

V.NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF BHARTIYA SAMRUDDHI FINANCE LIMITED


We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2008, the Income and Expenditure account and annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by The Companies (Auditors' Report) Order, 2003 and as amended, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we state in the annexure, a statement of matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred above we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of accounts as required by the law have been kept by the Company, so far as appears from our examination of the books maintained at the Head office and all the branches of the Company visited by us and proper returns adequate for the purpose of audit have been received from branches not 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;

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- e) On the basis of the written representations received from the directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008,
 - ii. In the case of Income and Expenditure account, of the profits of the Company for the year ended on that date and
 - iii. In the case of Cash Flow Statement of the cash flows for the year ended as on 31st March 2008.

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

Hyderabad,
April 26, 2008


(V. NAGARAJAN)
Partner
Membership No.19959

V.NAGARAJAN & CO.,

Chartered Accountants

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

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

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14. The Company has not given any guarantee for loans taken from banks or financial institutions, except in respect of securitized portfolio sold and managed. The terms and conditions of such guarantee are not prejudicial to the interest of the company.
 15. The Company had applied term loans for the purpose for which it has been raised.
 16. The Company was in the business of providing micro finance, which involves provision of short-term loans up to a maximum period of 18 months in all cases. In few cases term loans are provided up to a period of three years. Most of the funds raised for these purposes are medium and long term and were rotated in the business until they become due for payment. The details of payments in respect of borrowings falling due within the next one year are reported in the financial statements.
 17. The Company has not made any preferential allotment of shares during the year.
 18. The Company has not issued any debenture during the year.
 19. The Company during the year has not raised any money through public issue of shares.
 20. The Company has noticed frauds by employees and Livelihood Service Advisors to the tune of Rs 3,22,866/- during the financial year 2007-08 which is mainly in the nature of misappropriation of collection from borrowers, out of which the Company has recovered Rs 1,55,388/-.
 21. Other clauses of the order are not applicable to the Company.

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

Hyderabad,
April 26, 2008

(V. NAGARAJAN)
Partner
Membership No.19959

V.NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT OF EVEN DATE TO THE BOARD OF DIRECTORS OF
BHARTIYA SAMRUDDHI FINANCE LIMITED
[Pursuant to Non-Banking Finance Companies Auditor's report (Reserve Bank) Directions, 2007]

We have audited the attached Balance Sheet of BHARTIYA SAMRUDDHI FINANCE LIMITED as at March 31, 2008 and the Income and Expenditure account for the year ended on that date annexed thereto and report that:

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

1. IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES (PARAGRAPH 3 (A) OF THE ORDER):
 - a) The Company has obtained a certificate of registration as a Non-Banking Financial Company vide Certificate No.14.01502 dated August 19, 1999 pursuant to Sec 45IA of the Reserve Bank of India Act, 1934 (2 of 1934).
2. IN THE CASE OF NON-BANKING FINANCIAL COMPANIES NOT ACCEPTING PUBLIC DEPOSITS (PARAGRAPH 3 (C) OF THE ORDER)
 - a) The Board of Directors has passed a resolution in the meeting held on April 26, 2008 for the non-acceptance of public deposits.
 - b) The Company has not accepted any public deposits during the year under review.
 - c) The Company has through a Board resolution identified the group and Subsidiary Companies.
 - d) The Company has complied with the prudential norms relating to income recognition; asset classification, accounting standards and provisioning for Bad & doubtful debts during the period ended March 31, 2008.

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

Hyderabad,
April 26, 2008

(V. NAGARAJAN)
Partner
Membership No.19959

BHARTIYA SAMRUDDHI FINANCE LIMITED

Rupees in '000s

BALANCE SHEET AS AT	Sch	31-Mar-08	31-Mar-07
LIABILITIES			
SHAREHOLDERS FUNDS			
Share Capital	3	216,000	216,000
Reserves and Surplus	4	83,627	56,368
		299,627	272,368
LOAN FUNDS			
Secured Loans	5	1,682,133	1,016,584
Unsecured Loans	6	28,894	39,574
		1,711,027	1,056,158
Deferred Tax Liability (Arising out of Depreciation)		8,150	4,806
TOTAL		2,018,804	1,333,332
ASSETS			
FIXED ASSETS (At cost less depreciation)	7	66,283	38,466
INVESTMENTS	8	-	90
CURRENT ASSETS, LOANS & ADVANCES			
Cash and Bank Balances	9	252,865	267,171
Loans to Rural Producers (Owned & Managed)		2,254,112	1,397,027
<i>Less: Portfolio Assigned to Banks</i>		270,731	180,000
Net Loans (Owned)	10	1,983,381	1,217,027
Interest Receivable on Loans		38,602	23,475
Advances Recoverable and other current assets	11	97,032	59,707
		2,371,880	1,567,380
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	349,130	229,724
Other Provisions	13	70,229	42,880
		419,359	272,604
NET CURRENT ASSETS		1,952,521	1,294,776
TOTAL		2,018,804	1,333,332
Significant Accounting Policies	1		
Notes to Accounts	2-24		

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad,
April 26, 2008

(V. NAGARAJAN)
Partner
Membership No.19959

Chairman Managing Director Company
Secretary

BHARTIYA SAMRUDDHI FINANCE LIMITED

Rupees in '000s

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED	Sch	31-Mar-08	31-Mar-07
INCOME			
Income from Operations	14	512,792	350,850
Income from Fixed Deposits with Banks	15	5,833	2,768
Other Income	16	3,881	2,426
Excess provision written back		713	4,982
Total		523,219	361,026
EXPENDITURE			
Interest on Borrowed Funds	17	132,977	77,641
Salaries, Allowances and Benefits to Staff	18	137,126	88,923
Remuneration to Managing Director	19	2,300	1,941
Financial Service Charges to LSAs/LPAs		49,148	39,429
Other Operating Expenses	20	117,544	91,840
Non Cash Charge			
Bad Debts Written Off	21	10,888	9,002
Depreciation		5,989	3,781
Amortisation of Intangible Assets & Miscellaneous Expenditure		1,000	1,000
Total		456,972	313,557
Profit Before Tax		66,247	47,469
Provision for Tax	22	26,353	18,207
Profit After Tax		39,894.13658	29,262
APPROPRIATIONS:			
Profit brought forward from last account brought down		140	353
Add/(deduct): Excess / (Shortfall) in provision for taxation of prior years		-	(879)
Less: Statutory Reserve 20%		7,979	5,853
Less: Proposed Dividend including Dividend Tax		12,635	7,581
Transferred (from)/ to Portfolio Risk Reserve		1,300	(2,838)
Less: Transfer to General Reserve		18,000	18,000
Balance carried over		119.66430	140
Significant Accounting Policies	1		
Notes to Accounts	2-24		

