

BOARD OF DIRECTORS

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Nandini Adya

Paul DiLeo

Prof. Malcolm Harper

Deep Joshi

S. Loganathan

Joe Madiath

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Vijay Mahajan, Managing Director

AUDITORS

V. NAGARAJAN & Co., Chartered Accountants, New Delhi

BANKERS

HDFC Bank

ICICI Bank

Global Trust Bank

BNP Paribas

State Bank of India

FINANCIAL INSTITUTIONS

SIDBI Foundation for Micro-Credit

HDFC

HDFC Bank

Developpement International Desjardins

Shorebank Corporation

CORDAID

UNIT OFFICES

Adoni, Anantapur, Bellary, Berhampur, Bhadrachalam, Kadapa, Khammam,

Mehboobnagar, Nanded, Nandyal, Nirmal, Nizamabad, Raichur, Ramayampet,

Srikakulam, Suryapet, Vikarabad, Wardha, Chandrapur, Nayagarh and Ranchi

BACKGROUND

Bhartiya Samruddhi Finance Limited (Samruddhi) is a new generation financial institution and part of the BASIX Group. Having commenced operations in the year 1996, Samruddhi provides credit for agriculture, allied and off-farm activities to individuals, joint liability groups and self-help groups. The mission of the BASIX Group is to promote a large number of sustainable livelihoods, including for the rural poor and women through the provision of financial services and technical assistance in an integrated manner. Samruddhi, in its role as the financial arm of BASIX provides financial services - predominantly micro-credit - and technical assistance to the rural poor who have little access to the formal banking system. The business is characterized by intense field presence, as the transactions happen at the customer's home or workplace. The company has developed and 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.

REVIEW OF OPERATIONS

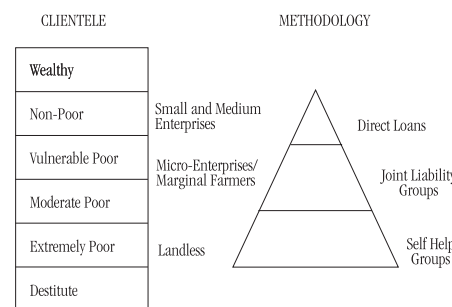
Samruddhi currently works in 3300 villages spread over 18 districts in the states of Andhra Pradesh, Karnataka, Maharashtra, Orissa and Jharkhand. The Company has cumulatively disbursed Rs.1135 million through about 90,000 loans. The Company's average loan size at the end of March 2003 was Rs. 10,300. In 2002-2003, Samruddhi disbursed loans to the tune of Rs. 390 million compared to Rs. 285 million in the previous year. New branch offices were opened during the year in Chandrapur, Nayagarh and Ranchi. Having commenced insurance distribution last year, the Company has now stepped up its activities in this area with the launch of life and general insurance in nine units.

LOAN DISBURSEMENTS

	2002-03	2001-02
Disbursements in Rs. in 000s	390,270	285,521
No. of loans disbursed	36,442	25,345
Average loan size	10,300	11,200
No. of women borrowers	9,331	7,061
On time recovery rate	93.3	92.4
Performing Assets ¹	94.7%	96.2%

Samruddhi's aim is to provide its clients with easy access to credit, involving minimum effort on the part of the client who is serviced at his/her doorstep. Loan products have been tailor-made to suit the specific needs of its clients who are spread across different regions and are engaged in different sectors. The schedules of repayment are firm but are prepared in a manner adaptive to the cash flows of the borrower. Purpose-wise loans are available for both farm (cultivation, purchase of agricultural inputs, livestock rearing) and non-farm activities (manufacturing, trade and services). However not all of these rural poor or women wish to be self-employed. So Samruddhi also indirectly promotes employment opportunities for them by extending credit to micro-enterprises, which have the potential to generate wage employment but lack the necessary resources to do so.

**DIFFERENT METHODS TO REACH
DIFFERENT MARKET SEGMENTS**



¹ As defined by Reserve Bank of India is Principal outstanding of loans overdue by 180 days or Less.

Samruddhi's Loan Products²

Product	Features	Limitations	Samruddhi Strategy
Individual Lending	<ul style="list-style-type: none"> Low transaction and opportunity cost for clients Credit focused rather than a model based approach 	<ul style="list-style-type: none"> High transaction cost for lender Higher risk 	<ul style="list-style-type: none"> Loan origination and collection by CSAs reduces transaction cost for lender Cash security acts as collateral
Joint Liability Group	<ul style="list-style-type: none"> Group peer pressure Lower transaction cost 	<ul style="list-style-type: none"> Group default Limits flexibility as group formation required 	<ul style="list-style-type: none"> Self appraisal of loan proposals Legal mutual agreement between members
Self Help Group (SHG)	<ul style="list-style-type: none"> Group peer pressure Lower transaction cost 	<ul style="list-style-type: none"> High group mobilization cost 	<ul style="list-style-type: none"> No end use restriction, therefore a higher interest rate/CS Micro-finance Agent (MFA) operating like CSAs reduce monitoring cost
Mutually Aided Cooperative Societies (MACS)	<ul style="list-style-type: none"> Low transaction cost with high individual outreach 	<ul style="list-style-type: none"> Restricted control over end use Low geographical and sectoral diversification 	<ul style="list-style-type: none"> Thorough financial and operational appraisal of the MACS Responsibility of assuring individual repayment lies with MACS
Rotating Savings and Credit groups (ROSCAS)	<ul style="list-style-type: none"> Income generating common activity of a group Low risk due to members' own funds invested in the same activity 	<ul style="list-style-type: none"> Activity may be seasonal and market dependent increasing the portfolio diversification risk 	<ul style="list-style-type: none"> Cash flow based repayments as the activity is common Higher interest rates along with cash security

² "Improving Micro-finance Practices – Best Practices followed by India's leading MFIs" by Micro-Credit Ratings International Ltd. (MCRIL).

Samruddhi continues to make effective use of the CSA methodology. The Company presently has 165 Customer Service Agents (CSAs) across all its units. Loans are originated by these Customer Service Agents, each of whom covers 20 to 30 villages. With a high school/college education, commercial experience and local knowledge, CSAs are an important element in Samruddhi's credit delivery system. Commission earned by them is directly linked to the volume and quality of business generated by them, thus providing a cost-effective delivery mechanism for the Company and also a significant incentive to the CSAs to improve their portfolio quality.

TECHNICAL ASSISTANCE AND SUPPORT SERVICES (TASS)

Given the fact that provision of credit is necessary but not always sufficient for the promotion of sustainable livelihoods, Samruddhi continues to follow the 'credit plus' approach. It has been providing the required technical assistance and support services either on demand from the borrowers or as identified by its field staff. Rural producers are generally hampered by lack of infrastructure, remoteness from markets and lack of exposure and therefore need technical support in order to optimize their output. Samruddhi has taken up the responsibility of building contacts and forming networks with several economic players in rural areas who extend such services to their customers as part of their business. Collaboration of this nature, with non-governmental organisations (NGOs), cooperatives and private parties leads to valuable assistance to borrowers in the form of reducing production risks and enhancing market linkages.

NO. OF PROGRAMS CONDUCTED DURING THE YEAR 2002-03

Inter-Borrower Expertise Exchange Programme (IBEX)	166
Productivity Enhancement Programme (PEP)	127
Self-Help Group Quality Improvement Programme (SHGQIP)	460

The results from TASS may not be easily quantified but Samruddhi is convinced of the merits of the exercise. TASS contributes to risk mitigation and relationship building and the Company has found that borrowers who make use of TASS have, on most occasions, proved to be better clients in the long run. It has been observed that BASIX's borrowers

involved in agriculture had higher returns from their crops while those involved in dairy showed an increase in the number of animals owned as well as improvement in the health of these animals³.

INSURANCE

Having established a successful credit methodology, Samruddhi started distribution of rural insurance services in March 2001 as part of the group's strategy towards promotion of livelihoods. The privatisation of the insurance sector has opened up several opportunities for risk mitigation for the poor through micro finance institutions.

Samruddhi signed a Memorandum of Understanding (MoU) with Royal Sundaram Alliance Insurance Company Limited and extended the existing MoU with Aviva Life Insurance. Samruddhi started selling life and livestock insurance products of these companies from Oct 2002. It has also continued to sell policies of ICICI Prudential Life Insurance Company Limited. Samruddhi has limited the distribution of products, during FY 2002-03, to its micro-credit customers. During the year, a total of 3200 lives were covered across 6 unit offices and 200 livestock across 3 units. With this, the cumulative life insurance policies sold crossed 5000. There were six claims made during the year. The average claim settlement period was eight days.

