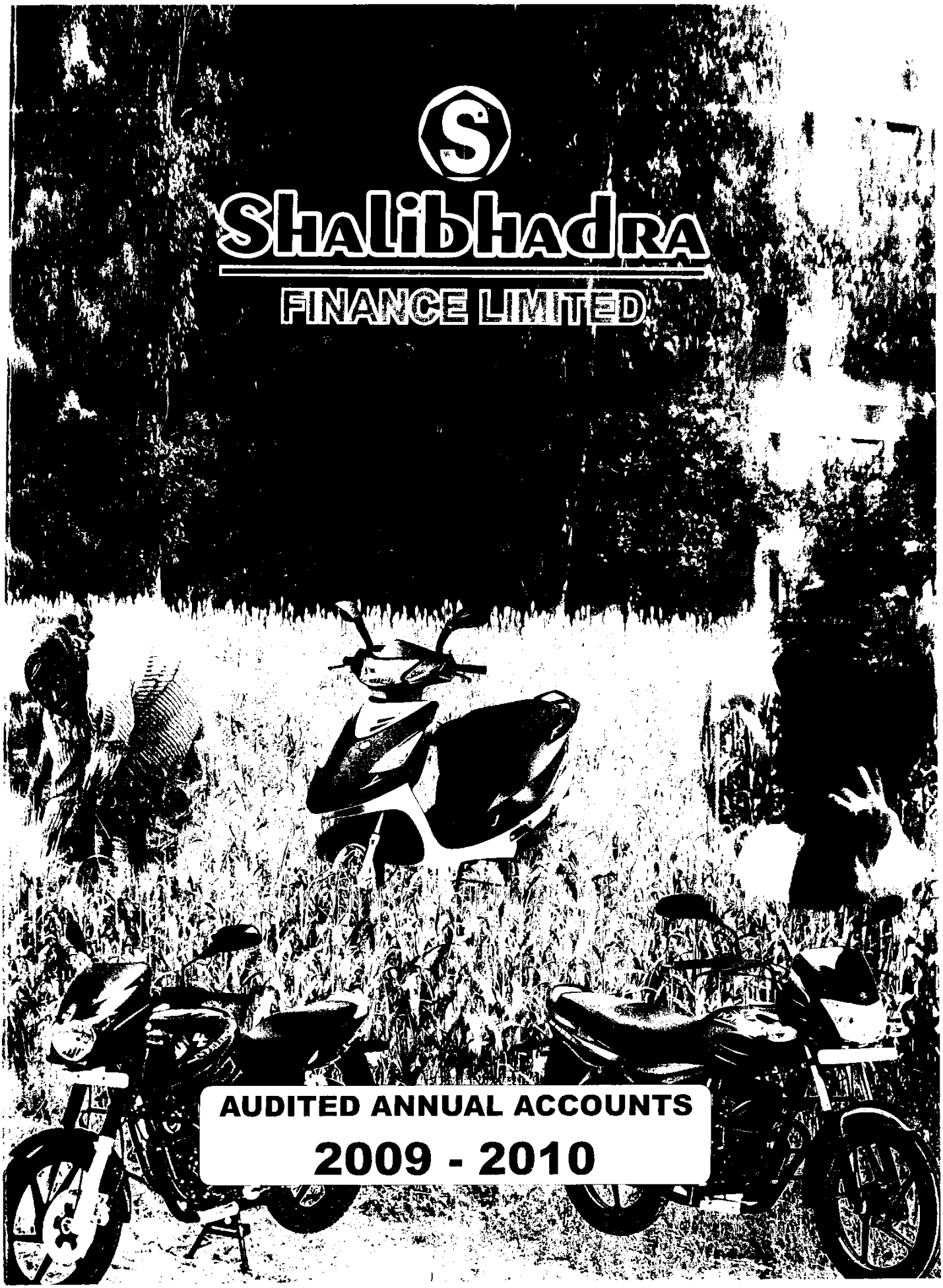

ShalibhadRA
FINANCE LIMITED
AUDITED ANNUAL ACCOUNTS
2009 - 2010

**ShalibhadRA**
FINANCE LIMITED

## BOARD OF DIRECTORS

| | |
|---|---|
| **SHRI MUKUND H DOSHI** | Chairman |
| **SHRI MINESH M DOSHI** | Managing Director |
| **SHRI GOVIND L KESWANI** | Director |
| **SHRI NAROTANMAL RAMPURIA** | Director |

