



The Power of Distribution

AAS FINANCIAL SERVICES LIMITED

12th ANNUAL REPORT 2006 - 07

BOARD OF DIRECTORS

SHRI KAMLESH CHIMANLAL GANDHI (M.D.)

SHRI MUKESH CHIMANLAL GANDHI

SHRI SIDDHARTH PRAVINCHANDRA SHAH

SHRI BALA BHASKARAN

SHRI S. VISHWANATHA PRASAD

BANKERS

DENA BANK-ASHRAM ROAD,

STATE BANK OF INDIA

STATE BANK OF SAURASHTRA

CITY UNION BANK LTD.

SMALL INDUSTRIAL DEVELOPMENT BANK OF INDIA

UTI BANK LTD.

ICICI BANK LIMITED

IDBI BANK LIMITED

HDFC BANK LIMITED

STANDARD CHARTERED BANK LIMITED

CENTURION BANK OF PUNJAB LIMITED

DEVELOPMENT CREDIT 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.

DIRECTORS' REPORT

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

Your Directors are happy to present the Twelfth ANNUAL REPORT of your Company together with the Audited Accounts drawn for the year ended on 31st March 2007.

FINANCIAL RESULTS :

	Year Ended 31/03/07 RUPEES	Year Ended 31/03/06 RUPEES
Interest on Loan cum Hypothecation Agreements (Net)	241547295	141144998
Income From Operations & Other Income	44553532	11835928
Total Income	286100827	152980926
Total Expenditure	182115337	115492375
Profit Before Taxes	103985490	37488551
Provision for Taxation (Including Deferred Tax, Fringe Benefit Tax & Income Tax of earlier Years)	35325353	15086950
Profit After Taxes	68660137	22401601
Profit Available for Appropriation	68660137	22401601
<u>APPROPRIATIONS :</u>		
Transfer to Statutory Reserve	13790221	4485464
Proposed Dividend	2333333	2000000
Corporate Tax on Dividend	1567126	280500
Interim Equity Dividend	4663016	-
Interim Preference Share Dividend	3683333	-
Transfer to General Reserve	3447555	-
Transfer to Capital Redemption Reserve	10833333	-
Surplus Balance carried to B/S	28342220	15635637
	68660137	22401601

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 Financial services. The total asset under the management of the company is to the tune of Rs 215 crores as on 31st March 2007.

Micro finance remains to be 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 year 2007-2008. 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 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:

Company is in talks with various private equity financiers for enhancing the equity base which is required to fuel the growth. Your company seeks capital from the investors, who understands the dynamics of the business and are capable of being catalyst to the company's growth in consonance with the fundamentals of the company.

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

Your Company commands the respect and the confidence of Bankers and investors and acknowledges the constructive support of the consortium member banks.

DIVIDEND

The board proposes to reward its shareholders with a dividend of 15% (inclusive of 10% interim dividend) on account of robust growth in its profitability for the year 2006-2007.

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.2861.00 lacs (Previous year Rs.1529.81 lacs) comprising of Interest Income on Loan Cum Hypothecation Agreements. Net Profit after tax is Rs. 686.60 lacs (Previous year Rs.224.01 lacs).

CAPITAL

The Total Issued and Paid-Up Capital at the end of the Twelfth Year: - Equity Share Capital Rs. 6,00,00,000 (Six Crores).

PROSPECTS :-

The retail industry market size is so huge that it provides opportunity for the entire well managed financial institutions, be it banks or NBFC. Due to very sound and fundamentally strong business model of distribution of financial services, the company is working complimentary to almost 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 and to the micro sector in particular. Company's management is confident to emerge as a very significant player in the industry, 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.

STATUTORY COMPLIANCE :

The Company has made necessary provisions 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 marketing strategy as well as 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. 169.54 Lacs which is approximately 0.79% of 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.

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's protection. It must however be borne in mind, that the most important element in investor's protection is a healthy NBFC sector. Investor's protection can only be strengthened if NBFCs have the legal remedies to protect their assets.