The group insurance product offered by Aviva (Credit Plus) is unique, in that, it provides cover beyond the creditor's interest. Similarly the Cattle Insurance product offered by Royal Sundaram has significant merits over the traditional livestock policies. A clear distribution methodology and data processing system has been developed to integrate insurance with micro-credit systems. During the next financial year the Company will electronically transmit data to the insurers to significantly reduce transaction time and increase efficiency.

There is a need for intensive training on insurance given the projected growth during the financial year 2003-04 when the Company will aim to provide life insurance cover to all its direct customers and also to insure 25% of the livestock financed by the company. This will pave the way for Samruddhi to begin selling individual insurance products by April 2004. Constant efforts are being made to set up learning systems to exchange and share experiences gained in Samruddhi across the group companies and the micro-finance sector.

³ As contained in the Final Report on the Impact Assessment Study carried out by the Indian Market Research Bureau (IMRB) in 2002

TECHNOLOGY

The backbone of the operating system is the FAMIS software, which provides online accounting and borrower information and is upgraded regularly to suit the company's information needs. During the year over 600,000 transactions were put through this software. With an ever-increasing number of borrowers (40,379 at the end of March 2003) borrower-wise asset quality is always available online and monthly financial results are presented to the management by the fifth of every month. In order to effectively deliver insurance services to our customers, the Insurance module has been developed and successfully integrated with the FAMIS-2000 software. However with the increasing volume of transactions the need for a more robust software platform prompted the development of DELPHIX, built on an RDBMS platform (Oracle). This software is expected to be implemented across the organization by the end of December 2003.

The "Portfolio Manager" project attempts to provide an advanced data processing solution to operations at the village level. Field Staff, once they process the transactions at the field, will be able to send and receive borrower information through Hand Held Devices, using a public telephone line to connect to the server at the branch. Pilot testing of this technology at two of the branch offices has been successfully completed. During the financial year, more than 40,000 transactions have been processed and the project is now ready to be implemented across the organization.

PORTFOLIO QUALITY

The initial years of Samruddhi's operations were marked by higher than anticipated loan delinquencies, partly attributed to the fact that it was a start-up and a pioneer. Later years, however, saw a stabilization of products and systems and a corresponding improvement in portfolio quality. Portfolio growth has always been impressive, ranging between 50% and 100% making the measurement of portfolio quality a challenge - given that a large portion of the loans were new.

Samruddhi's asset quality has improved in recent times. The on-time repayment rate went up to 93.3% as on March 31st 2003, from 92.4% as on 31st March 2002. Its performing assets as per Reserve Bank of India (RBI) norms stood at 94.7%. The Company continues to diversify its lending portfolio with non-farm loans gradually increasing over the past few years. As on March 31, 2003, the PAR⁴ 90 figure has dropped from 7.8% in Mar 2002 to 6.6% in March 2003.

Loan Products	PAR > 90 days as a % of loan O/S in the product			
	Mar-03	Sep-02	Mar-02	Sep-01
Farm Loans				
1 Crop Loans	12.8%	10.1%	8.7%	10.4%
2 Agri Long Term	16.8%	16.6%	15.0%	22.6%
3 Agri Allied Loans	6.5%	8.7%	8.7%	8.4%
Sub-Total	9.5%	10.0%	9.2%	8.4%
Non-Farm Loans	4.4%	7.2%	6.3%	7.5%
General Purpose Loans				
5 Self Help Groups loans (SHG+ MACS+ROSCAS) ⁵	7.5%	2.9%	9.7%	6.4%
6 Housing Repairs & Extension	2.9%	3.7%	2.4%	-
7 Others	0.3%	3.7%	5.3%	1.9%
Sub-Total	5.0%	3.2%	8.4%	5.4%
TOTALS	6.6%	8.3%	7.8%	8.9%

Extensive analysis of product-wise data, of the last 6 years involving over 5 loan cycles indicate that Samruddhi's Long term loan loss rate would be around 2%. Please refer to Schedule 15 of the financial statements for a detailed description of the Company's Loan Loss provisioning policy.

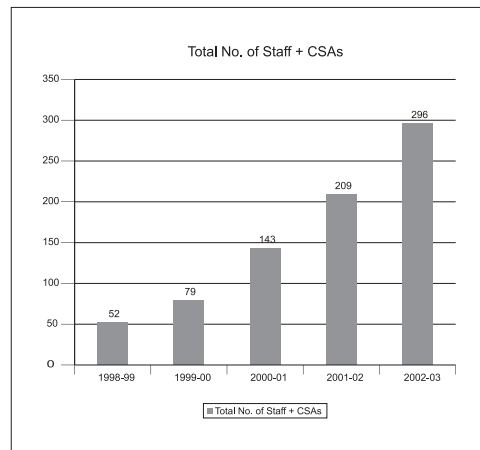
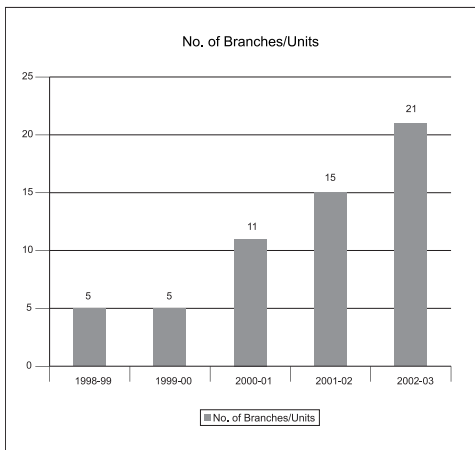
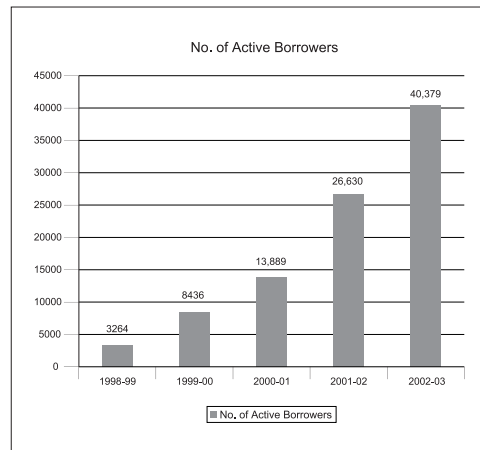
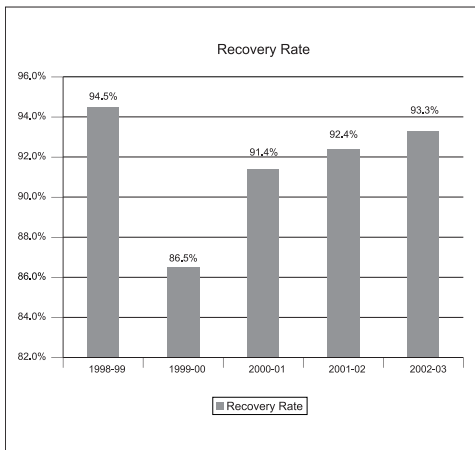
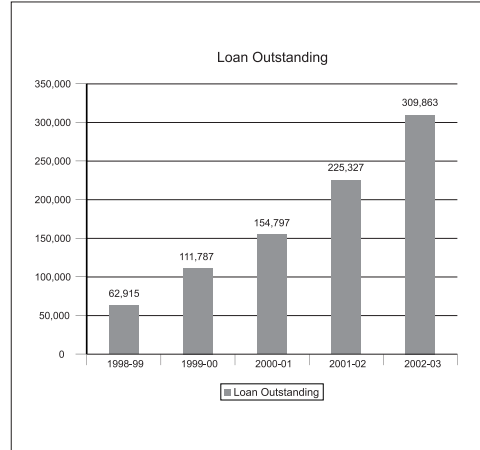
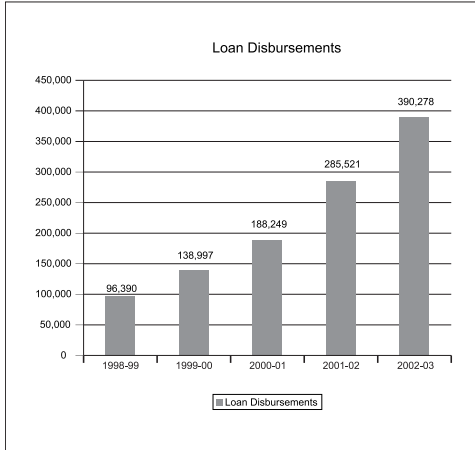
⁴ PAR 90 - Principal at Risk - Defined as total principal outstanding of any loan, for which even one installment or a part thereof is overdue for ninety days or more.