## REGISTERED OFFICE

**3, Kamat Industrial Estate,**
**396 Veer Savarkar Marg.,**
**Prabhadevi,**
**Mumbai: 400 025.**

## BRANCHES

**Ahmedabad**
**Anand**
**Bardoli**
**Bharuch**
**Boisar**
**Dabhoi**
**Himmatnagar**
**Mehsana**
**Navsari**
**Surat**
**Valsad**
**Vapi**
**Rajpipla**

## BANKERS

**Indian Overseas Bank**

## AUDITORS

**M/s. K.S.Sanghvi & Co.**
**Chartered Accountants**

## ADVOCATES & SOLICITORS

**Kanga & Co.,**
Mumbai.

## SHARE TRANSFER SERVICE

**3, Kamat Industrial Estate,**
**396, Veer Savarkar Marg,**
**Prabhadevi, Mumbai: 400 025. INDI**

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19th Annual General Meeting on Thursday, 30th September, 2010 at 3.30 p.m. at 3, Kamat Industrial Estate, 396, Veer Savarkar Marg, Opp. Siddhi Vinayak Temple, Prabhadevi, Mumbai: 400 025.

Shareholders are requested to bring their copies of the Annual Report along with the Annual General Meeting.

**ShalibHadra**
FINANCE LIMITED

## NOTICE

NOTICE is hereby given that the 19th ANNUAL GENERAL MEETING of the members of SHALIBHADRA FINANCE LIMITED will be held on Thursday 30th September, 2010 at 3.30 p.m., at Registered Office at 3, Kamat Industrial Estate, Ground Floor, Opp. Siddhi Vinayak Temple, Prabhadevi, Mumbai – 400 025 to transact the following business.

## ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.

2. To appoint a Director in place of Shri Mukund H.Doshi, who retires by rotation and being eligible, offers himself for re-appointment.

3. To consider & declare dividend.

4. To appoint the Auditors and fix their remuneration.

**Registered Office :**
3, Kamat Industrial Estate,
396, V.S. Marg,
Opp. Siddhi Vinayak Temple,
Prabhadevi,
Mumbai – 400 025.
Tel: 24 322 993/ 24 322 994.

For and on behalf of Board of Directors

DIRECTORS

Place: MUMBAI
Date: 8th September 2010

## NOTES

1. A MEMBER ENTITTLED TO ATTEND AND VOTE IS ENTITTLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER .The instrument appointing a proxy must be deposited with the Company at its Registered Office no less than 48 hours before the time for holding meeting.

2. The share transfer Book and the Register of Members of the Company has remain closed from 21.09.2010 to 24.09.2010

3. All members are requested to:

(i) Intimate any change of address, if any, to the Company quoting reference to their Registered Folio number.
(ii) Write to the Company for any information about accounts 10 days in advance of the Annual General Meeting.

(iii) Members/Proxies are requested to bring the copy of their Annual Report alongwith them and to produce the attendance slip at the entrance of the meeting hall.

(iv) Convert their shares in Demat form for easy liquidity or sale through Stock Exchange and safety.

1. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all working days, Saturdays and Holidays, between 11.00 a.m. and 1.00 p.m. upto date of the Annual General Meeting.

2. In all correspondence with the Company, the members are requested to quote their members folio numbers and in case their shares are held in dematerialized form, quote their client ID Number and their DPID Number.

3. Information required to be furnished under the Listing Agreement.
As required under the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be appointed/ re-appointed are given below:-

(A) Name : Shri Mukund H.Doshi
Date of Birth : 6th August, 1938.
Qualification : S.S.C.
Experience : Wide experience in the line of trading. He is a member of Audit Committee, Remuneration Committee & Shareholders Committee.