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

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Hyderabad,
April 26, 2008

(V. NAGARAJAN)
Partner
Membership No.19959

Chairman Managing Director Company
Secretary

BHARTIYA SAMRUDDHI FINANCE LIMITED

Rupees in '000s

CASH FLOW STATEMENT FOR THE YEAR ENDED	31-Mar-08	31-Mar-07
Cash Flow From Operating Activities		
Net Profit before taxes	66,247	47,469
Adjustment for Non Cash Expenditure:		
Bad Debts Written Off	10,888	9,002
Provision for Doubtful Debts	(713)	(4,982)
Depreciation On Fixed Assets	5,989	3,781
Amortisation of Intangible Assets/Miscellaneous Expenditure written off	1,000	1,000
Sundry Balances Written off	1,906	973
Loss on sale of assets	86	586
Loss on sale of Investments	10	-
<i>Operating Profit before Working Capital Changes:</i>	85,413	57,829
Adjustments for:		
(Increase)/Decrease in Operating Assets		
Disbursement of loans to rural producers	(2,816,248)	(1,702,174)
Recovery of aforesaid loans	1,946,370	1,302,169
Portfolio Buy out to Banks	90,731	180,000
Interest Receivable on Loans to Borrowers	(15,127)	(5,566)
Other Advances/Recoverables	(11,444)	(12,739)
Increase / (Decrease) in Cash Security from Rural Producers	101,999	61,206
Increase / (Decrease) in Current Liabilities	17,407	22,400
Cash Used in Operations:	(600,899)	(96,875)
(i) Advance Tax Paid(including FBT paid)	(25,881)	(19,108)
Net Cash Flow from Operating Activities (A)	(626,780)	(115,983)
Cash Flows from Investment Activities		
Purchase of Fixed Assets	(34,942)	(15,097)
Sale proceeds of Fixed Assets	49	60
Sale proceeds of Investments	80	-
Net cash flows from Investments Activities (B)	(34,813)	(15,037)
Cash Flows from Financing Activities		
Increase/ (Decrease) in Secured Loans	665,550	285,970
Increase/ (Decrease) in Unsecured Loans	(10,680)	(15,344)
Payment of Dividend	(7,581)	-
Net Cash Flows from Financing Activities (C)	647,288	270,626
Net increase or decrease in Cash or Cash equivalents (A)+ (B) + (C)	(14,305)	139,606
Add: Opening Cash and Cash equivalents	267,171	127,565
Closing Cash and Cash Equivalents as per the Books	252,864	267,171

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

Hyderabad,
April 26, 2008

(V. NAGARAJAN)
Partner
Membership No.19959

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Chairman Managing Director Company
Secretary

BHARTIYA SAMRUDDHI FINANCE LIMITED

SCHEDULES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

All figures in Indian Rupees in '000s

Significant Accounting Policies and Notes on Accounts

1 SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of Preparation of Financial Statements

1.1.1 The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable, except otherwise stated and stipulated in the directions issued by Reserve Bank of India (RBI) for Non Banking Financial (Non – Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 from time to time.

1.2 Revenue Recognition:

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

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

1.2.3 In respect of service contracts income is recognized on the basis of proportionate completion of the contract with reference to the stage of performance and corresponding income.

1.3 Fixed Assets:

1.3.1 These are stated at cost.

1.3.2 Depreciation is provided on the straight-line method at the following rates:

Category of Asset	Rate of depreciation
Furniture & Fixtures	6.33%
Professional Equipment	16.21%
Office Equipment	7.07%
Vehicles	9.50%

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

1.3.4 No depreciation is provided on assets amounting to Rs 74.61 Lacs acquired through grants.

1.4 Investments:

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

BHARTIYA SAMRUDDHI FINANCE LIMITED

1.4.2 Valuation of Investments:

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

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

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

1.5 Loans and Advances:

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

1.6 Provision for Loan Losses:

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

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

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

1.7 Write-Off Policy:

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

1.8 Employee Benefits:

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

1.8.2 Gratuity: is being computed as per statutory norms on actuarial valuation basis and paid into a Trust created with and for this purpose, through the group schemes of Life Insurance Corporation of India.

BHARTIYA SAMRUDDHI FINANCE LIMITED

1.9 Accounting for Taxes on Income:

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

1.10 Foreign Exchange Transactions:

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

1.11 Intangible Assets:

1.11.1 The acquisition of copyrights, technical know-how and intellectual proprietary rights in the field of Micro finance and Livelihood Promotion has been accounted for as intangible assets. Valued at the cost of acquisition, these assets are amortized over a period of 10 years in equal installments, based on expected future economic benefits accruing to the Company.

2 NOTES ON BUSINESS OPERATIONS:

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

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

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

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

Sl. No.	Product	Interest Rate	Cash Security	Maximum Loan Size (In Rs)	Maximum Term
FARM AND ALLIED LOANS					
1	Crop Loans	21%	10%	25,000	11 Months
2	Agri Investment Loans	21%	10%	50,000+	36 Months
3	Agri-allied Loans	21%	10%	50,000+	36 Months
4	Agri - Allied Non-Dairy	21%	10%	50,000	36 Months
NON FARM LOANS					
5	Micro Enterprises (NFS) Loans	24%	10%	50,000	36 Months
6	Growth Micro Enterprises (NFS) Loans	24%	10%	50,000+	24 Months
GENERAL PURPOSE LOANS					
7	Gen purpose loans to Women JLGs	24%	-	5,000	18 Months
8	ROSCAS (Revolving Savings & Credit Associations)	21%	10%	50,000+	24 Months
9	Gen purpose loans to SHG	12%	10%	-	24 Months
10	Federation of SHG, MACTS/ Producer Organization/ Producer Groups/ MACTS #	12% to 18%	-	-	36 Months
OTHER LOANS					
11	Housing and Infrastructure Loans	24%	-	25,000	36 Months
12	Vehicle Loan Employees	12%	-	40,000	36 Months
	Vehicle Loan Livelihood Service Provider		-	20,000	