The denial of the legal remedies and tax benefit 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, 2007 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, 2007 and of the profit for the period from 1st April, 2006 to 31st March, 2007.
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 2007 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 2007-08.

DIRECTORS.

During the year, Mr. S. Viswanatha Prasad has been appointed as an Additional Director on 18th August, 2006. As per the provision of section 260 of the companies' act, 1956, this director holds office only up to the forthcoming Annual General Meeting of the company. The company has received notice under section 257 of the act in respect of the above person, proposing their appointment as a director of the company. Resolutions seeking approval of the share holders for their appointment have been incorporated in the notice of the forthcoming Annual General Meeting.

Mr. Siddharth Shah, Director, retires by rotation and being eligible has offered him self 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 & management and to more than 2 lacs customers across the length and breadth of the state of Gujarat, who have given the company opportunity to serve them.

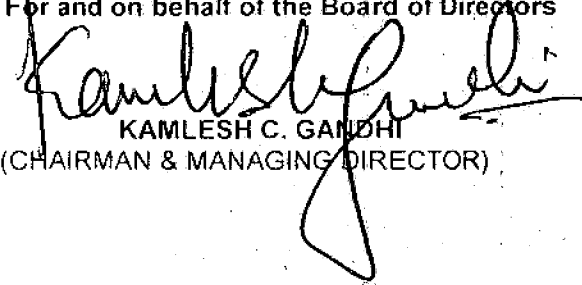
The entire MAS Team deserves the appreciation for their sincere efforts and determination to excel.

I trust this journey will continue to be a pleasant one with their support, aware of the fact that we have "Miles to go.....and together we will.

Best Wishes.

Place : Ahmedabad.
Date : 30th May, 2007

For and on behalf of the Board of Directors


KAMLESH C. GANDHI
(CHAIRMAN & MANAGING DIRECTOR)

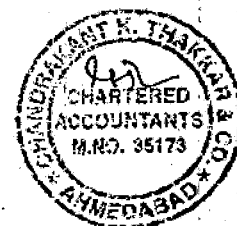
Chandrakant K. Thakkar & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

We have audited the attached Balance Sheet of **Mas Financial Services Limited** as at 31st March, 2007 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 ;



CHARTERED ACCOUNTANTS

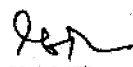
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors, as on 31st March, 2007, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2007 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 31st March, 2007;
- (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 : 30th May, 2007


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 maintains 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.

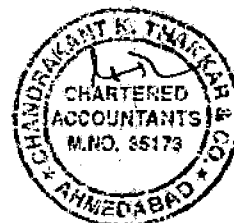
- ii. The company being a Non Banking Finance Company, has no inventory. Accordingly the provisions of clauses 4(ii)(a), (b) & (c) of the Companies (Auditors Report) Order are not applicable to the company.

- 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.

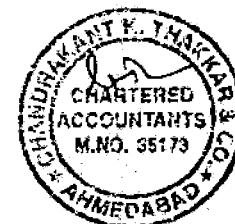
- v. (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(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 Rs. Five Lacs in respect of any party during the year under review.



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

- vi. The company has not accepted any deposit from public within the meaning of section 58A, 58AA or any other relevant provisions of the companies act, 1956 and the rules framed there under.
- vii. The scope and coverage of the Internal Audit system needs further to be enlarged to make it commensurate with the size and operation of the business.
- viii. The companies 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 cess, as at 31st March, 2007 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, 2007 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. In our opinion and according to the information and explanations given to us adequate documents and records have been maintained by the company in respect of loans & advances granted on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.



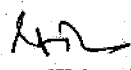
Chandrakant K. Thakkar & Co.

CHARTERED ACCOUNTANTS

- xiv. 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.
- xv. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvi. 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.
- xvii. 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.
- xviii. The company has created security or charge in respect of debentures issued and outstanding at the year end.
- xix. The company has not raised any money by public issue during the year.
- xx. 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 : 30th May, 2007


CHANDRAKANT K. THAKKAR
(PROPRIETOR)
Membership No. 35173

