Secured Loans	74,112	45,454
- Unsecured Loans	3,529	6,153
Total	77,641	51,607

Particulars	31-Mar-07	31-Mar-06
Secured Loans:		
Average Borrowings	873,598	502,597
Interest on borrowed funds	74,112	45,454
Average Cost of funds	8.5%	9.0%
Unsecured Loans:		
Average Borrowings	47,246	62,988
Interest on borrowed funds	3,529	6,153
Average Cost of funds	7.5%	9.8%

18 SALARIES, ALLOWANCES AND BENEFITS TO STAFF:	31-Mar-07	31-Mar-06
Salaries, Allowances and other Benefits	77,990	48,038
Contributions to Provident and Other Funds	3,792	2,252
Training and Staff Expenses	7,141	6,447
Total	88,923	56,737

19 REMUNERATION TO MANAGING DIRECTOR:	31-Mar-07	31-Mar-06
Managing Director Remuneration	1,941	1,851
Total	1,941	1,851

19.1 Total Remuneration includes:

Sl.No.	Account Head	31-Mar-07	31-Mar-06
(i)	Salary & Allowances	1,846	1,764
(ii)	Contribution to Provident and Other funds	95	87
	Total	1,941	1,851

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19.2 Net profit computed as per section 198, 349 & 350 of the Companies Act, 1956.

Sl.No.	Particulars	Amount	Amount
(i)	Profit before Tax		47,469
	Add:		
	a) Managerial Remuneration + Directors' Fees	1,996	
	b) Loss of capital nature on sale of undertaking	586	2,582
	Total		50,051
(ii)	Less		
	Provision written back	4,982	4,982
(iii)	Net Profit (i) - (ii)		45,069
	5 % of Net Profit		2,253

20 OTHER OPERATING EXPENSES:	31-Mar-07	31-Mar-06
Technical Assistance and Support Services	2,284	467
Travel and Conveyance		
- Directors	1,547	1,800
- Staff, Advisors and Others	30,019	18,646
Professional Charges	8,932	8,308
Office Maintenance	8,736	7,185
Printing and Stationery	9,610	5,590
Rent, Rates and Taxes	7,039	4,906
Postage and Telecommunications	5,653	4,288
Bank Charges	7,095	3,822
Administrative Expenses	4,933	2,502
Auditors' Remuneration and Expenses	1,851	1,825
Insurance Expenses	1,161	926
Internal Audit Fees	1,296	870
Sundry Balances Written Off	973	611
Legal Charges	125	93
Loss on Sale of Investments/Assets	586	76
Total	91,840	61,916

21 BAD DEBTS WRITTEN OFF:	31-Mar-07	31-Mar-06
Bad Debts Written Off	9,002	8,526
Total	9,002	8,526

21.1 In the opinion of the Board of Directors the following loans are unrecoverable and the Company has exhausted all reasonable options for the recovery.

Particulars	During the year 31.03.2007			During the year 31.03.2006		
	No of A/cs	Amount	%	No of A/cs	Amount	%
Loans overdue below 365 days	49	33	0.4%	14	16	0.2%
Loans overdue above 365 days and below 730 days	691	2,829	31.4%	763	3,283	38.5%
Loans overdue above 730 days	709	6,140	68.2%	829	5,227	61.3%
Total	1,449	9,002	100%	1,606	8,526	100%

21.2 During the year an amount of Rs 2,162 (Previous year Rs 2,224) has been recovered in respect of the loans written off in earlier years.

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22 PROVISION FOR TAXES:	31-Mar-07	31-Mar-06
Tax on Income	14,640	9,500
Deferred Tax	1,287	1,444
Fringe Benefit Tax	2,280	1,980
Total	18,207	12,924

23 SUPPLEMENTARY INFORMATION:

23.1 Interest on loans to rural producers:

23.1.1 This is net of interest derecognized as per Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. of Rs 4,694 (Previous year Rs 3,343).

