



## 11th Annual Report 2005-06

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### Board of Directors

Shri Kamlesh Chimanlal Gandhi (M.D.)  
Shri Mukesh Chimanlal Gandhi  
Shri Siddharth Pravinchandra Shah  
Shri Bala Bhaskaran

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### Bankers

Dena Bank - Ashram Road  
Indusind Bank Ltd.  
City Union Bank Ltd.  
State Bank of Saurashtra  
UTI Bank Ltd.  
ICICI Bank Ltd.  
IDBI Bank Ltd.

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### Auditors

Chandrakant K. Thakkar & Co.  
Chartered Accountants  
6, Jay Shree Apartments,  
Udyanmarg, Law Garden, Ellibridge,  
Ahmedabad-380 006.

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### Registered Office :

6, Ground Floor,  
Narayan Chambers,  
Behind Patang Hotel,  
Ashram Road,  
Ahmedabad-380 009.



*The Power of Distribution*





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## NOTICE

NOTICE is hereby given that ELEVENTH ANNUAL GENERAL MEETING of the Members of **MAS FINANCIAL SERVICES LTD.** will be held on 20<sup>th</sup> September, 2006 at the Registered office of the Company, 6, Ground Floor, Narayan chambers, B/H, Patang, Ashram Road, Ahmedabad: 380009 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS :

1. To Consider and adopt the Audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2006, the Balance Sheet as on that date and the report of the Director's and Auditors thereon.
2. To appoint a Director in place of Mr. Bala Bhaskaran who retires by rotation and being eligible offers himself for re-appointment.
3. To be appoint M/S Chandrakant K. Thakkar & Co. Chartered Accountants, Ahmedabad as Auditors of the company to hold the office from the conclusion on this meeting until the conclusion of the next Annual General meeting on a remuneration as maybe fixed by the Board of Directors of the Company.
4. To declare dividend on Equity Shares.

### SPECIAL BUSINESS :

**To consider and it thought fit to pass with or without modifications, the following resolution  
As a Special Resolution**

#### **a) POWER TO BORROW IN EXCESS OF PAID UP SHARE CAPITAL AND FREE RESERVES:**

**"RESOLVED THAT** in super session of the earlier resolution passed by the members in general meeting held on 27<sup>th</sup> February, 2004 the Board of Directors of the company be and are hereby authorised under the provisions of the section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, for borrowing money from time to time, notwithstanding that the money or monies to be borrowed together with monies already borrowed by the company ( apart from temporary loans obtained from the Company's bankers in the ordinary course of business ) exceeds the aggregate of the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount so borrowed shall not exceed a sum of Rs. 95,00,00,000/- (Rupees Ninety Five Crores only)."

**"RESOLVED FURTHER THAT** the Board of Directors of the company be and are hereby authorised to do such acts, deeds, matters and things and to execute such documents or writings as it may consider necessary, expedient or proper for the purpose of giving effect to this resolution."

#### **As a Special Resolution**

#### **b) LOANS & INVESTMENTS U/S 372A :**

**"RESOLVED THAT** the Board of Directors of the company be and are hereby authorised under the provisions of the section 372 A, to give loans , guarantee and make investments in excess of the limits specified under section 372 A of the Companies Act, 1956 "

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

1. This sanction of the shareholders is sought to permit the Board to borrow moneys in excess of the Company's capital and free reserves. This is permissible under section 293 (1) (d) of the Companies Act, 1956, if the shareholders approve. The Company was having the borrowing powers up to Rs.50 crores. With the Company's plans for expansion and diversification, your Board thinks it necessary to acquire proposed borrowing power to meet the demand of Company's plan and commends passing of this resolution.

None of the Directors is in any way concerned or interested in this resolution proposed to be passed.



2. As per the provision of section 372A, if the loans and investments so far made, the amounts for which guarantee or security so far provided to or in all other bodies corporate, along with the investment, loan guarantee or security proposed to be made or given by the Board, exceeds sixty percent of its paid up share capital and free reserves, or hundred percent in free reserve, whichever ever is more, consent of the members is required in general meeting. With the proposed expansion plans of the company, your board thinks it necessary to pass this resolution.

None of the Directors is in any way concerned or interested in this resolution proposed to be passed.

**Notes :**

1. A Member entitled to attend and vote is entitled to appoint a Proxy or Proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. The proxy form, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of members and Share Transfer Books of the Company will remain closed from Wednesday 20<sup>th</sup> September, 2006 to Wednesday 27<sup>th</sup> September, 2006 (Both days inclusive) for the purpose of Annual General Meeting to be held on 20<sup>th</sup> September, 2006 and payment of Dividend for the financial year ended on 31<sup>st</sup> March, 2006.
3. Members desiring any information as regards the accounts are requested to write to the Company at least ten days in advance so as to enable the management to keep the information ready.
4. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members are requested to notify immediately any change in their address to the Company.

Place : Ahmedabad

Date : 18<sup>th</sup> August, 2006

**By Order of the Board**

**Registered Office**  
6, Ground Floor,  
Narayan Chambers,  
B/H Patang, Ashram Road,  
Ahmedabad - 380009

**Kamlesh C. Gandhi**  
(Chairman & Managing Director)



## DIRECTOR'S REPORT

Dear Members,

Your Directors are happy to present the ELEVENTH ANNUAL REPORT of your Company together with the Audited Accounts drawn for the year ended on 31<sup>st</sup> March 2006.

### FINANCIAL RESULTS :

	Year Ended 31/03/06 RUPEES	Year Ended 31/03/05 RUPEES
Hire Charges	-	126,286
Interest on Loan cum Hypothecation Agreements ( Net )	141,144,998	87,563,684
Income From Operations & Other Income	11,835,928	2,105,324
Total Income	152,980,926	89,795,294
Total Expenditure	115,492,375	79,272,549
Profit Before Taxes	37,488,551	10,522,745
Provision for Taxation (Including Deferred Tax, Fringe Benefit Tax & Income Tax of earlier Years)	15,086,950	3,500,000
Profit After Taxes	22,401,601	7,022,745
Profit Brought Forward	24,289,750	19,127,654
Profit Available for Appropriation	46,691,351	26,150,399

### APPROPRIATIONS :

Transfer to Statutory Reserve	4,485,464	1,404,549
Proposed Dividend	2,000,000	400,000
Corporate Tax on Dividend	280,500	56,100
Balance of Profit & Loss A/c.	39,925,387	24,289,750
	46,691,351	26,150,399



## BUSINESS PERFORMANCE

The company performed as per the targets laid down. The business model that the company pursues is of being an efficient and powerful distributor of the credit. The total assets under the management of the company is to the tune of 147 crores as on 31<sup>st</sup> March 2006.

Micro finance is identified as the key driver of the growth for the company. In consistence to the same necessary execution plans have been worked out to take a quantum jump in this segment in the following year. Over all demand for the micro finance is huge and it requires vast and penetrating distributing skills accompanied by sound credit models to serve the segment.

The company with its vast branch net work and experience of almost two decades is poised to serve the market on the scalable and the sustainable business modules.

## RESOURCES :

We are very delighted to inform that your company has attracted risk capital from Bellwether Micro Finance Fund of Rs. 6.50 Crores. (in July 2006) This will help the company to leverage, which will result in to greater market share and enhanced profitability.