Based on CAMELS & Risk rating, interest rate will be decided by the loan committee

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

BHARTIYA SAMRUDDHI FINANCE LIMITED

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

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

3 SHARE CAPITAL:

3.1 Shareholding Pattern:

3.1.1 The Company has an authorized capital of Rs. 550 Million comprising of Equity Shares of 55 Million of Rs 10 each and Preference Shares of 50 Million of Rs 10 each

SHARE CAPITAL:	31-Mar-08	31-Mar-07
Authorized:		
Equity Shares		
55,000,000 Equity Shares of Rs 10 each (Previous year: 25,000,000)	550,000	250,000
Preference Shares		
50,00,000 Preference Shares of Rs 10 each	50,000	50,000
Total Authorised Capital	600,000	300,000
Issued Subscribed and Paid up:		
21,600,000 Equity Shares of Rs 10 each	216,000	216,000
Fully paid up		
Total	216,000	216,000

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

Sl. No.	Shareholder's Name	Nos	Amount 000s	Rs Holding	% Holding	Amount Rs 000s	% Holding
	Equity Shares of Rs 10 each		March 31, 2008			March 31, 2007	
1	Bhartiya Samruddhi Investments and Consulting Services Ltd. *	11,190,500	111,905		51.8%	85,305	39.5%
2	International Finance Corporation, Washington	4,700,000	47,000		21.8%	47,000	21.8%
3	Stichting Hivos - Triods Fonds, Netherlands	2,350,000	23,500		10.9%	23,500	10.9%
4	Shorecap International Ltd	2,350,000	23,500		10.9%	23,500	10.9%
5	ICICI Bank Ltd.	1,000,000	10,000		4.6%	10,000	4.6%
6	Housing Development Finance Company Ltd. *	-	-		0.0%	5,000	2.3%
7	Sarva Jana Seva Kosh Limited *	-	-		0.0%	21,600	10.0%
8	Other Individuals	9,500	95		0.0%	95	0.0%
	Total	21,600,000	216,000		100%	216,000	100%

*Sarva Jana Seva Kosh Limited and Housing Development Finance Company Ltd have transferred their 100% stake in the Company to BASICS Ltd,. There is no other change or increase in the Capital of the Company.

3.2 Issue of share warrants for "Sweat Equity":

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

3.2.2 Accordingly, as per the terms of allotment of warrants, the acquisition of copyrights, technical know how and intellectual proprietary rights in the field of Microfinance and Livelihood Promotion has been accounted for as intangible assets, for appropriate amortization over a period of 10 years time as per the accounting policy followed by the Company.

BHARTIYA SAMRUDDHI FINANCE LIMITED

3.3 Issue of Share Warrants to Employee Stock Option Trust:

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

4 RESERVES AND SURPLUS:

4.1 In addition to the provision for doubtful debts as required under RBI Directions, the Company has established a Portfolio Risk Reserve (PRR) amounting to Rs 14.0 million as on March 31, 2008 (Rs 12.7 million on March 31, 2007).

RESERVES AND SURPLUS:	31-Mar-08	31-Mar-07
a. Capital Reserve		
Opening Balance	1,926	1,926
	1,926	1,926
b. General Reserve		
Opening Balance	35,747	17,747
Add: Transferred during the year	18,000	18,000
	53,747	35,747
c. Portfolio Risk Reserve		
Opening Balance	12,702	15,540
Addition/ (Excess) provision transferred from P&L	1,300	(2,838)
	14,002	12,702
d. Statutory Reserve 20% as per NBFC Directions by Reserve Bank of India	5,853	5,853
Addition during the year	7,979	-
	13,832	5,853
e. Income and Expenditure Account	120	140
Total	83,627	56,368

4.2 Portfolio Risk Reserve:

Provision for Doubtful Debts	As on 31.03.08	During the Year	up to 31.03.07
(I) As per Company Policy			
Portfolio at Risk (90 days)	16,433	(195)	16,628
Other Advances Recoverable	3,754	488	3,266
100% for five villages of Krishna District	-	(1,161)	1,161
Total (I)	20,187	(868)	21,055
(II) Provision and Portfolio Risk Reserve (PRR):			
Statutory requirement (RBI) as per Note 3 above	2,431	(41)	2,472
Other advances recoverable	3,754	488	3,266
100% for five Villages of Krishna District	-	(1,161)	1,161
(a) Total Provision as per financial statements	6,185	(713)	6,899
Portfolio Risk Reserve > 90 days (as per Company Policy Rs 16,433 less RBI norms Rs 2,431)	14,002	1,300	12,702
(b) Total PRR as per financial statements	14,002	1,300	12,702