⁵ SHGs- Self Help Groups; MACS-Mutually Aided Cooperative Societies; ROSCAS- Rotating Savings and Credit Associations

BASIX

Equity for Equity

FIVE YEARS AT A GLANCE



CREDIT RATING

CRISIL

In March 2003, Samruddhi's medium term credit rating was upgraded by the Credit Rating Information Services of India Limited (CRISIL)⁶ from speculative grade **(FB+)** to investment grade **(FA-)**, which means the Company has now fulfilled a key requirement to mobilize public deposits. According to the rating rationale released by CRISIL, the rating upgrade reflects Samruddhi's enhanced capital adequacy position, its experienced management, strong risk management systems and improving financial flexibility. With access to funding support both in the form of equity and debt from domestic, international and multilateral financial institutions, Samruddhi is geared to meet its business objectives.

BASIX and other MFIs have long been arguing for the development of a separate rating tool for Micro Finance Institutions (MFIs) as all the yardsticks that are applied to standard financial institutions cannot be applied meaningfully to MFIs.

In 2002 CRISIL evolved a separate rating scale for MFIs, with parameters specifically designed to assess the extent to which an MFI follows best practices and their ability to scale up their operations. In 2003, the rating of MfR 2 assigned to Samruddhi last year, was reaffirmed. This is on an eight point international scale of MfR 1 (highest grade) to MfR 8 (lowest grade).

FINANCIAL PERFORMANCE

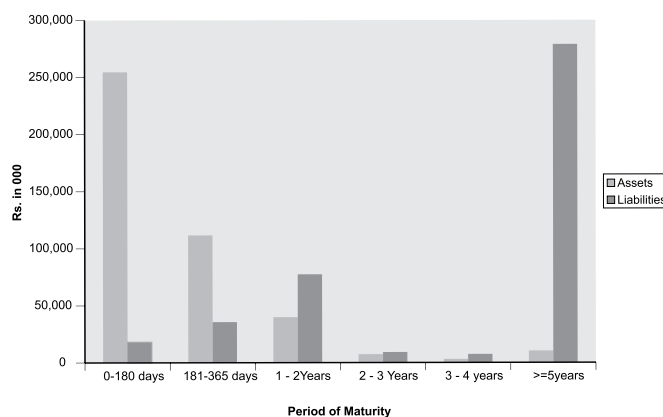
(Rs. '000)

	March 31, 2003	March 31, 2002
Income	74,408	48,747
Expenditure	68,410	46,035
Net Profit before Tax	5,998	2,712
Provision for Tax	1,686	600
Net Profit after Tax	4,312	2,112

Samruddhi ended the financial year 2002-03 with a Net Profit of Rs. 4.3 million, the highest since inception and a significant improvement over the profit in the previous year, which stood at Rs. 2.1 million. Income, which stood at Rs. 74 million, grew substantially in line with Samruddhi's portfolio and while operating expenses and salaries to staff have increased considerably, this is commensurate with the expansion of Samruddhi's operations.

Samruddhi has acquired significant financial flexibility by tying up with domestic and international financial institutions for infusion of both equity and debt. The Company has the largest equity base among all Micro Finance Institutions in India, having mobilized equity funds of more than Rs. 200 million from various Indian and international institutions. The Company is also assured of access to lending funds at competitive rates and has tied up with leading Indian and international funding institutions and banks to finance its ambitious growth in outreach. The company has a very favourable asset-liability position as can be seen from the following graph.

Asset and Liability Profile



BASIX

Equity for Equity

COMPARATIVE STATEMENT OF RATIOS

ANNUAL REPORT 2002 - 2003

	Definitions*	Mar-03	Mar-02	Mar-01
Profitability				
Return on Assets	Net Operating Profit (Excludes non-operational income & expenses)	1.1%	0.5%	0.1%
	Average Earning Assets (Total assets - Fixed assets)			
Return on Equity	Operating Profit	2.0%	1.9%	0.5%
	Net Worth (Equity+Reserves & Surplus)			
Operational Self-Sufficiency	Operating Income	169.7%	190.3%	172.2%
	Operational Expenses - Interest Cost - Bad debts - Loan Loss/Provision			
Financial Self-Sufficiency	Operating Income	106.0%	104.5%	100.7%
	Operating Expenses			
Efficiency				
No. of Active Loan Clients per Loan Officer, end of period	No. of Active Clients	174	140	129
	No. of Loan Officers (Includes CSAs)			
Outstanding Portfolio per Loan Officer, end of period (in Rs.000)	Loan Outstanding	1,327	1,173	1,433
	No. of Loan Officers			
No. of Clients per Branch, end of period	No. of Active Clients	1,923	1,775	1,263
	No. of Branches			
No. of Active Clients, end of period		40,379	26,630	13,889
Portfolio Analysis				
Total Principal Balance outstanding (Rs. in '000)	End of period	307,956	222,778	154,797
Average Principal Balance outstanding over the period (Rs. in '000)	Average of opening & closing balances	267,595	196,575	133,053
Loan Loss Provision/Written-off over the period (Rs. in '000)		267,595	5,572	3,194
Loan Loss/Write-off Rate	Increase in Loan Loss Reserve+Write-Off	3.0%	2.8%	2.4%
	Avg. Principal Outstanding			
Cost of Fund	Interest & Fees Expenses	9.6%	10.0%	11.0%
	Funding Liability			
BASIX Ratios				
Yield on Portfolio/Financial Assets	Interest & Fee (LPF) from Loans	26.9%	25.0%	20.5%
	Avg. Principal Outstanding			
Non-Fund based Income	Other Income/Avg. Principal Outstanding	0.7%	0.3%	4.5%
Sub-total		27.6%	25.3%	24.9%
Efficiency	Operating Expenses (Excl. of cost of funds)	16.2%	13.1%	11.9%
	Avg. Principal Outstanding			
Cost of Fund	Interest & Fees Expenses	6.1%	7.9%	8.7%
	Avg. Principal Outstanding			
Loan Loss/Write-off Rate	Increase in Loan Loss Reserve+Write-Off	3.0%	2.8%	2.4%
	Avg. Principal Outstanding			
Net Spread	16-17-18-19	2.2%	1.4%	2.0%

GOVERNANCE

At Samruddhi, we realise the interplay between governance and management in the Company's effective functioning. This role has been specially emphasised given the need to balance the 'public purpose' goals and 'profit oriented' means - a balance that most Micro Finance Institutions (MFIs) are still attempting to find.

Samruddhi's promoters have significant experience in the area of rural livelihood promotion. The Board consists of eleven directors and is a mix of development professionals, finance professionals and academicians, all of whom combine their unique and valuable experience in these fields to provide guidance to Samruddhi's management.

The Board meets every quarter and the dates for the Board meetings are agreed to, a full year in advance. The Board also has a strict and specified attendance norm. The Agenda for these meetings is a collaborative affair with directors having a say in the items to be included for discussion and asking for specific information that they would like to have before the Meeting.

The Board of Samruddhi has set up two committees- The Audit Committee which meets twice a year (April and October) to review the accounts of the company and the report from the Statutory Auditor; and the Finance Committee which looks into the matters of mobilization and deployment of large finances and keeps the Board informed on important issues relating to the same.

HUMAN RESOURCE MANAGEMENT AND STAFF POLICY

Our People are our most valuable resource. The company believes that its ambitious growth plans in disbursements and outreach can be achieved only if its human resources are of high quality. Here is a brief description of the company's policies towards its staff.

I. SELECTION AND INDUCTION

Recruitment

Well begun is half done. Selection of a prospective colleague receives great attention in the organization. Prior to every financial year each Unit comes up with their manpower requirements as part of the annual business plan and accordingly the recruitment process is initiated. Manpower Planning also takes into account vacancies arising during the year due to resignations and retirements. To attract the best talent various sources like advertisements in leading news dailies, pre-placement talks at college campuses, employee referrals and the Company website are used.

The recruitment process involves

- ◆ Screening of Applications
- ◆ Written Test
- ◆ Preliminary Interview followed by a Field visit
- ◆ Final Interview with Senior Management - Candidates who qualify in the above stage are called for the final interview with the senior management of the Company. Before the final interview a psychometric test is administered to the candidates in order to assess their motivation orientation towards achievement, power, affiliation and security.

