



*The Power of Distribution*

# **16<sup>th</sup> ANNUAL REPORT**

## **2010-11**

### **REGISTERED OFFICE**

6, GROUND FLOOR, NARAYAN CHAMBERS,  
B/H.PATANG HOTEL, ASHRAM ROAD,  
AHMEDABAD – 380009.

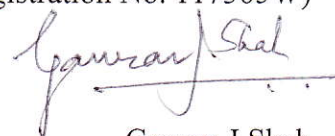
**AUDITORS' REPORT  
TO THE MEMBERS OF  
MAS FINANCIAL SERVICES LIMITED**

1. We have audited the attached Balance Sheet of **MAS FINANCIAL SERVICES LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. 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.
2. We conducted our audit in accordance with the 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (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 it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

*[Handwritten signature]*

- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 117365W)



Gaurav J Shah  
Partner  
(Membership No.35701)

Ahmedabad, 25<sup>th</sup> May, 2011



**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 3 of our report of even date)**

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) The Company being a Non Banking Financial 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) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the Company for the current year.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

*DRS*

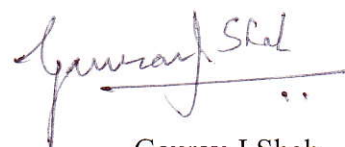
- (viii) In respect of the activities of the Company, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) According to the information and explanations given to us, in respect of statutory dues:
  - (a) *Except for certain instances of delay in payment of service tax and professional tax*, the Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
  - (c) According to the information and explanations given to us, there are no dues of income-tax, sales-tax, wealth-tax, service tax, customs 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, 2011 and 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 the repayment of dues to banks, financial institutions and debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, no loans have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a Chit fund, nidhi, mutual benefit fund or a society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or any other investments.
- (xv) According to the information and explanations given to us, the Company has given guarantee for a loan taken by its subsidiary from a bank, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained other than temporary deployment pending application.

*DES*



- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 270 debentures of Rs. 10,00,000 each. The Company has created security in respect of the debentures issued.
- (xx) The Company has not raised any monies by way of public issue during the year.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 117365W)



Gaurav J Shah  
Partner  
(Membership No. 35701)

Ahmedabad, 25<sup>th</sup> May, 2011

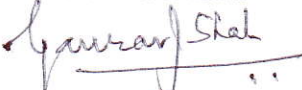
**MAS FINANCIAL SERVICES LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 2011**

	Schedule	Rupees	As at 31st March 2011 Rupees	As at 31st March 2010 Rupees
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	A	929,710,900		994,710,900
Reserves & Surplus	B	235,306,567		163,899,670
			1,165,017,467	1,158,610,570
Deferred Subsidy	C		532,371	803,193
<b>LOAN FUNDS</b>				
Secured Loans	D	3,163,337,224		2,287,437,523
Unsecured Loans	E	252,055,212		101,277,237
			3,415,392,436	2,388,714,760
Deferred Tax Liability (Refer Note No. 12 of Schedule O)			-	1,036,867
			4,580,942,274	3,549,165,390
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>	F			
Gross Block		102,577,183		86,469,516
Less : Depreciation		40,756,997		34,759,423
Net Block		61,820,186		51,710,093
Capital Work in Progress		-		283,612
			61,820,186	51,993,705
<b>Investments</b>	G		90,831,129	90,934,327
<b>Deferred Tax Asset</b> (Refer Note No. 12 of Schedule O)			1,673,272	-
<b>Current Assets, Loans &amp; Advances</b>	H			
Sundry Debtors		202,014,803		149,523,938
Cash and Bank Balances		1,021,833,551		710,113,742
Other Current Assets		7,427,307		7,843,568
Loans and Advances		3,401,475,764		2,691,381,535
			4,632,751,425	3,558,862,783
Less :				
<b>Current Liabilities &amp; Provisions</b>	I			
Current Liabilities		115,617,284		51,000,162
Provisions		90,516,454		101,625,263
			206,133,738	152,625,425
Net Current Assets			4,426,617,687	3,406,237,358
			4,580,942,274	3,549,165,390
Significant Accounting Policies and Notes on Accounts	O			