BHARTIYA SAMRUDDHI FINANCE LIMITED

5 SECURED LOANS:

Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2008		Balance Outstanding as on		Moratorium	Repayment period	Type of security
		Date availed	Rupees	31-Mar-08	31-Mar-07			
1	CORDAID - I, Netherlands	21-Mar-00	20,000	3,500	7,000	24	96	A lien of financial assets, being the loan portfolio of Agriculture Allied loans stated as first class (without any repayment problems) with initial worth of Rs 600 Lakhs (being 150% of the loan).
2	Small Industries Development Bank of India - IV	10-Dec-04	20,000	4,287	10,001	6	40	A Charge in trust on assets created out of the said loan (viz: loans to Non Farm Sector) and pledge of fixed deposit receipts to the extent of 10% of the loan ie., 70 lakh
		11-Mar-05	50,000	10,716	25,001	3	40	
3	Small Industries Development Bank of India - V	22-Feb-06	50,000	25,000	39,286	6	40	A Charge in trust on assets created out of the said loan (viz: loans to Non Farm Sector) and pledge of fixed deposit receipts to the extent of 5% on 500 lakh 2.5% on 1500 lakh of the loan ie., 62.50 lakh
		29-Mar-06	50,000	25,000	39,286	3	40	
		30-Aug-06	50,000	25,000	39,286	-	40	
		27-Feb-07	50,000	29,167	45,833	-	34	
4	Small Industries Development Bank of India - VI	27-Mar-08	150,000	150,000	-	6	30	Specific first charge created by hypothecating book debts pertaining to Non farm sector and pledge of fixed deposit receipts to the extent of 2.5% on 1500 lacs of the loan ie., 37.50 lacs
5	HDFC Bank - II	06-May-05	30,000	2,500	12,500	-	36	Specific first charge created by hypothecating book debts to the extent of 110% of Loan Outstanding
		14-Jun-05	20,000	1,667	8,333			
		20-Jun-05	20,000	1,667	8,333			
		23-Jun-05	17,500	1,458	7,292			
6	HDFC Bank - III	01-Nov-05	20,000	-	7,500	-	24	
		22-Nov-05	20,000	-	7,500			
		24-Nov-05	20,000	-	7,500			
		23-Mar-06	40,000	13,333	26,667			
7	HDFC Bank-IV	27-Jul-06	50,000	25,000	41,667	-	36	
		11-Aug-06	20,000	10,000	16,667			
8	HDFC Bank - V	27-Jun-07	100,000	100,000	-	12	24	
		03-Jul-07	100,000	100,000	-			
		30-Oct-07	100,000	100,000	-			
9	AXIS Bank - II	30-Aug-05	20,000	6,111	12,778	6	36	A charge created by hypothecating book debts pertaining to a) General Purpose loans to SHGs; Individual; Individual S&C
		25-Oct-05	15,000	4,583	9,583	5		

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10	AXIS Bank - III	26-Mar-07	30,000	42,000	30,000	6	30	b)SHGs with Cash Security c) Federation of SHGs and MACTS and d)Housing Loans to the extent of 110% of Loan Outstanding
11	AXIS Bank - IV	27-Aug-07	75,000	65,625	-	4	32	Specific first charge created by hypothecating book debts to the extent of 110% of Loan Outstanding
		24-Sep-07	75,000	65,625	-			
		26-Oct-07	75,000	70,313	-			
		31-Dec-07	75,000	75,000	-			
12	IDBI Bank	24-Aug-04	10,000	-	2,000	6	30	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector to the extent of 110% of Loan Outstanding
		30-Aug-04	10,000	-	2,000			
		26-Oct-04	20,000	-	6,000			
13	Development Credit Bank	05-Jan-05	30,000	-	19,852	-	36	A charge created by hypothecating book debts pertaining to a) Agri Short term b) Agri Long term c) Crop thru on lenders Loans to the extent of 110% of Loan Outstanding
		14-Feb-05	10,000					
		25-Feb-05	10,000					
		01-Mar-05	10,000					
14	ABN Amro Bank - I	31-Aug-04	15,000	-	13,360	6	30	Specific first charge created by hypothecating book debts pertaining to Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding
		21-Sep-04	5,000					
		13-Oct-04	5,000					
		23-Nov-04	5,000					
		02-Dec-04	5,000					
		24-Dec-04	5,000					
15	ABN Amro Bank - II	26-Jul-05	20,000	3,300	9,980	6	30	Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding
		17-Aug-05	20,000	3,300	9,980			
		08-Sep-05	20,000	3,300	9,980			
		20-Sep-05	20,000	3,300	9,980			
		23-Sep-05	20,000	3,300	9,980			
		27-Sep-05	20,000	3,300	9,980			
16	ABN Amro Bank - III	29-Dec-05	20,000	4,970	11,650	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding
		14-Mar-06	20,000	6,640	13,320			
		26-Jun-06	40,000	16,620	29,980			
		28-Jun-06	20,000	8,310	14,990			
17	ABN Amro Bank - IV	27-Nov-06	20,000	11,650	18,330	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied and Non Farm Sector to the extent of 110% of Loan Outstanding
		29-Nov-06	40,000	23,300	36,660			
		28-Jul-07	40,000	33,320	-			
18	ING Vysya Bank Ltd - I	26-Jul-05	20,000	3,300	9,980	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied to the extent of 110% of Loan Outstanding
		08-Aug-05	20,000	3,300	9,980			
		25-Aug-05	20,000	3,300	9,980			
19	ING Vysya Bank Ltd - II	23-Mar-07	40,000	53,320	80,000	-	36	
20	ING Vysya Bank Ltd - III	29-Nov-07	200,000	183,333	-	-	36	
21	ICICI Bank	06-Jul-06	20,000	5,000	15,000	12	24	Specific first charge created by hypothecating book debts pertaining to Crop Loans to the extent of 110% of Loan Outstanding
		12-Jul-05	30,000	7,500	22,500			

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22	Citi Bank	22-Jun-06	40,000	17,832	30,776	-	36	Specific first charge created by hypothecating book debts pertaining to Agri Allied loans to the extent of 110% of Loan Outstanding
23	Standard Chartered Bank-I	18-Jul-06	20,000	10,000	16,667	-	36	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector in Maharashtra State to the extent of 110% of Loan Outstanding
		24-Jul-06	20,000	10,000	16,667			
		24-Aug-06	20,000	10,000	16,667			
		26-Oct-06	20,000	11,667	18,333			
		09-Nov-06	20,000	11,667	18,333			
24	Standard Chartered Bank-II	24-Jul-07	40,000	33,333	-	-	36	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector in Maharashtra State to the extent of 110% of Loan Outstanding
		10-Aug-07	40,000	33,333	-			
		18-Sep-07	40,000	33,333	-			
		05-Oct-07	40,000	33,333	-			
		23-Oct-07	40,000	33,333	-			
25	Corporation Bank	18-Sep-06	100,000	83,332	100,000	12	36	Specific first charge created by hypothecating book debts pertaining to Crop & Agri Allied loans to the extent of 100% of Loan Outstanding
Cash Credit Limits								
26	AXIS Bank	-	50,000	9,776	4,700	-	12	A charge created by hypothecating book debts pertaining to a) General Purpose loans to SHGs; Individual; Individual S&C b)SHGs with Cash Security c) Federation of SHGs and MACTS and d)Housing Loans to the extent of 110% of Loan Outstanding
27	ING Vysya Bank Ltd	-	20,000	8,536	6,634	-	12	Specific first charge created by hypothecating book debts pertaining to Agri Allied to the extent of 110% of Loan Outstanding
28	HDFC Bank	-	50,000	1,442	10,333	-	12	Specific first charge created by hypothecating book debts pertaining to Non Farm Sector and Agri Allied to the extent of 110% of Loan Outstanding
Total			2,732,500	1,682,133	1,016,584			
<p><i>Notes:</i> 1. All loans are Rupee denominated and carry no exchange risk. No payment is overdue as on March 31, 2008.</p> <p>2. For amounts becoming due within the next twelve months refer to the table on maturity buckets, (<i>infra</i>)</p>								