Induction

The orientation or induction process involves five stages –

- ◆ Pillion Riding Phase – Observation by the new recruit of various processes involved in extending financial services and technical assistance.
- ◆ Internship Phase – Involvement of new recruits in various activities undertaken by regular executives.
- ◆ Classroom Session - An interactive session where the new recruits are given inputs on the context, design and operations of BASIX and the role and responsibilities of Field Executives.
- ◆ Study – New recruits are given reading material including the induction manual, the operations manual, articles on micro-finance etc., to help them understand BASIX better.
- ◆ Test – At the end of the induction / probation period, a Minimum Understanding Level Test of Internalization is conducted to assess the level of understanding of the new recruits about BASIX and their role in it. This is supplemented with feedback given by their mentor and the confirmation interview taken by the senior management team at the head office. Based on their performance they can be either confirmed or their probation extended or their services terminated.

A second round of Classroom Induction is conducted after completion of probation.

Presently Samruddhi has 131 Staff and 150 Customer Service Agents, out of which 50 are Management Graduates, 34 are Commerce Graduates, and 30 are Technical Graduates.

This year Samruddhi has recruited 64 Field Executives from various premier institutions. 1 Executive HR Systems, 1 Asst. Executive Information Technology, 2 Transaction Executives, 1 Secretary and 12 Transaction Assistants were also recruited during the year.

Separations during the year due to resignations were 9.

II. COMPENSATION POLICY

Salary Fixation – Regular Staff

Salary for new recruits is fixed based on the educational background and work experience. As per the remuneration policy new recruits are categorized according to their

educational qualifications and relevant work experience and a separate basic salary is attributed to each category.

The two main components of the pay package are -

(a) Gross Fixed Remuneration (GFR) – which is based on educational background, prior work experience and an inflation cover. The various components of Gross Fixed Remuneration are – Basic Salary, Housing Rent Allowance, Professional Development Allowance, Medical Allowance, Conveyance Allowance, Leave Travel Allowance, Employer's Provident Fund Contribution and Employer's State Insurance Contribution.

(b) Performance Pay (PP) is paid every half year in the months of October and April based on the performance of the individual, his Unit and the Company. It is computed upon six parameters rated by the mentor. Performance Pay is linked to the GFR. A person can potentially earn a maximum of 50% of his Fixed Pay as Performance Pay.

Total amount paid to staff as Performance Pay in the year 2002 was Rs. 2.4 million

Increment – The two components of annual increment are inflation cover to meet the cost of inflation and real growth to enhance the real income of the employees. Employees also get an increment on promotion and for consistently extraordinary performance.

CSA Commission – The commission paid to Customer Service Agents is based on the business generated and recovery achieved by her/him. It is computed on total interest due and recovered by her/him, subject to recovery of the principal in full, provided a minimum percentage of recovery has been maintained. Different rates of commission are applicable based on the amount of loan originated by her/him.

Total amount paid to Customer service agents as Commission in the year was Rs. 6.9 million, which was 10.4% of the Company's total expenditure.

III. STAFF WELFARE

Samruddhi extends the following leaves to its employees – Casual Leave (8 days), Earned Leave (22 days), Maternity Leave (12 weeks), Paternity Leave (3 weeks), Medical Leave and Leave without pay.

On an average, an employee availed of 10 earned leaves, 6 casual leaves and 5 medical leaves during this year. Two women employees applied for paid maternity leave and five male colleagues took paid paternity leave.

Insurance

Given the nature of the Company's operations, the staff are required to travel extensively in the field. The Company continuously reviews the risks involved with such travel and invests in the most effective insurance cover. Currently every employee is covered under a *Road Safety policy*, which pays for medical expenses arising out of a road accident, and a *Personal Accident Insurance policy*, which covers loss of life, dismemberment or disablement due to an accident. A total of 277 staff and CSAs are covered under the two policies. The sum assured depends on the category to which the employee belongs. The minimum sum assured begins at Rs. 600,000. The company pays for the entire premium for these policies, which provide 24 hour cover to the staff, regardless of whether the accident occurred during the course of the employee's work or otherwise.

IV. TRAINING

BASIX places high value on its human resources and seeks to build their competence through training.

Identification of the training needs of the staff is done category-wise, based on the needs identified by the senior management, mentors and a Professional/Personal Learning and Review (PLR) process. The training program is devised keeping in mind the present and medium term functional responsibilities of the staff member.

Professional and Personal Learning Review (PLR)

The PLR process enables one to identify his/her personal and professional learning needs through self-assessment and interaction with subordinates, peers and seniors, thereby evolving a systematic action plan towards the same.

The objectives of PLR process at the personal level are –

- ◆ To assess specific areas of support which can enhance performance

- ◆ Aligning personal and professional growth objectives
- ◆ To create an atmosphere of openness and objectivity while accepting and giving feedback

The objective of the PLR process at the company level is to identify and meet the training and learning needs of the employees. It is a continuous process, with the objective of enabling staff to perform better and achieve personal and professional growth. It is reviewed every half year.

Training programs can be internal or external:

- (a) Internal training programs can be further categorized into "On the job" and "In-house programs".

On-the job programs are designed and conducted by the Mentor/Reporting Officer for capability enhancement of the staff working with them.

In-house programs are conducted either by internal or external resource persons in coordination with the Human Resources (HR) team. Some of the in-house programs conducted this year were, Finance for Non-Finance Executives, Exposure to Agriculture, Written Analysis Communication for Senior & Middle Management and a program on DELPHIX- the new software for Transaction Assistants (TAs).

- (b) External Training Programs can also be further categorized into Specialized programs and Continuing Education programs.

Specialized programs are short duration programs offered by specialized institutions like Indian Institute of Management and M-CRIL with inputs in special areas. The nominations are forwarded by the Mentor/Reporting officer, based on his own as well as the nominee's initiative. Training of Trainers, Managerial Effectiveness, Oracle & Windows 2000 and state-of-the-art Decision Modeling & Analysis were some of the specialized training programs that the staff underwent this year.

Continued Education Programs are programs of relatively longer durations with significant inputs in perspective building incorporated into the learning. These could be suggested by the Mentor or could be self-initiated.

BASIX encourages participation from its employees in all categories of programs.

THE ENVIRONMENT MANAGEMENT SYSTEM

Samruddhi is committed to financing environmentally and socially sound projects and as part of this policy, the Environment Management System was put in place in Year 2000. Borrowers are required to comply with Indian Environmental, Health and Safety (EH&S) requirements. Credit is not extended to activities whose financing would pose an ethical dilemma to the Company or our shareholders.

The Chief Operating Officer of the Company serves as the Environmental Manager and his responsibilities include reviewing the policy at regular intervals, reporting to the Board of Directors and submitting an Annual Environmental Performance Report. The Manager (Operations & HR) is the Environmental Coordinator, responsible for the implementation of the policy. The following are the three key principles that govern the implementation:

- 1) Applying the Micro-finance Exclusion List as an eligibility screen for all lending
- 2) Requiring that all borrowers comply with the applicable environmental, health and safety requirements of India
- 3) Directing borrowers, when appropriate, to organizations that can help improve their environmental performance

Loans above Rs. 50,000 require a representation that the borrower's activities are in compliance with our policy. The Field Executive regularly observes the borrowers' activities and if poor environmental or social performance is identified, he will discuss opportunities for improvement with the borrower.

The Company evaluates its environmental and social performance on an annual basis and provides a report to the shareholders.

OTHER INITIATIVES

Cotton

Cotton production depends quite heavily on the use of fertilizers and chemicals, to control diseases, insect pests, weeds and growth regulators. The ratio of total pesticides used, to the total land cultivated is alarmingly high and is rapidly creating ecological and human hazards. Such substantial use of chemicals, apart from causing damage to the environment and soil health, also leads to poor profitability in cotton farming.

The solution could be organically cultivated cotton, a concept that has been steadily gaining ground. Organic cotton relies on non-chemical inputs, using bio-control agents for pest management and has been found to be fairly cost-effective as it uses on-farm resources.

Samruddhi has been supporting sub-sector interventions in cotton, carried out by our sister company Indian Grameen Services (IGS), for the past few years. The Integrated Pest Management (IPM) Programme was initiated by IGS with the objective of dealing with the endemic pest problem faced by cotton farmers and to provide better market linkage. Around 1500 farmers in the Adilabad region have been involved in this intervention. The reduced use of chemical pesticides is paving the way for the cultivation of organic cotton. The IPM experience has led to sustainable productivity and increased profitability for the farmers. During the next financial year Samruddhi will increase its involvement in this particular field, by providing credit to organic cotton farmers in Madhya Pradesh.