I welcome Mr. S Viswanatha Prasad on the board as the nominee of Bellwether Micro Finance Fund. His presence will further strengthen the board.

The company by virtue of its performance and over the years enjoys very good relationships with almost all leading retail financing institutions and banks. It works as the distributor of credit on the comprehensive basis and is poised to take quantum jump in the volumes with almost all of them.

Your Company enjoys the confidence of its Bankers and investors. Your Company is thankful to all its bankers under consortium finance. We work on the business model of distribution of credit where the portfolio to the extent of the NOF and the borrowing is retained on the balance sheet and the rest is sold to the other big retail financing players. We also work on the partnership model with some of the leading banks where the business is constrained due to the lack of capital.

## DIVIDEND :

Your Company firmly believes in consolidation of its Reserves and Surplus which is one of the major indicator of its financial strength. In consistence with the above policy your Directors Propose 5% dividend on Equity Shares.

## ISSUE OF BONUS SHARES :

The Board of Directors proposes to issue Bonus Shares in the Ratio of 1:2 shares subject to approval of the Members in the Annual General Meeting.

## FINANCIAL HIGHLIGHTS :

The gross income realized by the company is Rs.1529.81 lacs (Previous year Rs.897.95 lacs) comprising of Interest Income on Loan Cum Hypothecation Agreements. Net Profit after tax is Rs. 224.01 lacs (Previous year Rs.70.22 lacs).



#### **CAPITAL :**

The Total Issued and Paid-Up Capital at the end of the Eleventh Year: - Equity Share Capital Rs. 4,00,00,000(Four Crores).

#### **PROSPECTS :**

This was 11<sup>th</sup> year in a row of consolidation & restructuring for the NBFC industry. The retail industry market size is so huge that it provides opportunity for all the well managed financial institutions, be it banks or NBFC. Due to very sound and fundamentally correct business model of distribution of credit the company is working complimentary to all most all leading retail financing players.

Your company offers a range of products and services that caters to almost every need of its customers in retail segment. Automobile & Consumer Durable Sales are expected to grow in the years to come, driven by a strong marketing thrust given by leading national and International Auto giants and FMCG Companies. Because of your company's excellent recovery ratio, large dealer's network, established name presence, well developed organization channel, large customer base, knowledge of the local market and willingness to re-strategise to keep pace with the developments, company's management is confident to emerge out as strong player in the industry of this region. Your company is well positioned to take advantage of the opportunities in the market and post a satisfactory performance in the current year.

#### **STATUTORY COMPLIANCE :**

The Company has made necessary provision towards non-performing assets, fully complying with the provisioning requirement of the Prudential Norms prescribed by Reserve Bank of India. The company has also complied with the directions issued by Reserve Bank of India regarding Capital Adequacy, Asset classification and provisioning norms.

#### **Risk management**

Financing activity is the business of management of risks. Risk management is the function of the appropriate credit models and the robust systems and operations. Your company over the years has worked very hard to consolidate on the above two maxims, and is always eager to improve upon the same.

Your Company continues to give prime importance to the function of receivables management as it considers this the ultimate reflection of the correctness of its marketing strategy as well as its appraisal techniques. The company achieved almost 93% recovery, with overdue of 7% only. It may be noted that the above mentioned 7% debtors are under strictest surveillance of follow up. The NPA Accounts of the company stands at meager amount of Rs. 70.19 Lacs which is approximately 0.84 % of its Credit exposure which includes managed portfolio.

The main reasons for such an excellent recovery performance are as follows :

- 1) Proper appraisal techniques.
- 2) Vigorous follow up.
- 3) Very close monitoring.
- 4) Wide customer base.
- 5) No long tenures.





- 6) Excellent marketing strategy.
- 7) Class of repeat satisfied customers.
- 8) Quality Assets

#### **INSURANCE:**

The assets of your Company have been adequately insured.

#### **FIXED DEPOSIT**

Your company has decided to surrender all the deposits and transformer in to a non-deposit taking company.

#### **LEGISLATIVE AND REGULATORY ISSUES**

It is indeed unfortunate that the genuine demands of NBFCs continue to remain unresolved. Over the years, regulation has, rightly, focussed on investor protection. It must however be borne in mind, that the most important element in investor protection is a healthy NBFC sector. Investor protection can only be strengthened if NBFCs have the legal remedies to protect their assets.

The denial of the legal remedies and tax benefits that are available to banks and housing finance compaines, is clearly without justification and fails the test of equity. The Parliamentary Standing Committee on Finance has also made several recommendations towards providing NBFCs a level playing field with banks. The industry association should once again urge the Government and RBI to take immediate steps to restore parity among the various constituents in the financial system.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that :

1. In the preparation of the annual accounts for the Financial Year ended 31<sup>st</sup> March, 2006 the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2006 and of the profit for the period from 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts for the financial year ended 31<sup>st</sup> March 2006 have been prepared on a "Going Concern Basis".



## STATUTORY INFORMATION

### Particulars of Employees

The information as required Under Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employee) Rules 1975, is NIL.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo :

The Company has no activities relating to Conservation of energy or Technology Absorption. The company has no Foreign Exchange earnings and outflow.

## AUDITORS

M/S. Chandrakant K. Thakkar & Co., auditors of the Company retire at the ensuing Annual General Meeting of the company and are eligible for reappointment. The members are requested to consider their reappointment for the financial year 2006-07.

## DIRECTORS

In Accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, Shri Bala Bhaskaran, Director of the Company retires by rotation and being eligible offers himself for re-appointment. Shri Pravinbhai L. Shah Director of the company has retired due to the personal reasons. The Board appreciates his valuable services.

## ACKNOWLEDGEMENT

The Directors place on record their appreciation to all those people who have so willingly placed their trust in the company & its management, those who have given the company opportunity to serve them, those whose commitment and dedication have endeared your company to a wide cross section of people. This journey would not have been possible without their support.

Thank you.

For and on behalf of the Board of Directors

Place : Ahmedabad.  
Date : 18<sup>th</sup> August, 2006

**KAMLESH C. GANDHI**  
CHAIRMAN & MANAGING DIRECTOR



### AUDITORS' REPORT

We have audited the attached Balance Sheet of **Mas Financial Services Limited** as at 31<sup>st</sup> March, 2006 and also the annexed Profit and Loss Account and the cash flow statement of the company 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.

- 1) We 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 misstatements. 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 a reasonable basis for our opinion.
- 2) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.
- 3) Further to our comments in the Annexure referred to in paragraph 2 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 account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account ;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 .
  - e) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2006, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- (1) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006;
- (2) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
- (3) In the case of the Cash Flow Statement of the cash flow for the year ended on that date

FOR, CHANDRAKANT K. THAKKAR & CO.  
CHARTERED ACCOUNTANTS

Place : Ahmedabad.