23.2 Auditors' remuneration:

This includes:

Particulars	31-Mar-07	31-Mar-06
a) Audit Fees	1,353	1,400
b) Fee for Certification	96	52
c) Taxation	150	120
d) Out of Pocket Expenses for travel	252	253
Total	1,851	1,825

23.3 Earnings and outgo in foreign currency:

Particulars	31-Mar-07	31-Mar-06
Earnings: Reimbursement of expenses incurred under Shorecap Technical Assistance Contract	1,838	-
Outgo:		
Interest on Loans	810	2,715
Travel	1,472	771
Staff Training	-	838
Remittance on account of Principal Repayment of Loan	3,000	21,750
Total (outgo)	5,282	26,074

23.4 Grants and in kind donations:

23.4.1 During the year the company received a flexible grant of Rs 7.0 million from SIDBI of which Rs 5.4 million was spent on acquisition of capital assets. Retaining Rs 1 per identified assets, balance has been adjusted against grants. Grant amount, aggregating to Rs.1.6 million spent on Staff Training and Repairs and Maintenance are not reflected in the Income and Expenditure Statement.

23.4.2 The company has received computer systems, software and operating systems and procedures especially developed suiting its operational needs from its holding company, which has been financed out of the IFC Technical Assistance Facility. IFC is one of major shareholder of the company. The hardware, software, other expenses for development of the same aggregating to Rs 10.8 million was managed by the holding company, BASICS Ltd. another major shareholder. After the development, the company is paying a nominal rent of Rs 1.0 million per annum, for the hardware only to BASICS Ltd.

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23.4.3 Similarly, a sum of Rs.10.7 million was also subsidized by Shorecap Exchange, Chicago, USA towards Risk Management, Strengthening Middle Management and Business Process Re-engineering of the company operations.

23.4.4 In addition other grants received in the past years aggregated to Rs 4.9 million, which have been duly accounted in the books of the Company.

23.5 Segment wise analysis of Business Results:

Particulars	Micro Credit	Micro Insurance Agency Services	Agri/Business Development Services	Institutional Development Services /Consulting	Total
Revenue	338,416	12,066	8,281	2,263	361,026
<i>% of Total Revenue</i>	<i>93.7%</i>	<i>3.3%</i>	<i>2.3%</i>	<i>0.6%</i>	<i>100.0%</i>
Variable Costs (Direct)	123,599	467	6,443	59	130,567
Fixed Costs					
Direct	-	2,789	1,524	-	4,313
Allocated	166,887	5,608	5,859	322	178,676
<i>% of Total Allocated based Effort Index</i>	<i>93.4%</i>	<i>3.1%</i>	<i>3.3%</i>	<i>0.2%</i>	<i>100.0%</i>
Total	166,887	8,397	7,383	322	182,989
<i>% of Total Expenses</i>	<i>91.2%</i>	<i>4.6%</i>	<i>4.0%</i>	<i>0.2%</i>	<i>100.0%</i>
PBT	47,930	3,203	(5,545)	1,882	47,469
Segment PBT as % of Total	101.0%	6.7%	-11.7%	4.0%	100.0%
Customers	198,282	33,316	52,208	957	284,763
Effort Index for Distribution of unallocated costs					
No of times visits made to the customers for business (Estimated)	15	3	2	6	
To Visits for all customers serviced	2,974,230	99,948	104,416	5,742	3,184,336
<i>% of Customers serviced</i>	<i>93.4%</i>	<i>3.1%</i>	<i>3.3%</i>	<i>0.2%</i>	<i>100.0%</i>

23.5.1 50% of Credit plus Insurance income shown under credit segment Rs 10.1 million as this insurance is linked to the loan disbursals. Micro insurance services are offered along with micro credit services.

23.5.2 Accounting Policy in respect of Ag/BDS has been changed from Cash Basis to Accrual basis during the year, due to which, Ag/BDS receipts amounting to Rs 6.1 million has been shown as Advance received from customers.

23.5.3 The cost incurred for providing service by the Livelihood Service Provider is shown as variable direct cost under Agriculture and Business Development Services.

23.6 Miscellaneous:

23.6.1 No amount is due to any small-scale industrial undertaking by the Company.

23.6.2 No adjustment on account of inflation is effected in the financial statements

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23.6.3 Balance sheet abstract and Company's general business profile, pursuant to Part IV to Schedule VI is separately attached

23.6.4 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.