COLLABORATION WITH SHELL SOLAR

Using photovoltaic solar systems for power may strike one as an expensive proposition but if we take into account the reduced operating costs that follow the initial outlay and the sheer practicality of using solar systems, the advantages make the investment viable. Not to mention the contribution that one would be making towards preserving the environment by reducing the use of fossil fuels, an already much-depleted resource.

Samruddhi, through its collaboration with SHELL SOLAR, extends financial assistance of up to 90% of the asset value, for the purchase of solar systems in accordance with its credit policy. While the collaboration is recent, with 16 loans having been disbursed so far, the response from customers has been quite encouraging with respect to the performance and reliability of the solar products. *While currently only one unit has been offering this loan product, plans are to expand operations to Nandyal of Kurnool District in AP and Bellary District in Karnataka during the FY 03-04.*

FOCUSING ON THE POOR

It is an established fact that states in Northern and Eastern India are a lot poorer when compared to the rest of the country. Samruddhi actively chooses to work in some of these poor and underdeveloped regions where the access to financial services for the poor is relatively scarce. While micro-finance is rather concentrated in Andhra Pradesh and the other Southern states, Samruddhi is keen to take the successful experiments in micro-finance to the poorer states of the country so that established methodologies can be replicated in these regions.

As part of this mission, Samruddhi, with the support of the Canadian International Development Agency (CIDA), expanded its operations into the backward regions of Eastern Maharashtra and Southern Orissa between 1999-2002. This was Phase I of the 'Banking with the Poor' project. The proposed expansion to Madhya Pradesh and Chattisgarh is an extension of Phase I, whereby Samruddhi will expand its operations to the backward and dry regions of these two states. The aim is to improve the financial infrastructure in these regions with the results hopefully encouraging replications. As on March 31, 2003, 24% of our loan outstanding is outside the state of Andhra Pradesh. This is expected to go up to 30% by 2005.

Providing women with access to financial services has always been a part of the BASIX mandate. As on March 31, 2003, 23% of the total disbursement during the year has been to women. Samruddhi has collaborated with various

agencies involved in promotion and support of Self-Help Groups (SHGs) and through these collaborations, loans have been extended to several SHGs and Federations of SHGs. Samruddhi also lends to many individual women micro-entrepreneurs. Most of the direct women borrowers are involved in a variety of non-farm activities and dairy. The Technical Assistance program of BASIX (provided by IGS) in dairy over the past three years has benefited several of them.

Samruddhi has been promoting and working with these groups (SHGs, MACS, ROSCAS)⁷ for several years. The Company hopes to achieve a portfolio in which at least a third is of its clients are women.

While loan sizes alone do not indicate the economic level of the borrowers, they continue to remain a useful and simple surrogate to measure outreach to the poor. As on March 31, 2003, Samruddhi has lent over Rs. 250 million in loans below Rs. 10,000 and these loans make up 71% of the loans disbursed in 2002-03.

OUTLOOK FOR 2003-04

Samruddhi, as of 31st March 2004, would be operating in over 4,100 villages in the states of Andhra Pradesh, Karnataka, Maharashtra, Orissa and Jharkhand. The disbursement target for 2003-04 is Rs 650 million and it is estimated that the Loan outstanding as on March 31, 2004 would be a little over Rs. 481 million. The company expects to make a pre-tax profit in excess of Rs. 15.4 million. The number of branches should go up to 24, while the total number of staff is expected to exceed 400. Three new units will be created by splitting some existing ones. These are Yavatmal (from Wardha), Adilabad (from Nirmal) and Hindupur (from Anantapur). Life insurance cover will be compulsory for all borrowers and the Company plans to cover 25% of its dairy borrowers during the year. A significant amount of training shall be imparted to Samruddhi's Managers, Executives and CSAs on Insurance Marketing. Feasibility studies and area surveys for expansion to Madhya Pradesh and Chattisgarh will be undertaken in 2003-04. This groundwork will lay the foundation for commencement of lending in 2004-05.

To
The Members

Bhartiya Samruddhi Finance Limited

The Directors have pleasure in presenting their Seventh Annual Report and the Audited Statement of Accounts of the Company for the period ended March 31, 2003.

Operating Results for the Year Ending March 31, 2003

	Rs. 000s		
	March 31, 2003	March 31, 2002	March 31, 2001
Income	74,408	48,747	32,564
Expenditure	68,410	46,035	30,389
Net Profit before Tax	5,998	2,712	2,175
Provision for Tax	1,686	600	900
Net Profit after Tax	4,312	2,112	1,275

The Company, during the year, disbursed Rs. 390 million in micro-credit and as on 31st March 2003, had over 40,000 rural clients. Non-farm loans continued to grow rapidly and accounted for over 50% of the loans outstanding. Loans to women stood at 21% while loans to Self-Help Groups (SHGs) and Community Financial Institutions (CDFIs) remained stagnant at 5% of the total Loan Outstanding. This was mainly due to increased, and sometimes reckless, lending by banks to these institutions. Our portfolio quality continues to remain healthy. The on-time repayment rate went up marginally to 93.3% as on March 31st 2003, from 93% as on 31st March 2002. Performing assets as per RBI norms was 94.7%. The company continues to follow a more stringent accounting policy for its overdue loans than what is required by the Reserve Bank of India.

The Company also continued its active role in facilitating Technical Assistance and Support Services (TASS) to its clients. TASS products were developed and delivered along with credit, and have been fully integrated into the Company's operations.

The Company during the year continued the process of exiting from two districts, Mahabubnagar and Raichur, consequent to a group banking company, Krishna Bhima Samruddhi Local Area Bank, commencing banking operations.

FINANCE

The Company continued to attract competitive financing from leading institutions for its micro-finance activities. Your Directors are happy to report that financing for the Business Plan Disbursements as mentioned above is fully in place. An amount of Rs. 50 million has already been sanctioned by various funding institutions. Proposals to the extent of Rs. 120 million are in various stages of appraisal. Moreover, we are exploring with a leading Indian bank the possibility of securitizing our Loan Portfolio.

DIRECTORS

The Board of the Company comprised eminent individuals from the fields of finance and rural development. Prof. Malcolm Harper, Mr. Deep Joshi, Mr. S Loganathan, Mr. Joe Madiath, Mr. Anoop Seth, Ms. Bharti Gupta Ramola, Mr. Paul DiLeo, Mr. Bas Rekveld, Ms. Nandini Adya and Mr. Vijay Mahajan continued to hold office as Directors throughout the year. The Directors recommend the appointment of Mr. S Viswanatha Prasad as the new Managing Director, with effect from May 12, 2003. Mr. Prasad is presently the Chief Operating Officer of the Company.

AUDITOR'S REPORT AND APPOINTMENT

The Report of the Statutory Auditors of the Company, M/s. V Nagarajan and Company, Chartered Accountants, is attached herewith. M/s. V Nagarajan and Company, being eligible, offer themselves for reappointment as Statutory Auditors of the Company and the Directors recommend to the members that the appointment may be approved.

NON-ACCEPTANCE OF PUBLIC DEPOSITS

As per the Non-Banking Finance Companies (RBI Directions, 1998), the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits at the end of the year.

**ENERGY CONSERVATION MEASURES,
TECHNOLOGY, ABSORPTION AND R&D EFFORTS**

- a) Environment: The Company last year adopted an Environmental Policy, which reiterates the company's commitment to financing environmentally and socially sound projects. Lending should result in borrowers complying with Indian environmental, health and safety requirements. In addition, loans will not be made to borrowers engaged in certain prohibited activities whose financing would pose a question of reputation or ethical dilemma to the Company or its shareholders.

With the above concerns the Company has modified its Operations Policy and has banned certain kinds of activities from being financed, which are environmentally and socially damaging. This is the first time the Company has developed such a 'negative' list. With increasing experience this list will be reviewed and modified.

- b) Technology: One of the key challenges facing cost effective and reliable delivery of financial services to the poor is the adoption of latest technologies that will be able to not only reduce transaction costs for both the company and its customers but also expand markets and increase outreach. Towards this, the Company is undertaking several pilot projects, which are in various stages of implementation. The results of the pilot have been encouraging and we expect to scale them up significantly in 2003-04.

The particulars required under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation, Technology Absorption and R&D Efforts do not apply.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, we have to report that during the year there were no employees in this category.