Date : 18<sup>th</sup> August, 2006

CHANDRAKANT K. THAKKAR  
PROPRIETOR  
Membership No. 35173

### ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph 2 of our Report of even date)

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) According to the information and explanation given to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, which in our opinion is reasonable looking to the size of the company and nature of its business. According to information and explanation given to us, during the year no material discrepancies have been noticed on such verification.
  - (c) The company has not disposed off substantial part of fixed assets during the year.
- (ii) The company being a Non Banking Finance Company, has no inventory. Accordingly the provisions of clauses 4(ii)(a), (b) & (c) of the Companies (Auditors Report) Order are not applicable to the company.
- (iii) As per the information and explanation given to us and the records produced to us for our verification, the company has neither granted nor taken any loans, secured or unsecured to or from Companies, Firms or other parties covered in the register maintained under section 301 of the companies Act, 1956.
- (iv) In our opinion & according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of fixed assets and sale of services. During the course of our audit, no major weakness in internal control, had come to our notice.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the companies Act, 1956 have been so entered.
  - (b) In our opinion and according to information and explanations given to us, the company has not entered into any transaction in pursuance of contract, or arrangement that are required to be entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year under review.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public except pending rating from rating agency. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other Court or any other Tribunal. The company has paid all the fixed deposits accepted from public during the year.
- (vii) The scope and coverage of the Internal Audit system needs to be enlarged to make it commensurate with the size and operation of the business.
- (viii) The company being a Non Banking Finance Company, no cost records are required to be maintained. Accordingly the provisions of clauses 4(viii) of the Companies (Auditors Report) Order are not applicable to the company.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, service tax, investor education and protection fund, sales tax, wealth tax, custom duty, excise duty and other material statutory dues applicable to it.
  - (b) Based on our audit procedures and according to the information and explanations given to us, there are no arrears of undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty or any other cess, as at 31<sup>st</sup> March, 2006 for a period of more than six months from the date they became payable.



- (c) According to the information and explanation given to us and records of the company examined by us, ~~there are no~~ dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and ~~cases which~~ have not been deposited on account of any dispute.
- (x) The company ~~has~~ no accumulated losses as at 31<sup>st</sup> March, 2006 and it has not incurred any cash losses in the ~~financial year ended on that date or in the immediately preceding financial year.~~
- (xi) In our ~~opinion and~~ according to the information and explanations given to us the company has not defaulted in ~~repayment~~ of dues to a financial institution, bank or debenture holders.
- (xii) The company ~~has~~ not granted loans and advances on the basis of security by way of pledge of shares, ~~debentures and~~ other securities.
- (xiii) In our opinion, ~~the company is~~ not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion, ~~the company is~~ not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to ~~the information and~~ explanations given to us, the company has not given any guarantee for loans ~~taken by others~~ from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to ~~the information and~~ explanation given to us, there are no funds raised on a short-term basis which ~~have~~ been used for long-term investment.
- (xviii) The company ~~has~~ not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- (xix) According to ~~the information and~~ explanations given to us, during the period covered by our audit report, ~~the company has~~ issued 20,863 debentures of Rs. 1000 each. The company has created security or ~~charge~~ in respect of debentures issued.
- (xx) The company ~~has~~ not raised any money by public issue during the year.
- (xxi) During the ~~course~~ of our examination of the books and records of the company, carried out in accordance with ~~the~~ generally accepted auditing practices in India, and according to the information and ~~explanations given to us,~~ we have neither come across any instance of material fraud on or by the company, ~~noticed or reported~~ during the year during the course of our audit, nor have we been informed of such case by the management.

FOR, CHANDRAKANT K. THAKKAR & CO.  
CHARTERED ACCOUNTANTS

Place : Ahmedabad.  
Date : 18<sup>th</sup> August, 2006

CHANDRAKANT K. THAKKAR  
PROPRIETOR  
Membership No. 35173



**BALANCE SHEET AS AT 31ST MARCH, 2006.**

	SCHEDULE	RUPEES	31/03/06 RUPEES	31/03/05 RUPEES
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	A	40,000,000		40,000,000
Reserves & Surplus	B	<u>50,752,303</u>		<u>32,803,016</u>
			90,752,303	72,803,016
Deferred Subsidy	C		<u>688,900</u>	<u>383,443</u>
<b>LOAN FUNDS</b>				
Secured Loans	D	244,043,292		184,300,121
Unsecured Loans	E	<u>61,279,130</u>		<u>98,959,837</u>
			305,322,422	283,259,958
<b>DEFERRED TAX LIABILITY</b>				
			<u>3,128,047</u>	<u>0</u>
			<u>399,891,672</u>	<u>356,446,417</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	F	47,128,883		35,291,623
Less : Depreciation		<u>15,983,295</u>		<u>12,680,431</u>
Net Block		31,145,588		22,611,192
Capital Work in Progress		<u>603,436</u>		<u>2,500,000</u>
			31,749,024	25,111,192
<b>Investments</b>				
Current Assets, Loans & Advances	G		1,089,741	1,322,741
Current Assets	H	110,956,922		33,430,416
Loans and Advances		<u>342,503,263</u>		<u>324,608,007</u>
			453,460,185	358,038,423
<b>Less :</b>				
Current Liabilities & Provisions	I			
Current Liabilities		65,121,778		24,615,801
Provisions		<u>21,285,500</u>		<u>6,923,673</u>
			86,407,278	31,539,474
<b>Net Current Assets</b>				
Miscellaneous Expenditure (To the extent not written off or adjusted)	J		367,052,907	326,498,949
			0	3,513,535
			<u>399,891,672</u>	<u>356,446,417</u>
<b>Significant Accounting Policies and Notes on Accounts</b>				
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As per Our Report Attached

For, CHANDRAKANT K. THAKKAR & CO.  
Chartered Accountants

CHANDRAKANT K. THAKKAR  
Proprietor

Place : Ahmedabad  
Date : 18th August'2006.

For and on behalf of Board of Directors

KAMLESH C. GANDHI  
Chairman & Managing Director

MUKESH C. GANDHI  
Whole Time Director

SIDDHARTH P. SHAH  
Director

KINNARI SHAH  
Company Secretary



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006.**

	SCHEDULE	31/03/06 RUPEES	
<b>INCOME</b>			
Interest on Loan cum Hypothecation Agreements (Net) (Tds Rs.2543/- P. Y Rs. 4005/-)		141,144,998	87,563,684
Hire Charges		0	126,286
Income from Operations	K	10,860,993	1,745,920
Other Income	L	974,935	359,404
		<u>152,980,926</u>	<u>89,795,294</u>
<b>EXPENDITURE</b>			
Personnel Expenses	M	15,880,654	8,899,135
Administrative & Other Expenses	N	76,114,623	40,370,143
Finance & Bank Charges	O	20,006,065	26,919,417
Depreciation		3,491,033	3,083,854
		<u>115,492,375</u>	<u>79,272,549</u>
Profit Before Taxation		37,488,551	10,522,745
<b>PROVISION FOR TAXATION :</b>			
-Current Tax		13,600,000	3,500,000
-Deferred Tax		956,233	0
-Fringe Benefit Tax		505,000	0
Profit After Tax		<u>22,427,318</u>	<u>7,022,745</u>
Income Tax of Earlier Years		25,717	0
		<u>22,401,601</u>	<u>7,022,745</u>
Profit Brought forward		24,289,750	19,127,654
Profit available for appropriation		<u>46,691,351</u>	<u>26,150,399</u>
<b>APPROPRIATION</b>			
Reserve u/s. 45-IC of RBI Act, 1934		4,485,464	1,404,549
Proposed Dividend		2,000,000	400,000
Corporate Tax on Dividend		280,500	56,100
Balance of Profit & Loss A/c.		<u>39,925,387</u>	<u>24,289,750</u>
		<u>46,691,351</u>	<u>26,150,399</u>

Significant Accounting Policies  
and Notes on Accounts

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As per Our Report Attached

For, CHANDRAKANT K. THAKKAR & CO.  
Chartered Accountants

CHANDRAKANT K. THAKKAR  
Proprietor

Place : Ahmedabad  
Date : 18th August 2006.