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants



Gaurav J. Shah  
Partner  
(Membership No. 35701)

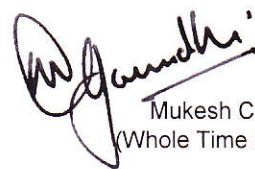


  
Prachi Kanodia  
(Company Secretary)

For and on behalf of the Board of Directors,



Kamlesh C. Gandhi  
(Chairman & Managing Director)



Mukesh C. Gandhi  
(Whole Time Director)

Place : Ahmedabad  
Date : 25<sup>th</sup> May, 2011

Place : Ahmedabad  
Date : 25.05.2011



**MAS FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	Schedule	Year ended 31st March 2011 Rupees	Year ended 31st March 2010 Rupees
<b>INCOME</b>			
Interest on Loans to Customers (Net)		782,603,785	596,725,077
Income from Operations	J	100,904,118	88,018,353
Other Income	K	23,284,694	17,825,394
		<b>906,792,597</b>	<b>702,568,824</b>
<b>EXPENDITURE</b>			
Personnel Expenses	L	75,631,523	55,824,148
Administrative & Other Expenses	M	223,141,289	202,245,031
Interest and Finance Charges	N	354,708,302	236,652,713
Depreciation		7,067,301	6,885,580
		<b>660,548,415</b>	<b>501,607,472</b>
<b>Profit Before Exceptional Item</b>		246,244,182	200,961,352
<b>Exceptional Item:</b>			
Contingent Provision against Standard Assets (Refer Note No. 19 of Schedule O)		8,845,124	-
<b>Profit Before Taxation</b>		237,399,058	200,961,352
<b>Provision for taxation:</b>			
Current Tax		82,300,000	69,000,000
Deferred Tax		(2,710,139)	(232,270)
Short provision for taxation in respect of earlier years		570,139	97,531
<b>Profit After Taxation</b>		157,239,058	132,096,091
Balance Brought Forward		16,850,058	16,578,450
Profit available for appropriation		<b>174,089,116</b>	<b>148,674,541</b>
<b>APPROPRIATIONS</b>			
Reserve u/s. 45-IC of RBI Act, 1934		31,447,812	26,419,218
Interim Dividend on Preference Shares		6,175,000	-
Proposed Interim Dividend on Preference Shares		62,429,763	68,604,763
Proposed Dividend on Equity Shares		12,587,500	7,600,000
Corporate Dividend Tax		13,485,022	12,951,002
Transfer to Capital Redemption Reserve		5,418,167	16,249,500
Transfer to General Reserve		7,862,000	-
Balance carried to Balance Sheet		34,683,852	16,850,058
		<b>174,089,116</b>	<b>148,674,541</b>
<b>Earnings Per Share (Refer Note No. 17 of Schedule O)</b> (Face value of Rs. 10)			
Basic		8.13	5.46
Diluted		8.00	5.37
Significant Accounting Policies and Notes on Accounts	O		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

*Gaurav J. Shah*

Gaurav J. Shah  
Partner  
(Membership No. 35701)



*Prachi Kanodia*

Prachi Kanodia  
(Company Secretary)

For and on behalf of the Board of Directors

*Kamlesh C. Gandhi*

Kamlesh C. Gandhi  
(Chairman & Managing Director)

*Mukesh C. Gandhi*

Mukesh C. Gandhi  
(Whole Time Director)

