

**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, 1998 and the Profit and Loss account for the year ended on that date annexed thereto and report that:

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 -marked as "Annexure 1" - a statement of matters specified in paragraphs 4 and 5 of the said Order.

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 in Annexure - marked as "Annexure 2"- a statement of matters specified in paragraph 3 of the said Directions.

Further to our comments in the Annexures 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;
- c) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
- d) 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, 1998 and
  - ii. In the case of Profit and Loss account, of the profit of the company for the period ended on that date.

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

New Delhi  
July 1, 1998



  
**(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 during the year. Out of the verification so done, no material discrepancy was reported to have been noticed.
  2. The question of revaluing the fixed assets did not arise during the year as the assets were acquired during the year only.
  3. The company has taken an unsecured short term loan, from its holding company, listed in the register required to be maintained under section 301 of the Companies Act, 1956, whose rate of interest and other terms and conditions are not prejudicial to the interest of the company.
  4. The company has not given any loans, secured or un-secured to companies, firms and other parties listed in the register required to be maintained under section 301 of the Companies Act, 1956.
  5. The parties, to whom loans or advances in the nature of loans have been given by the company in the ordinary course of business, are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable, except in respect of few parties. The company is taking reasonable steps against these parties to recover the amount including interest thereon.
  6. In our opinion and according to the information and explanations given to us, the company is in the process of establishing adequate internal control procedures commensurate with the size of the company.
  7. The control systems of the company are commensurate with its size of operations. The company is in the process of setting up an internal audit system.
  8. The company has not accepted any deposits from the public.
  9. The company has regularly deposited during the year Provident Fund with the appropriate authorities through the company by which the employees were taken on deputation.
  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, 1998 for a period more than six months from the date they become payable.

*[Handwritten Signature]*

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

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

New Delhi  
July 1, 1998



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

- 1) IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES  
(PARAGRAPH 3 (A) OF THE ORDER):
  - a) Since the company has been incorporated before January 9, 1997, the company has applied for registration as provided in Section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934). It has not received any communication from Reserve Bank of India about the grant of or refusal of certificate of registration to the company.
  
- 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 January 23, 1998 for the non-acceptance of any public deposits.
  - b) The company has not accepted any public deposits during the relevant year. However, the company had accepted certain deposits in nature of margin for the loans extended by the company to its borrowers. Presently, on maturity the company is returning the same and no fresh deposits of that nature is being accepted.
  - 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, 1998. However there was not any need to make a provision for bad and doubtful debts and its accounting policies are reported in the notes forming part of accounts.

New Delhi  
July 1, 1998



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

A handwritten signature in black ink, appearing to read "V. Nagarajan".

**(V. NAGARAJAN)**  
Partner

# BHARTIYA SAMRUDDHI FINANCE LIMITED

BALANCE SHEET AS AT MARCH 31,		1998	1997
	Sch	Rs.	Rs.
<b>LIABILITIES</b>			
<b>SHAREHOLDERS FUNDS :</b>			
Share Capital	1	8,319,000	407,000
Share Application Money		1,000	
Reserves and Surplus	2	125,189	4,876
<b>UNSECURED LOANS:</b>			
Short Term Loan from Holding Company, Bhartiya Samruddhi Investments and Consulting Services Ltd.		10,000,000	
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>A: Current Liabilities</b>			
Sundry Creditors		247,182	5,000
Security Deposits		1,088,460	
Due to Banks		243,812	
<b>B: Provisions</b>			
Provision for Taxation		185,000	
<b>TOTAL</b>		<b>20,209,643</b>	<b>416,876</b>
<b>ASSETS</b>			
<b>FIXED ASSETS (At cost less depreciation)</b>	3	276,949	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>A: CURRENT ASSETS</b>			
Cash and Bank Balances	4	1,389,981	6,928
<b>B: LOANS AND ADVANCES</b>			
Loans			
<i>(Including interest accrued and due and considered good)</i>			
-Secured		16,571,668	
-Unsecured		753,945	17,325,613
Advances Recoverable		1,217,100	349,948
<b>MISCELLANEOUS EXPENDITURE</b>			
<i>(To the extent not to written off or adjusted)</i>			
Pre - Incorporation Expenditure		-	60,000
<b>TOTAL</b>		<b>20,209,643</b>	<b>416,876</b>

**Notes on accounts**

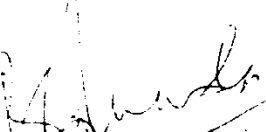
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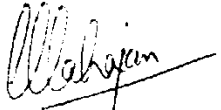
As per our report of even date attached  
for **V. NAGARAJAN & Co.,**  
Chartered Accountants