For and on behalf of Board of Directors

KAMLESH C. GANDHI  
Chairman & Managing Director

MUKESH C. GANDHI  
Whole Time Director

SIDDHARTH P. SHAH  
Director

KINNARI SHAH  
Company Secretary

**SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH 2006.**

	31/03/06 RUPEES	31/03/05 RUPEES
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
40,00,000 Equity Shares of Rs. 10/- each.	40,000,000	40,000,000
	<u>40,000,000</u>	<u>40,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
40,00,000 Equity Shares of Rs.10/-each fully paid-up.*	40,000,000	40,000,000
	<u>40,000,000</u>	<u>40,000,000</u>

Note:-

\* Out of the above 9,14,800 Equity Shares of Rs. 10/- each are allotted as fully paid up for consideration other than cash.

	RUPEES	31/03/06 RUPEES	31/03/05 RUPEES
<b>SCHEDULE - B</b>			
<b>RESERVES AND SURPLUS</b>			
1. Reserve u/s. 45-IC of RBI Act, 1934 :			
Balance as per last Balance Sheet	7,558,266		6,153,717
Add : Transferred from Profit & Loss Account	4,485,464		1,404,549
		12,043,730	7,558,266
2. Profit and Loss Account			
Opening Balance	24,289,750		19,127,654
Less :Recognition of Deferred Tax Liability of Earlier year	2,171,814		0
	<u>22,117,936</u>		<u>19,127,654</u>
Add: Current Year Profit	15,635,637		5,162,096
		37,753,573	24,289,750
3. Capital Redemption Reserve			
		955,000	955,000
		<u>50,752,303</u>	<u>32,803,016</u>

	RUPEES	31/03/06 RUPEES	31/03/05 RUPEES
<b>SCHEDULE - C</b>			
<b>DEFERRED SUBSIDY</b>			
Opening Balance	383,443		
Add : Received During the Year	425,243		386,397
	808,686		2,954
Less :Recouped During the Year	119,786		383,443
		<u>688,900</u>	<u>383,443</u>



**SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH 2006.**

31/03/06  
RUPEES

**SCHEDULE - D**

**SECURED LOANS**

**From Banks :**

Cash Credit	99,505,872	127,886,634
Non Convertible Redeemable Debentures (Refer Note No. 5 to Schedule "P")	58,050,600	42,093,752
Term Loan From Financial Institution	16,135,991	10,000,000
Term Loan From Banks	54,100,829	4,319,735
Term Loan From Others	16,250,000	-
	<u>244,043,292</u>	<u>184,300,121</u>

**NOTES :**

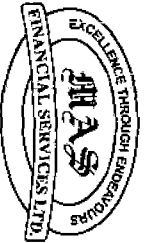
- 1 Cash Credit facility is secured by hypothecation of Movables & Book Debts. Equitable Mortgage by deposit of title deeds of some of the Company's Immoveable Property and also guaranteed by some of the directors.
- 2 Non Convertible Debentures are secured by first charge and legal mortgage in English form of Shop No. B/7 at Narayan chamber, Ahmedabad and Shop No.6,2nd floor,Avishkar Complex,Nr.Motipura Bus stand,Motipura,Himmatnagar,Dist.Sabarkantha and secured by way of second charge by hypthecation of Movables & Book Debts.
- 3 Term Loan from financial institution is secured by primary security of hypothecation of movables and book debts and lien on Bank Fixed Deposit.
- 4 Term Loan from bank is secured by hypothecation of builing and vehicle financed by said bank.
- 5 Term Loan from others is secured by hypothecations of specific Book Debts both present and future which are created out of term loan facilities extended by the lender.

31/03/06  
RUPEES

**SCHEDULE - E**

**UNSECURED LOANS**

Fixed Deposits	-	9,679,500
Inter Corporate Deposits	10,370,623	13,548,900
Security Deposits From customers Against Advances	50,908,507	75,731,437
	<u>61,279,130</u>	<u>98,959,837</u>



**SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH'2006.**

**SCHEDULE - F**

**FIXED ASSETS**

Description of assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening Balance as on 1-04-05 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Total as on 31-03-06 Rupees	Opening Balance as on 1-04-05 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Total as on 31-03-06 Rupees	As at 31-03-06 Rupees	As at 31-03-05 Rupees
Office Building	10,693,469	4,239,131	-	14,932,600	855,823	221,701	-	1,077,524	13,855,076	9,837,646
Office Equipments	15,548,592	3,885,533	24,150	19,409,975	8,883,553	2,464,422	7,109	11,340,866	8,069,109	6,665,039
Furniture & Fixtures	4,719,602	3,560,191	-	8,279,793	1,546,476	385,175	-	1,931,651	6,348,142	3,173,126
Vehicles	4,329,960	450,346	273,791	4,506,515	1,394,579	419,735	181,060	1,633,254	2,873,261	2,935,381
<b>Total</b>	<b>35,291,623</b>	<b>12,135,201</b>	<b>297,941</b>	<b>47,128,883</b>	<b>12,680,431</b>	<b>3,491,033</b>	<b>188,169</b>	<b>15,983,295</b>	<b>31,145,588</b>	<b>22,611,192</b>
Previous Year	29,967,060	7,087,524	1,762,961	35,291,623	10,604,724	3,083,854	1,008,147	12,680,431	22,611,192	-

