



MAS FINANCIAL SERVICES LIMITED

10th ANNUAL REPORT 2004 - 05

BOARD OF DIRECTORS

SHRI KAMLESH CHIMANLAL GANDHI (M.D.)
SHRI MUKESH CHIMANLAL GANDHI
SHRI SIDDHARTH PRAVINCHANDRA SHAH
SHRI BALA BHASKARAN

BANKERS

DENA BANK-ASHRAM ROAD,
INDUSIND BANK LTD.
CITY UNION BANK LTD.
STATE BANK OF SAURASHTRA
UTI BANK LIMITED
ICICI BANK LIMITED
IDBI BANK LIMITED

AUDITORS

CHANDRAKANT K. THAKKAR & CO.
CHARTERED ACCOUNTANTS
6, JAY SHREE APPARTMENTS,
UDYANMARG, LAW GARDEN, ELLISBRIDGE,
AHMEDABAD - 380 006.

REGISTERED OFFICE

6, GROUND FLOOR, NARAYAN CHAMBERS,
BEHIND PATANG HOTEL,
ASHRAM ROAD,
AHMEDABAD - 380009.

NOTICE

NOTICE is hereby given that TENTH ANNUAL GENERAL MEETING of the Members of MAS FINANCIAL SERVICES LTD. will be held on 30th September, 2005 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 31st March, 2005, 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. Siddharth P. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To 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.

Notes :

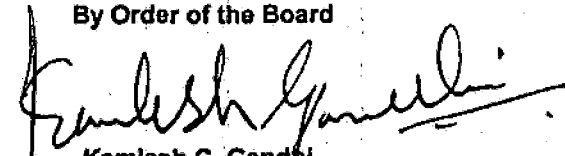
1. A Member entitled to attend and vote is entitled to appoint a Proxy or Proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. The proxy form, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of members and Share Transfer Books of the Company will remain closed from Saturday 24th September, 2005 to Friday 30th September, 2005 (Both days inclusive) for the purpose of Annual General Meeting to be held on 30th September, 2005 and payment of Dividend for the financial year ended on 31st March, 2005.
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 : 31st August, 2005

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

By Order of the Board


Kamlesh C. Gandhi
(Chairman & Managing Director)

DIRECTORS' REPORT

To,
The Members,
MAS FINANCIAL SERVICES LTD.
AHMEDABAD.

Your Directors are happy to present the TENTH ANNUAL REPORT of your Company together with the Audited Accounts drawn for the year ended 31st March 2005.

FINANCIAL RESULTS :

	Year Ended 31/03/05 RUPEES	Year Ended 31/03/04 RUPEES
Hire Charges	1,26,286	4,19,674
Interest on Loan cum Hypothecation Agreements (Net)	8,75,63,684	5,21,35,054
Income From Operations & Other Income	21,05,324	1,53,29,507
Total Income	8,97,95,294	6,78,84,235
Total Expenditure	7,92,72,549	6,10,35,441
Profit Before Taxes	1,05,22,745	68,48,794
Provision for Taxation (Including Income Tax of earlier Years)	35,00,000	17,62,463
Profit After Taxes	70,22,745	50,86,331
Profit Brought Forward	1,91,27,654	1,55,49,007
Profit Available for Appropriation	2,61,50,399	2,06,35,338

APPROPRIATIONS :

Transfer to Statutory Reserve	14,04,549	10,89,759
Proposed Dividend	4,00,000	3,70,460
Corporate Tax on Dividend	56,100	47,465
Balance of Profit & Loss A/c.	2,42,89,750	1,91,27,654
	26,150,399	20,63,51,398

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 Proposes 1% dividend on Equity Shares.

FINANCIAL HIGHLIGHTS

Your Company one of the medium sized private sector Non Banking Finance Company (NBFC) having strong presence in Regional Market , has reputed satisfactory financial & operational performance during the year ended 31st March, 2005. Despite changing techno economic conditions, stringent regulatory norms, Stiff competition faced from banks, Financial Institution, with relatively low cost of funds, your company has showed encouraging results with its prudent policies and conscious decisions. The gross income realised by the company is Rs.897.95 lacs (Previous year Rs.678.84 lacs) comprising of Hire Purchase Income and Interest Income on Loan Cum Hypothecation Agreements. Net Profit after tax is Rs. 70.22 lacs (Previous year Rs.50.86 lacs).