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6 UNSECURED LOANS:

Sl. No.	Name of Bank/Financial Institution	Amount availed as on March 31, 2008		Balance Outstanding as on		Repayment period including moratorium Payable in
		Date availed	Rupees	31-Mar-08	31-Mar-07	
1	Development International Desjardins, Canada - I	03-Jan-01	12,329	12,329	12,329	Principal amount shall be repayable in eight semi-annual installments beginning on Mar 31, 2009
2	Development International Desjardins, Canada - II	05-Feb-02	13,739	13,739	13,739	Payable in eight semi-annual installments beginning on Sep 30, 2009
3	Housing Development Finance Corporation Limited-II	29-Dec-03	20,000	-	-	Repayable in twelve quarterly equated installments beginning from 31st March 2004.
4	Housing Development Finance Corporation Limited-III	28-Apr-05	30,000	2,826	13,506	Repayable in twelve quarterly equated installments beginning from 01st August 2005.
Total			76,068	28,894	39,574	

Notes: 1. All loans are Rupee denominated and carry no exchange risk. No payment is overdue as on March 31, 2008.
2. For amounts becoming due within the next twelve months refer to the table on maturity buckets, (infra)

Ageing details of term loan repayments and maturity buckets for repayments						
Sl. No.	Banks/ Financial Institutions	31-Mar-08	12 Months	24 Months	36 Months	> 3 Years
SECURED LOANS:						
1	HDFC Bank	355,625	146,736	150,556	58,333	-
2	AXIS Bank	329,257	144,851	130,500	53,906	-
3	Small Industries Development Bank of India	269,170	112,026	119,644	37,500	-
4	ING Vysya Bank Ltd	246,553	103,247	93,307	50,000	-
5	SC Bank	220,000	100,000	86,667	33,333	-
6	ABN Amro Bank	124,610	84,850	33,160	6,600	-
7	Corporation Bank	83,332	33,336	33,336	16,660	-
8	Citi Bank	17,832	14,050	3,782	-	-
9	ICICI Bank	12,500	12,500	-	-	-
10	Cordaid, Netherlands	3,500	3,500	-	-	-
11	Cash Credit Limits	19,754	19,754	-	-	-
Total Secured Loans		1,682,133	774,850	650,951	256,333	-
UNSECURED LOANS:						
12	Housing Development Finance Corporation	2,826	2,826	-	-	-
13	Development International Desjardins, Canada	26,068	4,800	-	6,517	14,751
Total Unsecured Loans		28,894	7,626	-	6,517	14,751
Total Borrowings		1,711,027	782,475	650,951	262,850	14,751
Percentage to total borrowings outstanding		100%	45.7%	38.0%	15.4%	0.9%

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7 FIXED ASSETS:

Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As on 01.04.07	Additions during the year	Deletions during the year	As on 31.03.08	Accumulated Dep up to 01.04.07	Depreciation for the year	Accumulated Dep on the assets deleted	Accumulated Depreciation up to 31.03.08	As on 31.03.08	as on 31.03.07
Furniture and Fixture	4,803	3,832	4	8,631	841	403	1	1,242	7,389	3,963
Professional Equipment	30,484	25,130	247	55,367	8,730	4,879	134	13,476	41,891	21,754
Office Equipment	7,844	5,979	30	13,793	1,096	707	10	1,793	12,000	6,748
100% Write Off Assets (with 1/- value)	2	1	0	3	-	-	-	-	3	2
Sub Total	43,133	34,942	281	77,794	10,667	5,989	145	16,511	61,283	32,466
Intangible Assets	10,000	-	-	10,000	4,000	1,000	-	5,000	5,000	6,000
Total	53,133	34,942	281	87,794	14,667	6,989	145	21,511	66,283	38,466
As on 31.03.2007	39,136	15,097	1,100	53,133	10,340	4,781	454	14,667	38,466	

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

8 INVESTMENTS:

	31-Mar-08	31-Mar-07
13.05% Government Stock 2007	-	90
Total	-	90

9 CASH AND BANK BALANCES:

	31-Mar-08	31-Mar-07
Cash in hand	1,275	641
Balances with Scheduled Banks in:		
Current Accounts (including in transit)	130,802	64,730
Fixed Deposits		
Unencumbered	60,429	160,400
Pledged	60,359	41,400
Total	252,865	267,171

10 LOANS TO RURAL PRODUCERS:

	31-Mar-08	%	31-Mar-07	%
Agri Short Term	137,540	6.9%	20,440	1.7%
Agri Long Term	39,130	2.0%	28,675	2.4%
Agri Allied	571,062	28.8%	395,076	32.5%
Nonfarm-Micro Enterprises	1,024,287	51.6%	650,737	53.5%
Gen. Purpose - Women JLG's	106,508	5.4%	49,468	4.1%
SHGs and Federation of SHGs / MACTS Loans	34,754	1.8%	24,049	2.0%
House Repairs & Extensions	47,447	2.4%	33,513	2.8%
Vehicle Loans to LSA/ Employees	3,695	0.2%	2,912	0.2%
Vidya Samruddhi	199	0.0%	-	0.0%
Urban Portfolio	18,759	0.9%	12,157	1.0%
Total *	1,983,381	100%	1,217,027	100%

* Secured to the extent of Rs 296,749 (Previous year: Rs.194,750)(Rs. in '000)