*The Officer of Distribution*

**SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006.**

**SCHEDULE - G**

**INVESTMENTS :**

	2005-2006			2004-2005	
	Face value per share/ bond Rupees	No. of shares/ bonds	Value Rupees	No. of shares/ bonds	Book Value Rupees
<b>LONG TERM INVESTMENTS (AT COST) :</b>					
<b>Quoted ( Fully paid up) :</b>					
<b>(A) In Government Securities :</b>					
11.5% GOI BOND 2008	155,000	-	155,308	-	155,308
11.5% GOI BOND 2015	761,000	-	761,213	-	761,213
14.0% GOI BOND 2005	100,000	-	0	-	104,000
11.5% IDBI BOND 2009	100,000	-	103,198	-	104,198
			<u>1,019,719</u>		<u>1,024,719</u>
<b>(B) In Equity Shares :</b>					
Apple Finance Ltd.	10	100	2,150	100	2,150
Centurion Bank Ltd.	1	100	2,469	100	2,469
Dena Bank	10	3,209	88,443	3,209	88,443
Gujarat Lease Financing Ltd.	10	125	4,875	125	4,875
ICICI Bank Ltd	10	3	4,560	3	4,560
IndusInd Bank Ltd.	10	102	4,590	102	4,590
Kotak Mahindra Bank Ltd.	10	50	1,950	50	1,950
Ashok Leyland Finance Ltd.	10	1	52	1	52
Cholamandalar Finance Ltd.	10	1	53	1	53
First Leasing Finance Ltd.	10	1	23	1	23
HDFC Bank Ltd.	10	1	435	1	435
Athena Finance Ltd. (*)	10	1	7	1	7
Tata Finance Ltd.	10	1	54	1	54
Reliance Capital Ltd.	10	1	77	1	77
Less : Provision for diminution			(46,641)		(46,641)
(*) Earstwhile Kinetic Capital Finance Ltd.			<u>63,097</u>		<u>63,097</u>
<b>Unquoted ( Fully paid up) :</b>					
<b>(C) In Equity Shares :</b>					
Co.op.Bank of Ahmedabad Ltd.	25	277	6,925	277	6,925
The Bhagyodaya Co-Op-Bank Ltd.	100	1290	0	1290	129,500
			<u>6,925</u>		<u>136,425</u>
<b>TOTAL (A+B+C)</b>			<u>1,089,741</u>		<u>1,161,144</u>
<b>NOTES :</b>					
Aggregate value of Quoted Investments :					
Cost/Book Value			1,129,457		1,129,457
Market Value			1,162,261		1,162,261
Aggregate value of unquoted Investments :					
Cost/Book Value			6,925		135,925

**SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH'2006.**

	RUPEES	31/03/06 RUPEES	31/03/05 RUPEES
<b>SCHEDULE - H</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>CURRENT ASSETS :</b>			
Interest Accrued on Investments		50,677	55,050
Cash & Bank Balances			
Cash on Hand	1,401,146		3,282,378
Balance with Scheduled Banks :			
In Current Account	45,584,116		5,186,332
In Fixed Deposit Account (Fixed Deposit Includes Rs.33500100/- (P.Y.Rs.4500000/-)in lien with Banks/ Financial Institutions.	35,520,100		5,220,000
Balance with Other Banks :			
In Current Account	16,124		23,657
In Fixed Deposit Account	40,000		40,000
		82,561,486	13,752,367
Sundry Debtors, Secured			
(a) Debts outstanding for a period exceeding six months			
(1) Considered good	-		3,996,906
(2) Considered doubtful	9,017,005		4,645,461
	9,017,005		8,642,367
(b) Other debts considered good	20,297,678		13,084,232
	29,314,683		21,726,599
Less : Provision for Non-Performing Assets	969,924		2,329,907
		28,344,759	19,396,692
I) Stock on Hire under Hire-Purchase Agreement * (Net of Un-Matured Hire Charges)	-		226,307
* Includes repossessed stock at estimated realisable value.		110,956,922	33,430,416
<b>LOANS AND ADVANCES :</b>			
II) Advances to customers under Loan cum Hypothecation Agreements * (Secured, Considered Good)	380,398,781		307,255,289
* Includes repossessed assets at estimated realisable value.			
Less : Unmatured Interest Charges	133,684,518		71,804,899
	246,714,263		235,450,390
<b>TOTAL HIRE PURCHASE AND LOAN PORTFOLIO(I + II) Rs. 246,714,263</b>			
<b>Other Loans And Advances</b>			
Advances recoverable in cash or in kind or for value to be received.(Unsecured, Considered Good)	77,627,093		82,657,505
Advance Income-Tax	17,657,007		6,500,112
Advance-Fringe Benefit Tax	504,900		-
		342,503,263	324,608,007
		453,460,185	358,038,423



**SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT 31ST MARCH 2006.**

	RUPEES	31/03/06 RUPEES
<b>SCHEDULE - I</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors	64,528,938	24,043,835
Debenture Application Money	223,888	223,886
Tax Deducted At Source	368,952	244,840
Interest Accrued But Not Due	-	103,240
	<hr/>	<hr/>
	65,121,778	24,615,801
<b>PROVISIONS :</b>		
Proposed Dividend	2,000,000	400,000
Corporate Tax on Dividend	280,500	56,100
Provision for Taxation		
-Income Tax	18,500,000	6,467,573
-Fringe Benefit Tax	505,000	-
	<hr/>	<hr/>
	21,285,500	6,923,673
	<hr/>	<hr/>
	86,407,278	31,539,474

	RUPEES	31/03/06 RUPEES
<b>SCHEDULE - J</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
<b>(1) PRELIMINARY EXPENSES</b>		
Balance as per Last Balance Sheet	-	3,170
Add : Incurred During the Year	-	-
	<hr/>	<hr/>
Less : Written off during the year	-	3,170
	<hr/>	<hr/>
<b>(2) DEFERRED CORPORATE PUBLICITY AND MARKET DEVELOPMENT EXPENSES</b>		
Opening Balance	2,931,763	2609691
Add : Incurred During the Year	-	3091135
	<hr/>	<hr/>
	2,931,763	5700826
Less : Written off during the year	2,931,763	2769063
	<hr/>	<hr/>
	-	2931763
<b>(3) NON CONVERTIBLE DEBENTURE ISSUE EXPENSES</b>		
Opening Balance	581,772	518,128
Add : Incurred During the Year	-	241,470
	<hr/>	<hr/>
	581,772	759,598
Less : Written off during the year	581,772	177,826
	<hr/>	<hr/>
	-	581,772
	<hr/>	<hr/>
	-	3,513,535



**SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2006.**

	2005-2006 RUPEES	2004-2005 RUPEES
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**SCHEDULE - K**

**INCOME FROM OPERATIONS**

Service Charges, Stamp & Document Charges (Net)	10,860,993	1,745,920
	<u>10,860,993</u>	<u>1,745,920</u>

	2005-2006 RUPEES	2004-2005 RUPEES
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**SCHEDULE - L**

**OTHER INCOME**

Income from Investments (Gross) (Tax Deducted at Source Rs.Nil/-, Previous Year Rs.2505/-)	124,412	147,546
Dividend Income	14,544	15,811
Interest on Bank Deposits (Gross) (Tax Deducted at Source Rs.149808/-, Previous Year Rs.6960/-)	698,730	186,681
Income from Units of Mutual Fund	17,463	-
Profit on sale of Shares	-	6,412
Miscellaneous Income	119,786	2,954
	<u>974,935</u>	<u>359,404</u>

**SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006.**

**2004-2005**  
**RUPEES**

**SCHEDULE - M**

**PERSONNEL EXPENSES**

Salaries, Bonus & Allowances	14,675,975	8,237,564
Contribution to Provident Fund,ESI & Gratuity	964,050	559,543
Staff Welfare Expenses	240,629	102,028
	15,880,654	8,899,135