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

New Delhi  
July 1, 1998

  
**(V. NAGARAJAN)**  
Partner

  
Director

  
Managing Director



Financial Statements for the year ended March 31, 1998

# BHARTIYA SAMRUDDHI FINANCE LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31,

	<i>Sch</i>	1998 <i>Rs.</i>	1997 <i>Rs.</i>
<b>INCOME:</b>			
Interest on Loans to Rural Producers		1,861,095	
Interest on Deposits		165,441	<b>9,948</b>
Loan Processing Charges		52,000	
Other Income		67,525	
Total		<u>2,146,061</u>	<u><b>9,948</b></u>
<b>EXPENDITURE:</b>			
Interest, Fees and Incentives		867,114	
Salaries, Allowances and Benefits to Staff	6	465,316	
Travel and Conveyance			
- Directors		32,284	
- Others		<u>68,283</u>	
Postage and Telecom		100,567	
Rent		26,902	
		12,600	
Other Administrative Expenses	7	267,244	<b>72</b>
Auditors' Remuneration		35,000	<b>5,000</b>
Pre-incorporation Expenses Written off		60,000	
Provision for Taxation		185,000	
Depreciation		6,005	
Total		<u>2,025,748</u>	<u><b>5,072</b></u>
<b>Net Profit</b>		120,313	<b>4,876</b>
Add: Profit brought forward from last account		4,876	
<b>Profit available for appropriation</b>		125,189	<b>4,876</b>
<b>APPROPRIATIONS:</b>			
Transferred to General Reserve		125,000	
<b>Balance carried over to Balance Sheet</b>		189	<b>4,876</b>

### Notes on accounts

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

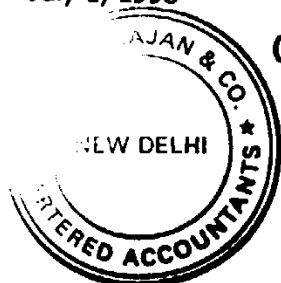
for **BHARTIYA SAMRUDDHI FINANCE LIMITE**

New Delhi  
July 1, 1998

  
**(V. NAGARAJAN)**  
Partner

  
Director

  
Managing Director



# BHARTIYA SAMRUDDHI FINANCE LIMITED

## SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31,

	1998 Rs.	1997 Rs.
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised:</b>		
10,00,000 Equity Shares of Rs. 10 each	10,000,000	10,000,000
<i>Issued Subscribed and Paid up :</i>		
8,31,900 (Previous Year: 40,700) Equity Shares of Rs.10 each fully paid in cash	8,319,000	407,000
<b>Total</b>	<b>8,319,000</b>	<b>407,000</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>General Reserve:</b>		
Transferred from Income and Expenditure Account	125,000	
Income and Expenditure Account:		
Carried Over to next year	189	4,876
<b>Total</b>	<b>125,189</b>	<b>4,876</b>
<b>SCHEDULE 4 : CASH AND BANK BALANCES</b>		
Cash and cheques in hand	5,569	
With Scheduled Banks :		
On Current Accounts	494,044	6,928
On Deposits Accounts	890,368	
<b>Total</b>	<b>1,389,981</b>	<b>6,928</b>
<b>SCHEDULE 5 : LOANS AND ADVANCES</b> <i>(Unsecured and considered good)</i>		
Interest accrued but not due on loans	1,092,538	
Interest accrued on bank deposits	17,997	
Advances and other amounts recoverable in cash or in kind, or value to be received	106,565	349,948
<b>Total</b>	<b>1,217,100</b>	<b>349,948</b>
<b>SCHEDULE 6: INTEREST, FEES AND INCENTIVES</b>		
Interest on Un-Secured Loans	605,364	
Interest on Security Deposits	61,446	
Bank Charges	28,262	
On time repayment rebate	164,156	
Intermediation Fee	7,886	
<b>Total</b>	<b>867,114</b>	
<b>SCHEDULE 7: ADMINISTRATIVE EXPENSES</b>		
Service Charges for Infrastructure Usage	131,936	
Office Maintenance	17,368	
Fuel and vehicle maintenance	47,575	
Professional Charges	15,000	
Other administrative expenses	55,365	72
<b>Total</b>	<b>267,244</b>	<b>72</b>