CAPITAL

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

PROSPECTS :-

For financial services industry "now dawn is emerging after prolonged dark night". Tremendous opportunities are unfolding for NBFC sector in retail lending business. You might have certainly observed the cultural change that is taking place in our society where "spending" is given priority over "saving". A centuries old tradition is being given good bye. Growing consumerism, several new products and services are opening up lots of new avenues for spending and thus for financing, as new generation is less averse to incurring debt. In India retail lending is abysmally low- only 4% to 5% of our GDP, whereas in developed countries like USA it is around 70%. Thus, we have a long way to go in covering this journey, with rise in our GDP in the range of 6% to 7%, sky is the limit for growth. In retail lending NBFCs have skill and definite role to play being regional players in majority of cases. Although, the market is becoming very competitive, but still there is space for every one as the cake is too large. In such a scenario NBFC's can play a complimentary role to the banks rather than becoming their competitors. In retail lending back office management and recovery play very important role, as they are the major cost components. The NBFCs have cost advantage in these areas and hence can take their position in the overall distribution channel. NBFCs can be an outsourcing medium for banks not only for marketing of bank products but also for recovery function in view of their reach and cost effective operations.

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-strategies 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 a provision of Rs. 35.13 Lacs for the year 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.

Your company does not rely much on fixed deposits as source of fund for its growth. Fixed Deposit with company on date of balance sheet amounts to only 2.4% of its total resources. Your company has decided to do away with this source in due course of time. In the current year the process has already been started.

The company has continued to follow the consistent policy of deferring the corporate publicity and advertisement expenditure and debenture issue expenses. Looking to the consistency in accounting policy the company has decided to implement accounting standard AS-26 at appropriate future date.

Your company is in process of strengthening its internal audit to commensurate with the future growth.

RECOVERY

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. However, it is a matter of concern, that certain unhealthy practices have come into vogue, which do not augur well for the long term health of the industry- specific reference is made to the practice of providing 100% finance with no contribution from the borrower. This, combined with the longer tenures puts lenders at great risk in the event of a downturn. The debacle of NBFCs in the past is not too distant in our memories. Despite of increase in its receivables, your company could achieve almost 94%

recovery, with overdue of above 6% only. It may be noted that the above mentioned 6% debtors are under strictest surveillance of follow up. The NPA Accounts of the company stands at merge Rs.63.01 Lacs i.e. approximately 1.04 % of its Credit exposure.

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

RESOURCES:

Your Company enjoys the confidence of its Bankers and investors. Your Company is thankful to all its bankers under consortium finance.

INSURANCE:

The assets of your Company have been adequately insured.

FIXED DEPOSIT

At the close of the year deposit matured but not claimed were Rs. 3.00 Lacs and No. of accounts 1.

LEGISLATIVE AND REGULATORY ISSUES

It is indeed unfortunate that the genuine demands of NBFCs continue to remain unresolved. Over the years, regulation has, rightly, focused 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 companies, 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 31st March, 2005 the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments 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 31st March, 2005 and of the profit for the period from 1st April, 2004 to 31st March, 2005.

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 31st March 2005 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 2005-06.

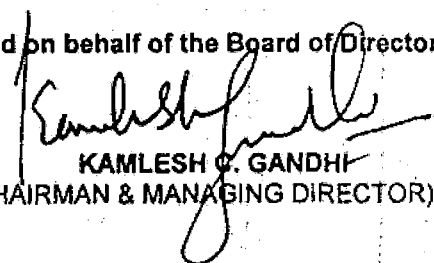
DIRECTORS

In Accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, Shri Siddharth P. Shah, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

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



KAMLESH C. GANDHI
(CHAIRMAN & MANAGING DIRECTOR)

Place : Ahmedabad
Date : 31st August, 2005

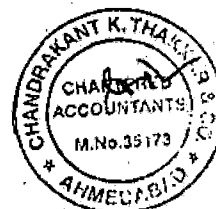
Chandrakant K. Thakkar & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

We have audited the attached Balance Sheet of Mas Financial Services Limited as at 31st March, 2005 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



Chandrakant K. Thakkar & Co.

CHARTERED ACCOUNTANTS

accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS-26 on "Intangible Assets".

e) On the basis of written representations received from the Directors, as on 31st March, 2005, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f) Attention is drawn to Note No. in schedule "P" of the Financial Statement regarding non compliance of AS-26 on "Intangible Assets."

Subject to our above stated comments, 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;

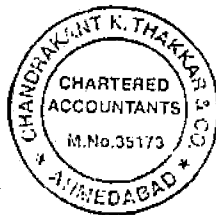
(1) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

(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 : 31st August, 2005



[Signature]
CHANDRAKANT K. THAKKAR
(PROPRIETOR)
Membership No. 35173

Chandrakant K. Thakkar & Co.

CHARTERED ACCOUNTANTS

ANNEXURE TO AUDITORS' REPORT

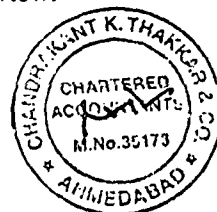
(Referred to in Paragraph 2 of our Report of even date)

- 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.



Chandrakant K. Thakkar & Co.**CHARTERED ACCOUNTANTS**

- 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.
- 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, investor education and protection fund, sales tax, wealth tax, custom duty, excise duty and other material statutory dues applicable to it, except Service tax.
- (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 31st March, 2005 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 cess which have not been deposited on account of any dispute.
- x. The company has no accumulated losses as at 31st March, 2005 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.