**2005-2006**  
**RUPEES**

**SCHEDULE - N**

**ADMINISTRATIVE & OTHER EXPENSES**

Rent, Rates & Taxes	2,109,241	1,084,936
Stationery & Printing	1,940,085	978,733
Telephone Expenses	3,717,410	2,417,459
Legal & Professional Fees	6,817,384	2,912,128
Insurance Premium	1,470,697	460,553
Advertisement Expenses	3,291,563	3,126,429
Conveyance Expenses	1,974,637	1,298,920
Travelling Expenses	3,103,239	1,602,190
Auditor's Remuneration	137,750	41,876
Repairs & Maintenance - Building	127,040	101,912
- Others	735,663	578,127
	862,703	680,039
Director's Sitting Fees	11,000	10,000
Office Expenses	2,349,389	1,467,646
Provision for Non Performing Assets	(1,359,983)	562,685
Bad Debts	8,379,357	2,951,091
Donation	97,501	132,001
Provision for Diminution in Investments	-	(2,010)
Sundry Balances Written Off (Net)	4,151,950	3,148,428
Sales Promotion Expenses	3,068,815	1,312,433
Commission	28,565,947	14,529,668
Deferred Corporate Publicity & Market Dev. Written Off	2,931,763	-
Miscellaneous Expenses	2,476,451	1,273,425
Loss on Sale of Fixed Assets	13,724	381,513
Loss on Sale of Bonds	4,000	-
	76,114,623	40,370,143



**SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2006.**

	<b>2005-2006 RUPEES</b>	<b>2004-2005 RUPEES</b>
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**SCHEDULE - O**

**FINANCE & BANK CHARGES**

Interest on Bank Loans, Institutions & Others (Net)	4,973,912	14,741,677
Bank Charges / Commission	10,080,668	7,534,081
LC Discounting Charges	261,731	267,993
Financial Charges/commission	948,297	812,594
Interest On Debenture	3,741,457	3,563,072
	<u>20,006,065</u>	<u>26,919,417</u>





**SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

**SCHEDULE - P**

**1. SIGNIFICANT ACCOUNTING POLICIES :**

**A. ACCOUNTING METHODOLOGY :**

The accounts have been prepared on historical cost basis of accounting. The Company adopts the accrual system of accounting unless otherwise stated.

**B. REVENUE RECOGNITION :**

- (i) Interest Income on Advances under Loan cum Hypothecation is apportioned over the period of contract applying Implicit Rate of Return on outstanding investment.
- (ii) The interest under sharing pattern received on three wheelers finance business of HDFC Bank Ltd procured through company is accounted on accrual basis.
- (iii) Discount and Commission are accounted on accrual basis.
- (iv) Fine, Dividend income and Insurance claim are accounted on receipt basis.
- (v) Overdue interest is accounted when its realisation is certain.

**C. FIXED ASSETS :**

All the fixed assets have been stated at cost inclusive incidental expenses Less accumulated Depreciation.

**D. DEPRECIATION :**

Depreciation is provided on Straight Line Method, as per the rates prescribed under schedule XIV of the Companies Act, 1956.

**E. STOCK ON HIRE/ADVANCES UNDER LOAN CUM HYPOTHECATION :**

The value of Stock on Hire and Advances under loan cum hypothecation is arrived at by reducing instalments Received/Due from the Cost of assets, and are net of securitisation.

**F. INVESTMENT :**

All investments held by the company are treated as long term investments and provision is made in case of permanent diminution in the market value of investment.

**G. RETIREMENT BENEFITS :**

Contribution to Provident Fund and Employee's State Insurance are charged to Profit & Loss Account. The company has created an Employee's Group Gratuity Fund which has taken a Group Gratuity-Cum-Life Insurance policy from Life Insurance Corporation Of India. Gratuity is provided on the basis of the above policy.

**H. TRANSFER AND RECOURSE OBLIGATIONS UNDER DEBT SECURITISATION AND MICRO FINANCE ARRANGEMENT**

The company assigns commercial and consumer loans under securitisation transactions. The assigned loans are derecognized and gains/losses are recorded on assignment of loan contracts. Recourse obligations with respect to Debt Secursitisation and Microfinance arrangement with other financiers are provided in books as per past track record of delinquency/servicing of the loans of the company.

**I. TAXATION**

Income tax expense comprises current tax, deferred tax or release and charge on account of fringe benefit tax. The deferred tax charge or credit is recognised using substantially enacted rates. Deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed as at each Balance Sheet date to reassess realisation.

## 2. CAPITAL COMMITMENTS

Estimated amounts of contracts remaining to be executed on Capital Account (Net of Advance) and not provided for Rs. 800000/- (P.Y. Rs. NIL)

## 3. Prudential Norms of the Reserve Bank of India :

In accordance with the guidelines prescribed by Reserve Bank of India.

- (a) Provision has been made in the accounts against non-performing assets.
  - (b) In respect of such non-performing assets, income has not been recognised during the year, and income booked in earlier years is also reversed.
  - (c) Provision has been made for permanent diminution in the value of investments.
  - (d) The company has transferred 20% of the Profits to Statutory Reserve under section 45 IC of RBI Act, 1934.
4. The Company has securitised/assigned a part of its Advances receivables due from customers on the basis of recourse to the company. Gross amount of receivables securitised / assigned have been reduced from Advances portfolio as the case may be. The outstanding amount as at 31<sup>st</sup> March, 2006 net of Security Deposit margin in respect of such portfolio is Rs.60,30,73,340/- (P.Y. Rs. 36,77,98,072/-)
  5. Gross Block of building includes Rs.13,00,000/- (P.Y.Rs.13,00,000/-) pertaining to an office, for which conveyance deed is yet to be executed.
  6. (i) Interest income includes Rs.6,85,47,572/- (P.Y.Rs.2,05,46,106/-) share of interest income received from HDFC bank Ltd. for three wheeler business syndicated by the company.  
(ii) Interest on loans paid to bank is shown after write back of interest paid to bank for Rs. 85,55,214/- (P.Y. Rs. NIL) pertaining to prior period.
  7. Sundry Creditors include Rs. 4,10,50,698/- (P.Y. Rs. NIL) towards the amount of Micro Finance received from a bank to be disbursed in next year on their behalf.
  8. The difference between the balances of Unmatured finance charges, Loans and advances as per General ledger and Subsidiary ledger is under reconciliation and necessary entries if any required will be passed on reconciliation.
  9. Non Convertible Debentures comprises of :
    - (a) A-series 10.5% 23,764/- privately placed secured redeemable non convertible debentures of Rs.1000 each fully paid up, to be redeemed in 5 instalments by 20% principal repayment each after 36,42,48,54 and 60 months from the date of allotment. Outstanding as at 31-3-2006 after repayment is Rs.1,59,15,000/-
    - (b) B- Series – 7% 5,998/- privately placed secured redeemable non convertible debentures of Rs.1000 each fully paid up, to be redeemed in 5 instalments by 20% principal repayment each after 36,42,48,54 and 60 months from the date of allotment and with an option to the company to redeem entire amount after the expiry of 12 months and any time between the maximum repayment period of 60 months from the date of allotment. Outstanding as at 31-3-2006 after repayment is Rs.47,14,000/-
    - (c) C-Series – 7% 9707/- privately placed secured redeemable non-convertible debentures of Rs. 1000 each fully paid up, to be redeemed by 48 monthly installments, which shall be at the mutual consent reduced to 40 monthly instalments from the date of allotment. Out standing as at 31-03-2006 after repayment is Rs.50,01,000/-.
    - (d) D-Series-7% 5110 privately placed secured redeemable non convertible debentures of Rs. 1000 each fully paid up, to be redeemed in 3 instalments of 30%, 30% and 40% principal repayment payable after 36, 48 & 60 months from the date of allotment with an option to the company to redeem entire amount after the expiry of 12 months and any time between the maximum repayment period of 60 months from the date of allotment.
    - (e) A-Series(II) 7% 5505 privately placed secured redeemable non convertible debentures of Rs. 1000/- each fully paid up, to be redeemed in 5 installments by 20% principal repayment each after 36,42,48,54 and 60 months from the date of allotment.