COMPOSITION OF AUDIT COMMITTEE

The following directors are members of the Audit Committee of the Company:

1. Anoop Seth
2. Paul DiLeo
3. Bas J Rekvelt
4. Vijay Mahajan

The Statement by the Chairman of the Audit Committee is annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors would like to inform you that the Audited Accounts containing the Financial Statements for the year ended March 31, 2003 are in full conformity with the requirements of the Companies Act, 1956 and the Directors hereby declare that:

1. In the preparation of the annual accounts, the applicable accounting standards as referred to in Sec 211 (3C) of the Companies Act, 1956 have been followed without any material departure.
2. The accounting policies as stated in the notes forming part of accounts have been selected and applied consistently so as to give a true and fair view of the accounts of the Company as at March 31, 2003. While doing so the Directors have made necessary judgements and estimates which are reasonable and prudent for this purpose.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. The annual accounts have been prepared on a "Going Concern" basis.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation of the support the Company has received from its various funders, stakeholders, bankers, employees at all levels, Customer Service Agents and all other well-wishers.

On behalf of the Board of Directors

Place: Hyderabad

Date: April 26, 2003

Bharti Gupta Ramola
Chairperson

To
The Members
Bhartiya Samruddhi Finance Limited

Sub: Audit Committee

The following directors are members of the Audit Committee of the Company:

1. Anoop Seth
2. Paul DiLeo
3. Bas J Rekvelt
4. Vijay Mahajan

The Audit Committee has carried out its responsibilities during the year in compliance with the terms of reference specified by the Board and has received full cooperation and information from the management in doing so. Keeping in view the said terms of reference

1. The management has presented the audited financial statements to the Audit Committee and any explanations thereon.
2. The Auditors have been satisfied with the application of generally accepted accounting principles and Reserve Bank of India guidelines while drawing up the accounts.

3. The Auditors have discussed with the Audit Committee, the health of the internal control systems and their observations.
4. The members of the Audit Committee have discussed among themselves the information disclosed to the Committee and satisfied themselves as to the quality of the financial statements, the adequacy of systems of accounting, internal audit and control, and compliance with all applicable laws and regulations.

On behalf of the Audit Committee

Place: Hyderabad
Date: April 25, 2003

Anoop Seth
Chairman

TO THE MEMBERS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED

We have audited the attached Balance Sheet of **BHARTIYA SAMRUDDHI FINANCE LIMITED** as at March 31, 2003 and the Income and Expenditure account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we state in the annexure, a statement of matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by the law have been kept by the company, so far as appears from our examination of the books maintained at the Head Office and all the branches of the Company, visited by us;

- c) The Balance Sheet and the Income and Expenditure account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Income and Expenditure Account and the Balance Sheet comply with the accounting standards referred to in Sub-section 3(C) of Section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the Directors as on March 31, 2003 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2003 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, 2003 and
 - ii. in the case of Income and Expenditure account, of the profits of the company for the year ended on that date.

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED
[Pursuant to the Manufacturing and Other Companies (Auditor's Report) Order, 1988]

- I. In respect of items stated in Sub-paragraph (A) of Paragraph 4 of the Order:
 1. The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company have been physically verified by the management at least once in six months. Out of the verification so done, no material discrepancy was reported to have been noticed.
 2. No fixed assets have been revalued during the period under review.
 3. The company has taken loans, from companies in the register required to be maintained under Section 301 of the Companies Act, 1956. The terms of the loan are not prejudicial to the interest of the Company.
 4. The Company has not given any loans, secured or unsecured to companies, firms and other parties listed in the register required to be maintained under Section 301 of the Companies Act, 1956.
 5. The parties to whom loans or advances in the nature of loans have been given by the Company in the ordinary course of business, are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
 6. In our opinion and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company.
 7. The Company has an internal audit system commensurate with the size of the Company.
 8. The Company has not accepted any deposits from the public.
 9. The Company has regularly deposited during the period under review, Provident Fund with the appropriate authorities.
 10. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, sales tax and custom duty which were outstanding as at March 31, 2003 for a period more than six months from the date they become payable.
 11. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under the contractual obligations or in accordance with the generally accepted business practices.
 12. In respect of the other activities covered by Clause 4(D) of the Manufacturing and other Companies (Auditors' Report) order, 1988, the Company's finance activities are considered to be under the purview of the above clause. Further in respect of the items covered by this clause, we are to report that no special statute is applicable except the Non-Banking Financial Companies Directions of the Reserve Bank of India, which the Company has been complying with. The Company does not trade in shares and securities nor provides loans and advances against the pledge of shares and securities.
 13. Other clauses of the order are not applicable to the Company.

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

Auditors' Report for the year ended March 31, 2003

AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED
[Pursuant to Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998]

We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2003 and the Income and Expenditure Account for the year ended on that date annexed thereto and report that:

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

1) IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES (PARAGRAPH 3 (A) OF THE ORDER):

- a) The Company has obtained a certificate of registration as a Non-Banking Financial Company vide Certificate no. 14.01502 dated August 19, 1999 pursuant to Section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934).

2) IN THE CASE OF A NON-BANKING FINANCIAL COMPANY NOT ACCEPTING PUBLIC DEPOSITS (PARAGRAPH 3(C) OF THE ORDER):

- a) The Board of Directors has passed a resolution in the meeting held on April 26, 2003 for the non-acceptance of any public deposits.
- b) The Company has not accepted any public deposits during the period under review.
- c) The Company has complied with the prudential norms relating to income recognition, assets classification, accounting standards and provisioning for bad and doubtful debts during the year ended March 31, 2003.
- d) The company has also followed the capital adequacy norms. The accounting policies followed by the Company in respect of the same is reported in the notes forming part of accounts.

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

Rupees in '000s

BALANCE SHEET AS AT		31-Mar-03		31-Mar-02	
LIABILITIES	Sch				
SHAREHOLDERS' FUNDS					
Share Capital	1	206,001		206,001	
Reserves and Surplus	2	8,767	214,768	5,515	211,516
LOAN FUNDS					
Secured Loans	3	97,203		65,579	
Unsecured Loans	4	71,390	168,593	104,209	169,788
Deferred Taxation (Net)			1,046		
TOTAL			384,407		381,305
ASSETS					
FIXED ASSETS (At cost less depreciation)	5		5,826		5,286
INVESTMENTS	6		39,940		43,590
CURRENT ASSETS, LOANS & ADVANCES					
Cash and Bank Balances	7	59,357		121,958	
Unsecured Loans to Rural Producers	8	307,956		222,778	
Interest Receivable on Loans		7,611		7,311	
Advances Recoverable	9	6,144	381,068	6,635	358,682
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	10	40,828		24,906	
Provision for Taxation		1,700	42,528	1,500	26,406
NET CURRENT ASSETS			338,539		332,277
MISCELLANEOUS EXPENDITURE			101		152
<i>(To the extent not written off or adjusted)</i>					
TOTAL			384,407		381,305

Accounting Policies and Notes to Accounts 15

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

for BHARTIYA SAMRUDDHI FINANCE LIMITED

Hyderabad
April 26, 2003

Director

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

BASIX

Equity for Equity

BHARTIYA SAMRUDDHI FINANCE LTD

ANNUAL REPORT 2002 - 2003

Rupees in '000s

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED		31-Mar-03	31-Mar-02
INCOME	Sch		
Income from Operations	11	64,572	45,607
Income from Investments		7,322	3,520
Other Income	12	1,874	590
Excess Provision written back		641	(970)
Total		74,408	48,747
EXPENDITURE			
Interest on Borrowed Funds		16,225	15,615
Salaries, Allowances and Benefits to Staff	13	17,305	9,491
Financial Services Charges to Customer Service Agents		7,114	5,121
Other Operating Expenses	14	17,463	10,782
Bad Debts written off		8,771	4,602
Non-Cash Charge			
Depreciation		1,482	373
Miscellaneous Expenditure written off		51	51
Total		68,410	46,035
Profit Before Tax		5,998	2,712
Provision for Current Tax		1,700	600
Profit after Current Tax		4,298	
Credit for Deferred Tax		(14)	
Profit After Tax		4,312	2,112
Earlier year provision written back		-	215
Total		4,312	2,327
APPROPRIATIONS:			
Profit brought forward from last account		568	34
Transferred to			
Portfolio Risk Reserve		3,600	1,293
General Reserve			500
Balance carried over		1,280	568