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- 10.1 Other than the vehicle loans to Livelihood Service Advisors and Employees, for the purposes of discharge of their duties, no other loans are provided to employees, Directors and other individuals. On vehicle loans an interest of 12% is charged and recovered.
- 10.2 In the opinion of the Board of Directors, all the other loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the account.
- 10.3 Asset Classification: The loan portfolio has been classified as per the norms prescribed for classification by the Reserve Bank of India through Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. The necessary provisions as per RBI norms have been made. The details are shown below:

Asset Classification	Loan Outstanding (Without provisioning)						Provision		
	As on 31.03.08			As on 31.03.07			Up to 31.03.08	During the Year	Up to 31.03.07
Assets	A/cs	Amount	%	A/cs	Amount	%	Amount	Amount	Amount
Standard	303,413	2,244,411	99.6%	196,138	1,385,986	99.3%	-	-	-
Sub-Standard	2,007	8,078	0.4%	1,784	8,186	0.6%	808	12	796
Doubtful	6	1,623	0.1%	59	1,694	0.1%	1,623	(53)	1,676
Sub-Total	305,426	2,254,112	100%	197,981	1,395,866	100%	2,431	(41)	2,472
Loss Assets *	-	-		301	1,161		-	(1,161)	1,161
Other Advances Recoverable							3,754	488	3,266
Total	305,426	2,254,112		198,282	1,397,027		6,185	(713)	6,899
Managed Portfolio #	35,204	270,731		37,224	180,000				
Net Portfolio	270,222	1,983,381		161,058	1,217,027				

Represents portfolio sold by the Company to certain Banks and is managed on their behalf.

HDFC Bank	Rs 134.77 Million
Development Credit Bank	Rs 111.32 Million
Citi Bank	Rs 24.64 Million
Total	Rs 270.73 Million

10.4 Contingent liability:

10.4.1 Contingent liability on account of portfolio assigned to HDFC Bank is Rs 9.16 million, DCB Rs 10.09 million and to Citi Bank Rs 4.9 million.

10.4.2 Contingent liability on account of demands raised by the Income Tax department for the Assessment years 2004-05 and 2005-06 account to Rs 0.6 million and 2.4 million respectively. Appeals filed by the Company against these demands are pending for settlement.

10.5 Portfolio quality, at risk:

Period of payment delayed	%	Amount	%	Amount
	31-Mar-08		31-Mar-07	
Current	98.3%	1,949,727	97.6%	1,187,565
1-30 days late	0.3%	6,528	0.4%	5,104
31-60 days late	0.4%	7,005	0.4%	5,333
61-90 days late	0.2%	3,688	0.2%	2,397
91-180 days late	0.3%	6,796	0.5%	5,730
More than 180 days late	0.5%	9,637	0.9%	10,898
Total	100%	1,983,381	100%	1,217,027

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10.6 On-Time repayment rate (OTRR):

Particulars	31-Mar-08	31-Mar-07
1st quarter	98.7%	98.3%
2nd quarter	98.7%	98.2%
3rd quarter	98.7%	98.2%
4th quarter	99.2%	98.8%

OTRR is computed as follows:

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

Where,

OTRR is the On-time Repayment rate

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

11 ADVANCES RECOVERABLE:	31-Mar-08	31-Mar-07
<i>(Unsecured - Considered Good)</i>		
Advances and other amounts recoverable in cash or kind or value to be received		
Advance Income Tax	56,399	30,518
Advance for Expenses	8,234	9,147
Premium & Service Charges Receivable	20,238	10,297
Other Recoverable	3,754	3,266
Prepaid Expenses	3,884	3,030
Rent and Telephone Deposits	1,547	1,120
Interest accrued on Fixed Deposits	2,976	2,329
Total	97,032	59,707

12 CURRENT LIABILITIES:	31-Mar-08	31-Mar-07
Cash Security from Borrowers*	296,749	194,750
Sundry Creditors	30,702	24,048
Ag/BDS Service charges collected in advance	12,326	6,176
Interest Accrued but not due on Loans	4,264	2,807
Statutory Liabilities	5,089	1,943
Total	349,130	229,724

*The company collects 10% of the total loan disbursed every time and hold as security against possible defaults. No interest is paid on the same, but fully refunded at the full repayment of the loans and accruing interest thereupon.

13 OTHER PROVISIONS:	31-Mar-08	31-Mar-07
Provision for Taxation	51,408	28,400
Proposed Dividend including Dividend Tax	12,635	7,581
Provision for Doubtful Debts	2,431	3,633
Provision for Doubtful Advances	3,754	3,266
Total	70,229	42,880

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14 INCOME FROM OPERATIONS:	31-Mar-08	31-Mar-07
a. Income from Loans to Rural Producers		
Interest on Loans to Rural Producers	369,785	273,022
Loan Processing Fees and Other Service Charges	61,110	37,449
Recovery of debts written off in earlier years	1,159	1,812
Gain on Portfolio Assigned To Banks	20,683	5,821
b. Income from Insurance Distribution		
Income from Insurance Distribution	30,858	20,274
Income from Insurance Direct Distribution	3,454	1,929
c. Income from Agricultural & Business Development Services	21,839	8,281
d. Income from Institutional Development Services	390	368
e. Consulting Services	3,514	1,894
Total	512,792	350,850
15 INCOME FROM FIXED DEPOSITS:	31-Mar-08	31-Mar-07
Interest	5,833	2,768
Total	5,833	2,768
16 OTHER INCOME:	31-Mar-08	31-Mar-07
Other Income	3,881	2,426
Total	3,881	2,426
17 INTEREST AND OTHER CHARGES ON BORROWED FUNDS:	31-Mar-08	31-Mar-07
Interest and Other charges on		
- Secured Loans	130,692	74,112
- Unsecured Loans	2,285	3,529
Total	132,977	77,641
17.1 Average Cost of Borrowings on Secured Loans:		
	31-Mar-08	31-Mar-07
Particulars		
Average Borrowings	1,349,359	873,598
Interest on borrowed funds	130,692	74,112
Average Cost of funds	9.7%	8.5%
17.2 Average Cost of Borrowings on Unsecured Loans:		
	31-Mar-08	31-Mar-07
Particulars		
Average Borrowings	34,234	47,246
Interest on borrowed funds	2,285	3,529
Average Cost of funds	6.7%	7.5%
18 SALARIES, ALLOWANCES AND BENEFITS TO STAFF:	31-Mar-08	31-Mar-07
Salaries, Allowances and other Benefits	122,440	77,990
Contributions to Provident and Other Funds	5,972	3,792
Training and Staff Expenses	8,714	7,141
Total	137,126	88,923
19 REMUNERATION TO MANAGING DIRECTOR:	31-Mar-08	31-Mar-07
Managing Director Remuneration	2,300	1,941
Total	2,300	1,941