- (f) B-Series(II) 7% 1221 privately placed secured redeemable non convertible debentures of Rs. 1000/- each fully paid up, to be redeemed in 48 monthly equal installments from the date of allotment. Outstanding as at 31-3-2006 after repayment is Rs.9,42,600/-
- (g) "A" Series – III 11% 19990 privately placed secured redeemable Non convertible debentures of Rs.1000/- each fully paid up, to be redeemed in 36 months from the date of allotment.
- (h) "B" Series – III 7% 603 privately placed secured redeemable Non convertible debentures of Rs. 1000/- each fully paid up, to be redeemed in 36 months from the date of allotment.
- (i) "C" Series – III 11% 270 privately placed secured redeemable Non convertible debentures of Rs.1000/- each fully paid up, to be redeemed in 36 months from the date of allotment.
10. Loan and advances secured includes loans and advances for which hypothecation agreements have been entered with borrower. The exercise of ascertaining the Market value of such assets as on the date is under progress.
11. For Registered NBFCs, no debenture redemption reserve is required to be created in the case of privately placed debentures as per DCA circular No. 9/2002 dated 18/04/2002.
12. Following Investments were Purchased & Sold during the year :

(a) **Mutual Funds :**

Name of the Company	A Quantity Nos.	Purchase Cos Rupees	Sale Proceeds Rupees
SBI Blue Chip Mutual Fund	50000	5,00,000	5,17,463

13. **ACCOUNTING STANDARDS :**

(1) **AS – 3 – Cash Flow Statement**

(Rs. in Lacs)  
2005-2006

**A. CASH FLOW FROM OPERATING ACTIVITIES**

Net Profit Before Tax	374.89	105.23
Adjustment for :		
Depreciation	34.91	30.84
Interest & Finance Charges	200.06	269.19
Loss on Sale of Fixed Assets	0.14	3.82
Profit / (Loss) on Sale of Shares / Bonds	(0.04)	(0.06)
Amortisation	33.93	29.44
Interest Income	(8.41)	(3.34)
Income from Units of Mutual fund	(0.17)	0.00
Dividend Income	(0.15)	(0.16)
Gratuity Paid / Provided	0.00	(4.84)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>635.16</b>	<b>430.12</b>
Changes in Working Capital		
Increase / (Decrease) in Receivables	(89.47)	(30.86)
Increase / (Decrease) in Stock in Hire	2.26	245.62
Increase / (Decrease) in Assets Under Loan Agreement	(112.63)	(128.88)
Increase / (Decrease) in Loans & Advances	50.36	(467.48)
Increase / (Decrease) in Current Liabilities	405.08	171.94
Deferred Revenue Expenditure Incurred	0.00	(30.91)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>890.76</b>	<b>189.55</b>
Interest & Finance Charges Paid	(200.06)	(269.19)
Income Tax Paid	(133.10)	(36.32)
<b>NET CASH USED IN OPERATING ACTIVITIES [A]</b>	<b>557.60</b>	<b>(115.96)</b>

**B. CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	(102.38)	(70.88)
Sale of Assets	0.96	3.73
Purchase of Investments	0.00	(0.70)
Sale of Investments	2.29	1.37
Interest Income	8.41	3.34
Income from Units of Mutual fund	0.17	0.00
Dividend Income	0.15	0.16
Subsidy Received	4.25	3.86

**NET CASH USED IN INVESTING ACTIVITIES [B]** (86.15) (59.12)

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Dividend Paid	(4.00)	(3.70)
Increase / (Decrease) in Bank Borrowing	(283.80)	147.67
Issue of Equity Shares	0.00	
Issue of Debentures	208.63	67.26
Repayment of Debentures	(49.06)	(24.85)
Debenture Issue Expenses	0.00	(2.42)
Increase / (Decrease) in Term Loan	721.67	133.19
Increase / (Decrease) in Unsecured Loan	(376.80)	(90.28)

**NET CASH FLOW FROM FINANCING ACTIVITIES [C]** 216.64 226.87

**NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS** 688.09 51.79

Cash & Cash Equivalents at the Begning of the year	137.52	85.73
Cash & Cash Equivalents at the End of the year	825.61	137.52

**(2) AS - 17 - Segment Reporting**

The Company is engaged primarily in the business of Financing and accordingly there are no separate reportable segments as per Accounting Standard 17 issued by The Institute of Chartered Accountants of India.

**(3) AS - 18- Related Party Disclosures**

(1) Key Management Personnel	2005-2006	2004-2005
a. Kamlesh C. Gandhi.		
b. Mukesh C. Gandhi.		
Managerial Remuneration (Include Perquisites)	23,26,148	9,97,920

(2) Relatives of Key Management Personnel to whom interest on deposits for Rs. 4002 (P.Y. Rs.6585/-) has been paid.

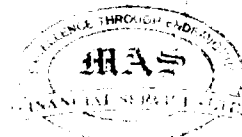
- Rushil M. Gandhi.
- Dhwanil K. Gandhi.
- Saryuben Doshi.

**(4) AS - 20 Earning Per Share**

Calculation of Earning Per Share (E.P.S.)

The numerators and denominators used to calculate the basic & diluted E.P.S. are as follows

Particulars	2005-2006	2004-2005
A Profit for the year after tax		
Attributable to equity shareholders in Rupees	2,24,01,601	70,22,745
B Weighted average no. of equity shares	40,00,000	40,00,000
C Nominal value of equity shares	10	10
D Basic and Diluted earnings per share in Rupees	5.60	1.76



**(5) AS - 22 Accounting for Taxes on Income**

This Standard became mandatory for the company in respect of the Accounting period commencing on or after 01.04.2002. As far as the Company is concerned an entry was required to be passed towards transitional provision, on 01.04.2002 The Company had, along with the Association of Leasing and Financial Service Companies, filed a writ petition against AS-22 Accounting for Taxes on Income. The writ petition is pending in the High Court at Madras. However, the Hon'ble High Court, in its interim order, has made it clear that the Company would be entitled to announce its financial results both on the basis of existing system as well as, as per the impugned AS-22. Accordingly company has decided to account for deferred tax liability during the year under review.

The components of deferred tax balance are set out below

Deferred Tax Liability	31/03/2006 (Rs.)	31/03/2005 (Rs.)
Difference between Book and Tax Written Down Values	31,28,047	21,71,814

**(6) AS - 26 Intangibles**

As per The Accounting Standard on "Intangible Assets" (AS-26) issued by The Institute of Chartered Accountants Of India, which has become effective from 1<sup>st</sup> April 2004, Intangible Items such as Corporate Publicity and Market Development Expenses and Non Convertible Debentures Issue Expenses have to be recognized as an expense in the period in which they are incurred since these do not meet the definition of Assets under AS-26. Accordingly, the company has written off the unamortized corporate publicity and Market Development Expenditure and Non-Convertible Debenture issue expenses during the year under review.