Accounting Policies and Notes to Accounts

15

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

Hyderabad
April 26, 2003

(**V. NAGARAJAN**)
Partner

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director

Managing Director

Company Secretary

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-03	31-Mar-02
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
Equity Shares		
25,000,000 Equity Shares of Rs. 10 each (Previous year: 25,000,000)	250,000	250,000
Preference Shares		
50,00,000 Preference Shares of Rs. 10 each (Previous year: 50,00,000)	50,000	50,000
<i>Total Authorised Capital</i>	300,000	300,000
Issued Subscribed and Paid-up:		
20,600,000 Equity Shares of Rs.10 each Fully paid up in cash (Previous Year : 20,600,000 Shares) Share Warrants 1000 Sweat Equity Share Warrants (Previous Year:1000 Warrants)	206,000	206,000
	1	1
Total	206,001	206,001
SCHEDULE 2 : RESERVES AND SURPLUS		
<i>a. General Reserve</i>	2,807	2,307
Add : Transfer		500
Less: Transfer to deferred tax liability on initial adoption	1,060	-
	1,747	2,807
<i>b. Portfolio Risk Reserve</i>	2,140	847
Add: Transfer	3,600	1,293
	5,740	2,140
<i>c. Income and Expenditure Account</i>	1,280	568
Total	8,767	5,515

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director

Managing Director

Company Secretary

SCHEDULE 3: SECURED LOANS

Rupees in '000s

Sr. no	Name of bank/financial institution	Amount availed of as on March 31, 2003		Balance outstanding as on		Due for payment by 31-Mar-04	Interest rate	Repayment period including moratorium, payable in	Type of security
		Date availed	Rupees	31-Mar-02	31-Mar-03				
1	Small Industries Development Bank of India - I	30-Sep-99	20,000	13,393	8,036	5,357	11.00%	Moratorium: 1 year Repayable in: 5 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. 20 lacs.
2	CORDAID, Netherlands	21-Mar-00	20,000	18,750	17,500	2,000	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	ICICI Bank Ltd	13-Jun-00	40,000	2,034	-	-	Prime Lending Rate Currently 13.5%	Open ended Short term Working capital Cash Credit Facility. Margin - 35%	Direct Crop Loans, Crop loans through on-lenders and Agriculture long term loans
4	Small Industries Development Bank of India - II	1-Jun-01	30,000	30,000	21,334	10,667	11.00%	Moratorium: 1 year 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., Rs. 30 lacs
5	Small Industries Development Bank of India - III	21-Oct-02	15,000	-	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.
6	CORDAID, Netherlands	23-Dec-02	20,000	-	20,000	-	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)	2-Feb-03	10,000	-	10,000	5,000	12.10%	Repayable in: 2 years	A charge by hypothecating book debts present and future non-farm loans up to Rs 300 lakhs
8	HDFC Bank (Cash Credit)	21-Feb-03	10,000	-	-	-	12.50%	Open ended Short term Working capital Cash Credit Facility. Margin - 25%	A charge by hypothecating book debts present and future non-farm loans up to Rs 300 lakhs
9	UTI Bank	21-Mar-03	5,000	-	5,000	500	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; b) SHGs with Individual S&C and Cash Security and c) Federation of SHGs and MACTS
10	Global Trust Bank	1-Mar-99	-	1,395	-	-	10.50%	Loan repaid	
11	State Bank of India, Adoni	13-Feb-02	334	-	334	-	9.75%	Open-ended.	Against Fixed deposit
12	Overdraft with Canara bank, Khanmamb	18-Feb-02	750	6	-	-	9.75%	Open ended	Against Fixed deposit
	Total		171,084	65,578	97,204	27,810			

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2003

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director Managing Director

Company Secretary

Audited Financial Statements for the year ended March 31, 2003

BASIX

Equity for Equity

BHARTIYA SAMRUDDHI FINANCE LTD

SCHEDULE 4: UNSECURED LOANS

Rupees in '000s

Sr. no	Name of bank/financial institution	Amount availed of as on March 31, 2003		Balance outstanding as on		Due for payment by 31-Mar-04	Interest rate	Repayment period including moratorium payable in
		Date availed	Rupees	31-Mar-02	31-Mar-03			
1	Housing Development Finance Corporation Limited.	31-May-00	10,000	8,256	5,955	2,578	12.00%	One Year moratorium. 48 consecutive equate monthly installments (EMIs) of Rs 274,363
2	Developpement international Desjardins, Canada (Loan 1)	3-Jan-01	12,329	12,329	12,329	-	6.00%	Principal amount shall be repayable in eight semi-annual installments beginning on Mar 31, 2009
3	Shorebank Corporation, Chicago	10-Oct-01	23,920	23,920	23,920	-	8.33%	Bullet payment due on March 30, 2005
4	Developpement international Desjardins, Canada (Loan 2)	5-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)	3-Dec-02	15,448	-	15,448	-	6.00%	Payable in eight semi-annual installments beginning on Sep 30, 2011
6	Bhartiya Samruddhi Investments and Consulting Services Ltd	27-Feb-02	-	45,965	-	-	11.00%	Loan repaid in December 2002
	Total		75,436	104,209	71,391	2,578		

All loans are Rupee denominated and carry no exchange risk. No payment is overdue upto March 31, 2003

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

(V. NAGARAJAN)
Partner

Hyderabad
April 26, 2003

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director

Managing Director

Company Secretary

Audited Financial Statements for the year ended March 31, 2003

Rupees in '000s

SCHEDULE 5: FIXED ASSETS AS AT MARCH 31, 2003

Assets	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK		
	As on 31.3.2002	Additions during the year	Deletions during the year	As on 31.03.2003	Rate of Depreciation	For the year	Deletions during the year	As on 31.03.2003	As on 31.03.2002
Furniture And Fixture	1,231	586	54	1,763	168	96	10	1,511	1,063
Professional Equipment	3,947	926	9	4,864	443	1,302	4	3,123	3,504
Office Equipment	782	561	20	1,323	108	80	4	1,140	674
Vehicles	65	14	2	77	18	7	1	53	46
Total	6,025	2,088	85	8,027	737	1,483	19	5,826	5,288
As on 31.3.2002	4,308	2,150	434	6,025	507	373	141	739	

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

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

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

for BHARTIYA SAMRUDDHI FINANCE LIMITED

Director Managing Director

Company Secretary

Audited Financial Statements for the year ended March 31, 2003

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-03	31-Mar-02
SCHEDULE 6 : INVESTMENTS		
Short Term:		
Non-Trade - Quoted		
In ICICI Prudential Mutual Fund- Fixed Maturity Plan Half-yearly 2,000,000 units of Face Value of Rs. 10/- (Market Value Rs. 21,311)	20,000	23,500
In ICICI Prudential Mutual Fund - Treasury Plan- Growth 741,663 units of Face Value of Rs. 10/- (Market Value Rs. 10,645)	9,993	10,000
In HDFC Income Fund- Growth Plan 770,937 units of Face Value of Rs. 10/- (Market Value Rs. 11,128)	9,857	10,000
13.05 % Government Stock 2007 800 units of Face Value of Rs. 100/-	90	90
Total (Aggregate Market Value Rs. 43,174)	39,940	43,590
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash in hand	538	1,230
Balances with Scheduled Banks in:		
Current Accounts (including in transit)	9,149	4,888
Fixed Deposits	49,670	115,840
Total	59,357	121,958
SCHEDULE 8: UNSECURED LOANS TO PRODUCERS		
Nonfarm - Micro Entp. (ST)	153,390	102,151
Agri Allied	68,144	49,462
Agri Short Term	52,594	47,020
Agri Long Term	8,856	7,626
House Repairs & Extensions	8,845	998
Crop Thru on Lenders	1,110	1,198
Nonfarm-Small & Medium (Long Term)	770	594
Nonfarm-Growth Micro Entp.	707	1,259
SHGs and Federation of SHGs	12,413	11,980
Vehicle Loans to CSA/Employees	2,916	3,000
Loans: SUDAMA	118	37
Sub Total	309,863	225,327
LESS: Provision for Doubtful debts	(1,907)	(2,548)
Total	307,956	222,778

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 26, 2003

Director

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-03	31-Mar-02
SCHEDULE 9 : ADVANCES RECOVERABLE <i>(Unsecured - Considered Good)</i> Advances and other amounts recoverable in cash or kind or value to be received		
- Advance for Expenses	383	1,488
- Due from Company under same Management	-	910
- Prepaid Expenses	704	307
- Interest accrued on Fixed Deposits	1,533	1,866
- Rent and Telephone Deposits	533	381
- Advance Tax	2,495	1,539
- Other Receivables	497	144
Total	6,144	6,635
SCHEDULE 10 : CURRENT LIABILITIES		
Cash Security from Borrowers	38,145	23,016
Sundry Creditors	1,256	530
Interest Accrued but not due on Loans	768	959
Statutory Liabilities	658	401
Total	40,828	24,906
SCHEDULE 11: INCOME FROM OPERATIONS		
Income from Loans to Rural Producers		
Interest on Loans to Rural Producers <i>(Net of rebates and derecognised interest): See Note 9 Schedule 15</i>	55,705	40,607
Loan Processing Fees	8,070	4,561
Recovery of debts written off in earlier years	797	439
Total	64,572	45,607
SCHEDULE 12 : OTHER INCOME		
Consultancy Fees	1,580	380
Other Income	294	210
Total	1,874	590