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**



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

*(Signature)*  
*(Signature)*  
Director                      Managing Director

**BHARATIYA SAMRUDDHI FINANCE LIMITED**

**SCHEDULES TO ANNUAL ACCOUNTS FOR THE YEAR ENDED MARCH 31, 1998**

**SCHEDULE 3: FIXED ASSETS**

S No.	Assets	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
		As on 31.3.97	Additions during the Year	Deletions during the Year	As on 31.3.98	Upto 31.3.97	For the Year	Deletions during the Year	Upto 31.3.98	As on 31.3.98	As on 31.3.97
1	FURNITURE and FIXTURES	-	90,230	-	90,230	-	2,227	-	2,227	88,003	-
2	PROFESSIONAL EQUIPMENT	-	179,580	-	179,580	-	3,393	-	3,393	176,187	-
3	OFFICE EQUIPMENT	-	13,144	-	13,144	-	385	-	385	12,759	-
<b>Total</b>		-	<b>282,954</b>	-	<b>282,954</b>	-	<b>6,005</b>	-	<b>6,005</b>	<b>276,949</b>	-

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 attached

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

New Delhi  
July 2, 1998

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

*(Signature)*  
Director  
*(Signature)*  
Managing Director



# BHARTIYA SAMRUDDHI FINANCE LIMITED

## SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 1998

### SCHEDULE 8: NOTES ON ACCOUNTS

#### 1) ACCOUNTING POLICIES:

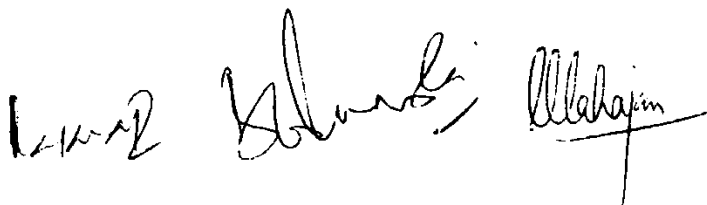
- a) Method of Accounting
  - i) The accounts have been prepared under historical cost conventions and on accrual basis, except other wise stated.
- b) Revenue Recognition
  - i) Interest on loans are recognized on accrual basis, calculated daily product basis on the outstanding as per contracts with the borrowers.
  - ii) Incentives on prompt repayments are accounted for on accrual basis, prorata for the period, at the rate implicit to the transactions.
  - iii) Income on Non performing assets are recognized only when realised and no interest on such assets which has remained past due for more than six months at the end of the accounting year is treated as income.
- c) Fixed assets:
  - i) They 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.
- d) Loans and Advances:
  - i) They 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) Retirement Benefits:
  - i) Contribution to Provident Fund are accounted on actual liability basis
- f) Preliminary and pre-incorporation expenses:
  - i) Have been fully written off on the generation of profits in the first instance.

#### 2) CONTINGENT LIABILITIES:

- a) The company has agreed to stand as a guarantor, for the repayment of principal and interest in Indian rupees, in respect of certain external commercial borrowings of the holding company, Bhartiya Samruddhi Investments and Consulting Services Limited, a closely held but deemed public company, aggregating to Rs.3,56,50,000. The guarantee has not been formally executed as at March 31, 1998. The estimated liability including interest as at March 31, 1998 is Rs 79 lacs.
- b) Accrued Gratuity liability to the employees, if any have not been provided pending actuarial valuation and provision for the same in subsequent years.

#### 3) SHARE CAPITAL:

- a) Out of the share capital consisting of 8,31,900 equity shares of Rs. 10 each, 8,22,500 equity shares are held by the holding company, Bhartiya Samruddhi Investments and Consulting Services Limited.



# BHARTIYA SAMRUDDHI FINANCE LIMITED

## 4) LOANS AND ADVANCES:

- a) In the opinion of the Board of Directors, the loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Accounts and hence no provision for a loan loss has been considered necessary.
- b) All the loans and advances aggregating to Rs. 1,73,25,613 (both secured as well unsecured) are treated as standard assets.

## 5) PROVISION FOR TAXATION:

- a) This includes provision of income tax Rs. 1,27,000 and interest tax under the Interest Act, Rs.58,000.

## 6) AUDITORS' REMUNERATION:

This includes:

	Rs.	
	Year ended	
	March 31, 1998	Previous year
a) Audit fee	30,000	5,000
b) Fee for certification	5,000	Nil
c) For other services rendered		20,000
Total	<u>35,000</u>	<u>25,000</u>

## 7) MISCELLANEOUS:

- a) Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None.
- b) Balance sheet abstract and company's general business profile, pursuant to Part III to Schedule VI is separately attached
- c) Previous year figures have been given wherever applicable.

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

New Delhi  
July 1, 1998

  
**(V. NAGARAJAN)**  
Partner

  
Director

  
Managing Director