23.6.5 Previous Year figures have been regrouped and rearranged wherever necessary

24 FINANCIAL RATIOS:

Description of Ratio	Numerator	Denominator	Ratios	
			31-Mar-07	31-Mar-06
Financial Sustainability	Total Income	Total Expenses	115.1%	113.0%
Return on Assets	Net Profit after Taxes	Average Assets	2.1%	1.9%
Return on Equity	Net Profit after Taxes	Net Worth	11.2%	6.2%
Earnings per Share (Basic and Diluted) Rs	Net Profit after Taxes	Total Number of Equity Shares	1.35	0.70
Yield on Portfolio	Operating Income <i>(as Direct Income from credit operations)</i>	Average Portfolio	25.8%	25.8%
Capital Adequacy Ratio	Net Worth	Risk Weighted Assets	24.6%	27.8%
PAR to Assets > 90 days	Portfolio at Risk > 90 days	Total Loan assets (including managed portfolio)	1.2%	1.3%
Loan Loss Provision	Loan Loss Provision as on March 31.	Total Loan assets (excluding managed portfolio)	0.6%	1.2%
Loan Write -Off Ratio	Loans written off during period	Average Portfolio	0.7%	1.0%

As per our report of even date

for V.NAGARAJAN & CO.,

Chartered Accountants

for Bhartiya Samruddhi Finance Limited

Hyderabad
April 28, 2007

(V.NAGARAJAN)
Partner
Membership No.19959

Company
Secretary

Managing Director Chairman

Bhartiya Samruddhi Finance Limited

SCHEDULE

As required in terms of Paragraph 9BB of NBFC prudential Norms (Reserve Bank) Directions, 1998 as on 31st March, 2007.

Rs.in '000s

Particulars	Amount Outstanding	Amount Overdue
Liabilities side:		
I Loans and advances availed by the NBFCs*		
a Debentures : Secured		-
: Unsecured		-
(other than falling within the meaning of public deposits)		
b Deferred Credits	-	
c Term Loans	1,034,490	
d Inter-corporate loans and borrowings	-	
e Commercial paper	-	
f Public Deposits	-	
g Other loans (specify nature)		
- Bank Borrowing	21,668	
II Breakup of 1(f) above (outstanding public deposits)*		
a In the form of Unsecured debentures	-	
b In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	-	
c Other public deposits	-	

*Interest accrued but not paid - Nil

#Represents unrenewed deposits

Particulars	Amount Outstanding
Asstes side:	
III Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	
a Secured	194,750
b Unsecured (including Advance for Business Assets)	1,018,765
IV Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL/HP activities:	-
(i) Lease assets including lease rentals under sundry debtors	-
a Financial Lease	-
b Operating Lease	-
(ii) Net stock on hire including hire charges under sundry debtors	-
a Assets on hire	-
b Repossessed Assets	-
(iii) hypothecation loans counting towards EL/HP activities:	-
a Loans where assets have been repossessed	-
b Loans other than (a) above	-

Particulars	Cost	Market value*
(V) Break-up of Investments:		
Current Investments:		
1 Quoted	-	-
2 Unquoted		
(i) Preference Shares		
(ii) Units of mutual funds		

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	Long Term Investments		
1	Quoted:		
(i)	Equity Shares		
(ii)	Debentures and Bonds		
(iii)	Government Securities	90	90
2	Unquoted		
(i)	Equity Shares		
(ii)	Government Securities		
(iii)	Units of mutual funds		
	Total		
*Unquoted Investments disclosed at break up / fair value / NAV			

(Vi) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:				
				(Rs. In 000s)
	Category	Amount net of provisions		
		Secured	Unsecured	Total
1	Related Parties**	-	-	-
a	Subsidiaries	-	-	-
b	Companies in the same group	-	-	-
c	Other related parties	-	-	-
2	Other than related parties	194,750	1,022,277	1,217,027
	Total	194,750	1,022,277	1,217,027

(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	90	90
	Total		

** As per Accounting Standard

(VII) Other Information		
	Particulars	Amount
(i)	Gross Non-Performing Assets	
a	Related Parties	
b	<i>Other than related parties</i>	11,041
(ii)	Net Non-Performing Assets	
a	Related Parties	
b	<i>Other than related parties</i>	7,408
(iii)	Assets acquired in satisfaction of debt (during the year)	

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

Hyderabad
April 28, 2007

(V.NAGARAJAN)
Partner
Membership No.19959

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

*Company Chairman Managing Director
Secretary*