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19.1 Total Remuneration includes:

Sl.No.	Account Head	31-Mar-08	31-Mar-07
(i)	Salary & Allowances	2,192	1,846
(ii)	Contribution to Provident and Other funds	108	95
	Total	2,300	1,941

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

Sl.No.	Particulars	Amount	Amount
(i)	Profit before Tax		66,247
	Add:		
	a) Managerial Remuneration + Directors' Fees	2,380	
	b) Provision for doubtful debts	-	2,380
	Total		68,627
(ii)	Less		
	Provision written back	713	713
(iii)	Net Profit (i) - (ii)		67,914
	5 % of Net Profit		3,396

20 OTHER OPERATING EXPENSES:

	31-Mar-08	31-Mar-07
Technical Assistance and Support Services	2,591	2,284
Travel and Conveyance		
- Directors	1,326	1,547
- Staff, Advisors and Others	42,633	30,019
Professional Charges	6,971	6,212
Software Development Charges	2,753	2,721
Office Maintenance	8,490	8,736
Printing and Stationery	9,771	9,610
Rent, Rates and Taxes	9,296	7,039
Filing fee to ROC (fee for increase in Authorised Capital)	1,961	-
Postage and Telecommunications	8,587	5,653
Bank Charges	9,956	7,095
Administrative Expenses	4,405	4,933
Auditors' Remuneration and Expenses	3,017	1,851
Insurance Expenses	1,975	1,161
Internal Audit Fees	1,690	1,296
Sundry Balances Written Off	1,906	973
Legal Charges	120	125
Loss on Sale of Investments/Assets	96	586
Total	117,544	91,840

21 BAD DEBTS WRITTEN OFF:

	31-Mar-08	31-Mar-07
Bad Debts Written Off	10,888	9,002
Total	10,888	9,002

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

Particulars	During the year 31.03.2008			During the year 31.03.2007		
	No of A/cs	Amount	%	No of A/cs	Amount	%
Loans overdue below 365 days	-	-	0.0%	49	33	0.4%
Loans overdue above 365 days and below 730 days	2,544	8,801	80.8%	691	2,829	31.4%
Loans overdue above 730 days	191	2,086	19.2%	709	6,140	68.2%
Total	2,735	10,888	100%	1,449	9,002	100%

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21.2 During the year an amount of Rs 1,159 (Previous year Rs 1,812) has been recovered in respect of the loans written off in earlier years.

22 PROVISION FOR TAXES:	31-Mar-08	31-Mar-07
Tax on Income	19,883	14,640
Deferred Tax	3,344	1,287
Fringe Benefit Tax	3,126	2,280
Total	26,353	18,207

23 SUPPLEMENTARY INFORMATION:

23.1 Interest on loans to rural producers:

23.1.1 This is net of interest derecognized as per Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. of Rs 1,536 (Previous year Rs 4,694).

23.2 Auditors' remuneration:

This includes:

Particulars	31-Mar-08	31-Mar-07
a) Audit Fees	2,200	1,353
b) Fee for Certification	153	96
c) Taxation	240	150
d) Out of Pocket Expenses for travel	424	252
Total	3,017	1,851

23.3 Earnings and outgo in foreign currency:

Particulars	31-Mar-08	31-Mar-07
Earnings: Reimbursement of expenses incurred.	647	1,838
Outgo:		
Interest on Loans	568	810
Travel	1,005	1,472
Staff Training	782	-
Remittance on account of Principal Repayment of Loan	3,500	3,000
Dividend remittances to foreign equity investors.	1,410	-
Total	7,265	5,282

23.4 Related Party Transactions:

As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by Institute of Chartered Accountants of India the details are as follows:

Holding Company: Bhartiya Samruddhi Investment and Consulting Services Limited

Particulars	Amount
Payments:	
Management and Consulting Fee	4,161
Delphix one time usage charge	6,300
Reimbursement of HR cost	1,346
Receipts:	
Consultancy Fees	500

BHARTIYA SAMRUDDHI FINANCE LIMITED

Particulars	Micro Credit	Micro Insurance Agency Services	Agri/Business Development Services	Institutional Development Services /Consulting	Total
SEGMENT REVENUE					
Income from Operations	467,432	19,617	21,838	3,904	512,792
Income from fixed deposits, Other Income & Excess provisions written back	10,427	-	-	-	10,427
Total	477,860	19,617	21,838	3,904	523,219
% of Total Revenue	91.3%	3.7%	4.2%	0.7%	100.0%
SEGMENT EXPENDITURE					
Interest on Borrower Funds	132,977	-	-	-	132,977
Salaries and Benefits	118,710	10,177	7,916	2,623	139,426
Other Operating expenses (including Financial Service Charges to LSAs / LPAs)	147,590	5,022	11,808	225	166,692
Non Cash Charges			19,964	2,855	456,972
Total	418,726	15,428	4.4%	0.6%	100.0%
% of Total Expenditure	91.6%	3.4%			
SEGMENT RESULTS	59,133	4,189	1,875	1,050	66,247
% of Total Result	89.3%	6.3%	2.8%	1.6%	100.0%
CAPITAL EMPLOYED					
SEGMENT ASSETS					
Fixed Assets	66,141	84	38	21	66,283
Cash & Bank Balances	252,322	320	143	80	252,865
Un Secured Loans to Rural Poor, including interest receivable	2,021,982	-	-	-	2,021,982
Advances Recoverable	71,479	22,362	2,046	1,145	97,032
Total Assets	2,411,924	22,766	2,227	1,247	2,438,163
SEGMENT LIABILITIES					
Secured & Unsecured Loans	1,707,353	2,164	968	542	1,711,027
Deferred tax	7,275	515	231	129	8,150
Current Liabilities	330,224	4,925	13,387	594	349,130
Other Provisions	63,353	4,050	1,812	1,015	70,229
Total Liabilities	2,108,204	11,654	16,398	2,280	2,138,536
Effort Index for distribution of unallocated costs					
Customers	305,438	51,698	72,795	798	430,729
No of visits made to attend each customer	15	3	2	6	
Total no. of Visits for all customers serviced	4,581,570	155,094	145,590	4,788	4,887,042
<i>% of Customers serviced</i>	93.7%	3.2%	3.0%	0.1%	100.0%
<i>Notes: 1. 50% of Credit plus Insurance income shown under credit segment Rs.14,695 (Rs.000's)</i>					
<i>2. Ag/BDS income is recognised on accrual basis and customer base is considered based on average monthly customers serviced.</i>					
<i>3. % of Customers serviced is used as basis for apportioning the unallocated cost.</i>					
<i>4. Fixed Assets, Cash & Bank balances & Borrowings are apportioned 98% to Credit Segment and the balance as per customers serviced.</i>					