**14. (a) Remuneration to Managing and Whole time Director :**

	2005-06 Rupees	2004-05 Rupees
Salary / Bonus	18,00,000	9,79,200
Contribution to Provident Fund	18,720	16,720
Other Perquisites	5,07,428	-
Total	23,26,148	9,97,920

(b) Computation of Net Profit as per section 349 read with section 309(5) and of section 198 of the Companies Act, 1956 is not furnished as no commission is payable to the Managing Director and Whole Time Director.

**15. Auditors Remuneration :**

	2005-06 Rupees	2004-05 Rupees
Audit Fees	1,37,750	41,876
Tax Audit Fees	55,100	7,714
In other Capacity	98,375	43,060
Total	2,91,225	92,650

16. Information as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

Particulars	(Rs. In Lakhs)	
	Year ending 31/03/2006	
<b>Liabilities side :</b>		
(f) Loans and advances availed by the NBFCs Inclusive of interest accrued thereon but not Paid :	Amount Out- Standing	Amount Overdue
(a) Debentures : Secured	580.51	NIL
: Unsecured (other than falling within the Meaning of public deposits*)	NIL	NIL
(b) Deferred Credits	NIL	NIL
(c) Term Loans	864.87	NIL
(d) Inter-corporate loans and borrowing	103.71	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature) Cash credit and Security Deposits	1504.14	NIL
*Please see note 1 Below		
(2) Break-up of (1)(f) above (Outstanding Public deposits inclusive of interest accrued Thereon but not paid) :		
(a) In the form of Unsecured debentures	NIL	NIL
(b) In the form of partly secured Debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
(c) Other public deposits	NIL	NIL
*Please see note 1 Below		
<b>Assets side:</b>		
	<b>Amount outstanding</b>	
(3) Break-up of Loans and advances including Bills receivables [other than those included In (4) below :		
(a) secured	2750.59	
(b) Unsecured	NIL	
(4) Break up of leased Assets and stock on hire And hypothecation loans counting toward <b>EL/HP activities</b>		
(i) Lease assets including lease rentals under Sundry debtors :		
(a) Financial lease	NIL	
(b) Operating lease	NIL	
(ii) Stock on hire including hire charges :		
(a) Assets on hire	NIL	
(b) Repossessed Assets	NIL	
(iii) Hypothecation loans counting towards EL/HP activities :		
(a) Loans where assets have been Repossessed	47.88	
(b) Loans other than (a) above	2702.71	

**(5) Break-up of Investments :**

**Current investments :**

**1. Quoted :**

(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**2. Unquoted :**

(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**Long Term Investments :**

**1. Quoted :**

(i) Shares : (a) Equity	0.63
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	10.20
(v) Others (please specify)	NIL

**2. Unquoted :**

(i) Shares : (a) Equity	0.07
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**(6) Borrower group-wise classification of all leased assets, stock-on-Hire and loans and advances (Inclusive of Debtors) :**

Please see Note 2 below

Category	I. Amount net of provisions		
	secured	Unsecured	Total
1. related Parties **			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related Parties **	2750.59	NIL	2750.59
<b>Total</b>	<b>2750.59</b>	<b>NIL</b>	<b>2750.59</b>

- (7) Investor group-wise classification of all investments (current and Long term) in shares and securities (both quoted and unquoted) :

Please see more note 3 below

Category	Market Value / Break Up or fair value or NAV	Book Value (Net of Provisions)
1. related Parties **		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related Parties **	10.90	10.90
<b>Total</b>	<b>10.90</b>	<b>10.90</b>

\*\* As per Accounting Standard of ICAI (Please see note 3)

- (8) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) related parties	NIL
(b) Other than related parties	83.79
(ii) Net Non-performing Assets	
(a) related parties	NIL
(b) Other than related parties	70.19
(iii) Assets acquired in satisfaction of debt	NIL

**Notes :**

- As defined in Paragraph 2 (1) (xii) of the Non-Banking financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

17. Balances of Concerned parties for amounts due to them/amounts due from them as per the accounts of the Company are subject to confirmation. Necessary adjustment if any will be made when the accounts are reconciled and settled.



**18. Balance with other Banks :**

IN CURRENT ACCOUNT WITH CO-OPERATIVE BANKS	2005-06 Rupees	2004-05 Rupees
Bhagyoday Co-Op. Bank Ltd. (Maximum amount outstanding During the year Rs. 16,124) (P.Y. Rs.16,124)	16,124	16,124
The Mehsana Urban Co.Op.Bank Ltd. (Maximum amount outstanding During the year Rs. 2,033) (P.Y. Rs.55,770)	NIL	2,033
The Kaira Dist. Central Co.Op. Bank Ltd. (Maximum amount outstanding During the year Rs. 5500) (P.Y. Rs.5,500)	NIL	5,500
In Fixed Deposit with The Nadiad Mercantile Co.Op. Bank Ltd.	40,000	40,000
19. Expenditure in Foreign Currency.	NIL	NIL
20. Earnings in Foreign Currency.	NIL	NIL

21. Figures of the Previous Year have been regrouped wherever necessary.

**22. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT 1956**

**I. Registration details**

Registration No. : 26064  
State Code : 04  
Balance Sheet Date : 31<sup>st</sup> MARCH 2006

**II. Capital raised during the year**

(Amount Rs. in Thousands)

Public Issue : NIL  
Right Issue : NIL  
Bonus Issue : NIL  
Private Placement : NIL

**III. Position of Mobilisation and Deployment of Funds**

(Amount Rs. in Thousands)

Total Liabilities : 399892  
Total Assets : 399892

**Sources of Funds**

Paid-Up Capital : 40000  
Reserve & Surplus : 51442  
Secured Loans : 244043  
Unsecured Loans : 61279  
Deferred Tax Liability : 3128

**Application of Funds**

Net fixed Assets : 31749  
Investments : 1090  
Net Current Assets : 367053  
Miscellaneous Expenditure : NIL  
Accumulated Losses : NIL



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<b>IV. Performance of the Company</b>	<b>(Amount Rs. in Thousands)</b>
Total Income	: 152981
Total Expenditure	: 115492
Profit Before Tax	: 37489
Profit After Tax	: 22402
Earnings per share (Rs.)	5.60
Dividend Rate (%)	5 %

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**V. Generic Names of Principal Products/Services of the Company (as per monetary terms)**

Item Code No.	Not Applicable
Product description	Loans under Loans cum Hypothecation Agreements.

Signatures to Schedules A To P

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As per Our Report Attached

For, CHANDRAKANT K. THAKKAR & CO.  
Chartered Accountants

CHANDRAKANT K. THAKKAR  
Proprietor

Place : Ahmedabad  
Date : 18th August'2006.

For and on behalf of Board of Directors

KAMLESH C. GANDHI  
Chairman & Managing Director

MUKESH C. GANDHI  
Wholetime Director

SIDDHARTH P. SHAH  
Director

KINNARI SHAH  
Company Secretary

*The Power of Distribution*





*The Power of Distribution*

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