Place : Ahmedabad

Date : 25<sup>th</sup> May, 2011

Place : Ahmedabad

Date : 25.05.2011



**MAS FINANCIAL SERVICES LTD.**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees		Rupees	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit Before Tax		237,399,058		200,961,352
Adjustment for :				
Depreciation	7,067,301		6,885,580	
Interest charged to Profit and Loss Account	319,266,885		215,224,237	
Loss on Sale of Fixed Assets	490,261		51,162	
Provision for Non Performing Assets	1,430,438		725,847	
Contingent Provision against Standard Assets	8,845,124		-	
Bad Debts Written Off	41,290,261		31,571,401	
Loss on Sale of Repossessed Assets	5,953,333		6,692,479	
Sundry Balances Written Back	(10,412)		(1,244,859)	
Profit on Redemption of Bonds	(145,820)		-	
Depreciation Recouped from Deferred Subsidy	(270,822)		(270,822)	
Interest Income from Investments and Bank and Other Deposits	(22,450,448)		(15,225,344)	
Provision for Employee Benefits	65,522		920,971	
Dividend Income	(390,309)	361,141,314	(974,451)	244,356,201
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		598,540,372		445,317,553
Changes in Working Capital				
(Increase) / Decrease in Sundry Debtors	(53,921,303)		(23,777,669)	
(Increase) / Decrease in Loans & Advances	(770,703,572)		(758,720,897)	
(Increase) / Decrease in Other Receivables	15,322,101		(17,866,498)	
Increase / (Decrease) in Current Liabilities	44,811,217	(764,491,557)	16,101,500	(784,263,564)
<b>CASH GENERATED FROM OPERATIONS</b>		(165,951,185)		(338,946,011)
Interest Paid	(299,778,103)		(221,911,321)	
Income Tax Paid	(93,431,856)	(393,209,959)	(68,875,336)	(290,786,657)
<b>NET CASH USED IN OPERATING ACTIVITIES [A]</b>		(559,161,144)		(629,732,668)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(18,898,043)		(6,592,972)	
Sale of Fixed Assets	1,514,000		23,000	
Purchase of investments	(420,000,000)		(705,700,000)	
Sale/Redemption of Investments	420,249,018		705,700,000	
Interest Income from Investments and Bank and Other Deposits	21,987,361		16,108,404	
Dividend Income	390,309		974,451	
<b>NET CASH FROM INVESTING ACTIVITIES [B]</b>		5,242,645		10,512,883
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Dividends Paid including Corporate Dividend Tax	(96,356,491)		(58,124,850)	
Increase in Working Capital Loans from Banks	393,971,511		370,849,035	
Increase in Term Loans & Deposits	363,023,288		540,936,564	
Redemption of Preference Shares	(65,000,000)		-	
Proceeds from Issue of Debentures	270,000,000		-	
Repayment of Debentures	-		(970,000)	
<b>NET CASH FROM FINANCING ACTIVITIES [C]</b>		865,638,308		852,690,749
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		311,719,809		233,470,964
Cash and Cash Equivalents at the beginning of the year		710,113,742		476,642,778
Cash and Cash Equivalents at the end of the year as per Schedule H		1,021,833,551		710,113,742



MAS FINANCIAL SERVICES LTD.

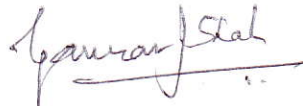
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

Notes:

1. Cash and cash equivalents include amount not available for immediate use :  
Fixed Deposits/Cash Collaterals in lien with Banks Rs. 33,59,42,010; (Previous Year Rs. 19,30,29,870)
2. The above cashflow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
3. Previous year's figures have been regrouped and reclassified wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants



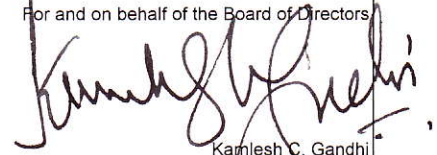
Gaurav J. Shah  
Partner  
(Membership No. 35701)




Place : Ahmedabad

Date : 25<sup>th</sup> May, 2011

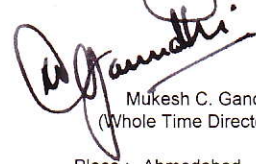
For and on behalf of the Board of Directors



Kamlesh C. Gandhi  
(Chairman & Managing Director)



Prachi Kanodia  
(Company Secretary)



Mukesh C. Gandhi  
(Whole Time Director)

Place : Ahmedabad

Date : 25.05.2011