BHARTIYA SAMRUDDHI FINANCE LIMITED

23.6 Grants and in kind donations:

23.6.1 The company has received computer systems, software and operating systems and procedures especially developed suiting its operational needs from its holding company, which has been financed out of the IFC Technical Assistance Facility. IFC is one of major shareholder of the company. The hardware, software, other expenses for development of the same aggregating to Rs 10.8 Million was managed by the holding company, BASICS Ltd. another major shareholder. After the development, the company is paying a nominal rent of Rs 0.8 million per annum, for the hardware only to BASICS Ltd.

23.6.2 Similarly, a sum of Rs 0.6 Million was also subsidized by Shorecap Exchange, Chicago, USA towards Risk Management, Strengthening Middle Management.

23.7 Miscellaneous:

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

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

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

23.7.4 Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None other than stated above.

23.7.5 Previous Year figures have been regrouped and rearranged wherever necessary

23.7.6 The Company is in the process of identifying the suppliers, who would be covered under the Micro, Small and Medium Enterprises Development Act, 2006. In this circumstances the information, if any required to be disclosed under the Act, is not yet ascertained.

24 SOME OPERATING RATIOS:

Description of Ratio	Numerator	Denominator	Ratios	
			31-Mar-08	31-Mar-07
Financial Sustainability	Total Income	Total Expenses	114.5%	115.1%
Return on Assets	Net Profit After Taxes	Average Assets	2.0%	2.1%
Return on Equity	Net Profit After Taxes	Net Worth	13.9%	11.2%
Earnings per Share (Basic and Diluted) Rs	Net Profit After Taxes	Total Number of Equity Shares	1.85	1.35
Yield on Portfolio	Operating Income (as Direct Income from credit operations)	Average Portfolio	25.0%	25.8%
Capital Adequacy Ratio	Net Worth	Risk Weighted Assets	16.47%	24.6%
PAR to Assets > 90 days	Portfolio at Risk > 90 days	Total Loan assets (including managed Portfolio)	0.6%	1.2%
Loan Write - Off Ratio	Loans written off during period	Average Portfolio	0.6%	0.7%

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

for Bhartiya Samruddhi Finance Limited

Hyderabad
 April 26, 2008

(V.NAGARAJAN)
 Partner
 Membership No.19959

Chairman Managing Director Company Secretary

Bhartiya Samruddhi Finance Limited

SCHEDULE

As required in terms of Paragraph 9BB of NBFC prudential Norms (Reserve Bank) Directions, 1998 as on 31st March, 2008.

Rs.in '000s

	Particulars	Amount Outstanding	Amount Overdue
	Liabilities side:		
I	Loans and advances availed by the NBFCs*		
a	Debentures : Secured		-
	: Unsecured		-
	(other than falling within the meaning of public deposits)		
b	Deferred Credits	-	
c	Term Loans	1,691,273	
d	Inter-corporate loans and borrowings	-	
e	Commercial paper	-	
f	Public Deposits	-	
g	Other loans (specify nature)		
	- Bank Borrowing (Cash Credit)	19,754	
II	Breakup of 1(f) above (outstanding public deposits)*		
a	In the form of Unsecured debentures	-	
b	In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	-	
c	Other public deposits	-	

*Interest accrued but not paid - Nil

#Represents unrenewed deposits

	Particulars	Amount Outstanding
	Asstes side:	
III	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	
a	Secured	296,749
b	Unsecured (including Advance for Business Assets)	1,686,632
IV	Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL/HP activities:	-
(i)	Lease assets including lease rentals under sundry debtors	-
a	Financial Lease	-
b	Operating Lease	-
(ii)	Net stock on hire including hire charges under sundry debtors	-
a	Assets on hire	-
b	Repossessed Assets	-
(iii)	hypothecation loans counting towards EL/HP activities:	-
a	Loans where assets have been repossessed	-
b	Loans other than (a) above	-

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

Bhartiya Samruddhi Finance Limited

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

(Vi) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:				
		(Rs. In 000s)		
Category		Amount net of provisions		
		Secured	Unsecured	Total
1	Related Parties**	-	-	-
a	Subsidiaries	-	-	-
b	Companies in the same group	-	-	-
c	Other related parties	-	-	-
2	Other than related parties	296,749	1,686,632	1,983,381
	Total	296,749	1,686,632	1,983,381

(Vii) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)			
Category		Market Value Break up or fair value or NAV	Book Value (Net of provisions)
1	Related parties **		
a	Subsidiaries		
b	Companies in the same group		
c	Other related parties		
2	Other than related parties	-	-
	Total		

** As per Accounting Standard

(VII) Other Information		
Particulars		Amount
(i)	Gross Non-Performing Assets	9,702
a	Related Parties	-
b	<i>Other than related parties</i>	-
(ii)	Net Non-Performing Assets	7,270
a	Related Parties	-
b	<i>Other than related parties</i>	-
(iii)	Assets acquired in satisfaction of debt (during the year)	-

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

Hyderabad
April 26,2008

(V.NAGARAJAN)
Partner
Membership No.19959

for **BHARTIYA SAMRUDDHI FINANCE LIMITED**

Chairman *Managing Director* *Company Secretary*