As per our report of even date
for V. NAGARAJAN & Co.,
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for BHARTIYA SAMRUDDHI FINANCE LIMITED

Hyderabad
April 26, 2003

Director

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

Rupees in '000s

SCHEDULES TO THE ACCOUNTS AS AT	31-Mar-03	31-Mar-02
SCHEDULE 13 : SALARIES, ALLOWANCES AND BENEFITS TO STAFF		
Salaries, Allowances and other Benefits	13,967	8,166
Contributions to Provident Fund and Other Funds	933	603
Meeting, Training and Staff Expenses	2,405	722
Total	17,305	9,491
SCHEDULE 14 : OTHER OPERATING EXPENSES		
Travel and Conveyance		
- Directors	1,345	116
- Others	5,796	3,022
	7,141	3,137
Administrative Expenses	1,048	934
Postage and Telecommunications	1,635	1,351
Printing and Stationery	1,507	1,073
Rent, Rates and Taxes	1,471	1,025
Auditors' Remuneration and Expenses	752	596
Office Maintenance	654	547
Bank Charges	519	511
Professional Charges	645	322
Legal Charges	668	348
Internal Audit Fees	437	215
Repairs and Maintenance	425	295
Sundry balances adjusted(Net)	366	309
Loss on Exchange Fluctuation	27	-
Loss on Investments	150	-
Loss on Sale of Assets	16	116
Total	17,463	10,782

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad
April 26, 2003

Director

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

SCHEDULE 15: NOTES ON ACCOUNTS

1) ACCOUNTING POLICIES:

a) Basis of preparation of Financial Statements:

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

b) Revenue Recognition:

- i) Interest on loans is recognized on accrual basis, as per contracts with 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 rates specified in Schedule XIV of the Companies Act, 1956.
- iii) In respect of additions the depreciation is provided prorata from the date the assets are put into use.

d) Loans and Advances:

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

e) Provision for Loan Losses:

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

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.

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 instalments.

i) Accounting for Taxes on Income:

Taxes on income have been accounted in accordance with AS-22. Deferred tax liability and assets 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.

2) CONTINGENT LIABILITIES: Nil

3) BUSINESS OPERATIONS:

The Company provides financial services, which are currently, 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 workplace. The Company has developed and extensively tested the methodology for its operations, and is planning to expand to increase outreach. The Company will strive to demonstrate that these services can be provided to its customers in a profitable manner.

4) SHARE CAPITAL

a) Shareholding Pattern:

Sl. No	Shareholder's Name	No.s	Amount Rs. '000s	% Holding	Amount Rs. '000s	% Holding
	Equity Shares of Rs.10 each		March 31,2003		March 31,2002	
1	Bhartiya Samruddhi Investment and Consulting Services Ltd.	9,690,500	96,905	47.0%	96,905	47.0%
2	International Finance Corporation, Washington	4,700,000	47,000	22.8%	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	4.9%	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%
	Total	20,600,000	206,000	100.0%	206,000	100.0%
	Optionally Convertible Share Warrants of Re. 1 each					
8	Bhartiya Samruddhi Investment and Consulting Services Ltd.	1000	1	100%	1	100%
	Total Equity Funds		206,001		206,001	

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. The company is in the process of initiating suitable corporate action.

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

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

5) RESERVE AND SURPLUS:

As per the prevailing policy for Portfolio Risk Reserve (PRR) the company would have to write back Rs. 0.29 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. 3.6 million. (Previous year Rs. 1,293,151).

6) INVESTMENTS:

During the year units held in ICICI Prudential Mutual Fund – Gilt Plan and units held in ICICI – Income Fund Dividend Plan were switched to ICICI Prudential – Treasury Plan Growth and HDFC Income Fund -Growth respectively. The difference between the book value and NAV at the time of conversion is booked as Loss on Investments.

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. in thousands

Asset Classification	Loan outstanding (without provisioning)				Provision			Loan Outstanding (Net of provisioning)	
	As on 31.3.03		As on 31.3.02		Upto 31.03.02	During the period	Upto 31.03.03	Upto 31.03.03	Upto 31.03.02
Asset	No of Acs	Amount	No of Acs	Amount					
Standard	37,377	295,161	25,670	214,670			-	295,161	214,670
Sub-Standard	1,704	14,217	874	9,009	901	521	1,422	12,795	8,108
Doubtful	4	485	86	1,647	1,647	(1162)	485	-	-
Total	39,085	309,863	26,630	225,326	2,548	(641)	1,907	307,956	222,778

- b) During the period an amount of Rs. 8,771,147 (Previous year Rs. 4,601,828 has been written off for bad and doubtful debts. During the year an amount of Rs. 796,991 (Previous year Rs.438,951) has been recovered in respect of the loans written off in earlier years.

8) DETAILS OF BAD DEBTS WRITTEN OFF

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

	No of Acs	Amount
Loans overdue by 730 days or over	407	4,385
Loans overdue between 400 days to 730 days	402	3,925
Loans Overdue below 400 days	57	460
Total	866	8,771

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

9) INTEREST ON LOANS TO RURAL PRODUCERS:

This is net of rebates for on time Repayment of Rs. 1,324,729 and Interest de-recognized of Rs. 2,045,501.

10) DEFERRED TAX

The deferred tax liability on the date of adoption amounting to Rs. 1,060,000 has been adjusted against General Reserve. Deferred tax assets amounting to Rs. 14,000 pertaining to the current year have been reflected in Income and Expenditure Account for the year.

11) AUDITORS' REMUNERATION

This includes:

Rs. in thousands

Year / Year ended	March 31, 2003	March 31, 2002
a) Audit Fees	425	310
b) Fee for Certification	42	48
c) Taxation	73	50
d) Out of Pocket Expenses	212	188
Sub-Total	752	596
Audit Manual and systems*	-	105
Total	752	701

* included in professional charges

12) EARNINGS AND OUTGO IN FOREIGN CURRENCY

Rs. in thousands

Year ended	March 31, 2003	March 31, 2002
<i>Income:</i>		
Consultancy Fees	1,580	380
<i>Expenditure:</i>		
Interest on Loans	4,027	2,744
Travel	241	-
<i>Outgo:</i>		
Remittance on account of Principal Repayment	1,250	1,250

13) MISCELLANEOUS:

- Pending expected completion by June 30, 2003 of International Finance Corporation (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, 2003.
- 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
- 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.
- Previous Year figures have been regrouped and rearranged wherever necessary.

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

for BHARTIYA SAMRUDDHI FINANCE LIMITED

Hyderabad
April 26, 2003

Director

Managing Director

(V. NAGARAJAN)
Partner

Company Secretary

Enclosure to Notes forming part of accounts for the year ended March 31, 2003

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
Balance Sheet Date	3	1		0	3		2	0	0	3

State Code

5	5
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II. Capital Raised During the Period (Amount in Rs. Thousands)

Public Issue										0
Bonus Issue										0

Right Issue										0
Private Placement										0

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

Total Liabilities			3	8	3	3	6	1
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Total Assets			3	8	3	3	6	1
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Sources of Funds

Paid-up Capital			2	0	6	0	0	1
Secured Loans			9	7	2	0	3	

Unsecured Loans			8	7	6	7
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Application of Funds

Net Fixed Assets			5	8	2	6		
Net Current Assets			3	3	7	4	9	3
Accumulated Losses								0

Investments			3	9	9	4	0	
Accumulated Losses						1	0	1

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

Total Receipts	+		7	4	4	0	8	
Profit/Loss before Tax	+	-			5	9	9	8
Earning Per Share (Rs.)			0	.	2	1		

Total Expenditure	+		6	8	4	1	0	
Profit / Loss after Tax	+	-			4	3	1	2
Dividend								

V. Generic Name of three Principal Products / Services of the Company

Item Code No. (ITC Code) :	N	A		
Product Description	FINANCIAL SERVICES			

As per our report of even date
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Chartered Accountants

Hyderabad
April 26, 2003

(V. NAGARAJAN)
Partner

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Director Managing Director

Company Secretary

BASIX

Equity for Equity

ANNUAL REPORT 2002 - 2003