For and on behalf of Board of Directors

Place: MUMBAI
Date: 8th September 2010.

DIRECTORS

**ShalibhadRA**
FINANCE LIMITED

# DIRECTORS REPORT

Your directors present here with the 19th Annual Report of the company with the Audited Statements of the Accounts for the year ended March 31, 2010.

## FINANCIAL RESULTS :

The financial results for the year under review are summarized as follows:

| Particulars | Previous Year 2009 - 2010 (Rs.in '000) | Previous Year 2008-2009 (Rs.in '000) |
|---|---|---|
| Business Income | 46,264 | 37,102 |
| Profit before Interest, Depreciation, Lease Equalization Charges & Tax | 31,099 | 25,398 |
| Less: | | |
| a. Interest | 13,181 | 12,962 |
| b. Depreciation | 460 | 436 |
| Profit before tax | 17,458 | 12,000 |
| Provision for Income Tax | 4,563 | 4,300 |
| Provision for FBT / Deffered Tax | 1003 | 110 |
| Profit After Tax | 11,892 | 7,590 |
| Proposed Dividend | 4,002 | 3,502 |
| Distribution Tax | 680 | 595 |
| Transfer to/(from )General Reserve | 1,000 | 500 |
| Transfer to Special Reserve | 3,000 | 1,700 |
| Balance brought forward from Previous Year | 1,309 | 16 |
| Balance carried to Balance Sheet | 4,518 | 1,309 |

## DIVIDEND :

The Directors recommend dividend of 8% i.e. Rs 0.80 per equity share.

## FINANCE :

The company has been recently **sanctioned of Rs. 3 crores** of cash credit facility which will further **help in expanding branch network**.

## CORPORATE GOVERNANCE & COMPIANCE CERTIFICATE

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming the Compliance of the conditions on the Corporate Governance as stipulated in the Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.

## OUTLOOK AND PROSPECTS :

Outlook & Prospect look very encouraging due to increase sale of new two wheelers.

B. Clause 32: Cash flow statement pursuant to clause 32 listing agreement is provided along with Notes to Accounts.

## PUBLIC FIXED DEPOSITS :

The Company has no public deposit as of date and will not accept any deposit without prior approval of the statutory authorities concerned.

## RBI GUIDELINES :

The company is consistently complying with all the guidelines issued by the Reserve Bank of India for NBFC's (AFC's) with respect to capital adequacy, asset classification, provisioning and income recognition on non-performing assets.

The capital adequacy of the Company as on 31st March, 2010 is much higher than the minimum norms stipulated by the RBI for NBFC (AFC's).

## ACCOUNTS & ACCOUNTING STANDARDS :

The Company adheres to the prudential guidelines prescribed by the Reserve Bank of India and to the Accounting Standards issued by the Institute of Chartered Accountant of India in preparation of its financial statements.

The particulars on the related party exposures, non-performing assets and business levels in vehicle loans purchase and other activities, required to be disclosed in the format prescribed by the Reserve Bank of India are contained in the schedules forming part of the accounts.

## DIRECTORS :

In accordance with the Articles of Association Shri Mukund H.Doshi who retires by rotation is eligible for the reappointment. Members are requested to reappoint him.

The Board of Directors shall be broad based by inclusion of independent Directors from various fields in due course.

**ShalibhadRA**
FINANCE LIMITED

## DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1) That in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed;
2) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010 and of the profit of the Company for that period.
3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4) That the annual accounts for the financial year ended 31st March, 2010 are prepared on a 'going concern' basis.

## MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET :

Pursuant to provisions of Section 217(1)(d) of the Companies Act,1956, there has been no material change and commitment affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of the Report.

## PARTICULARS OF EMPLOYEES :

The company has not paid remuneration attracting the Provisions of Sec. 217 (2A) of the Companies Act, 1956.

## PARTICULARS UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 :

Additional information required under the provisions of the above section read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of Energy, Technology Absorption are not applicable as the company is not carrying out any manufacturing operation.

## FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the company has neither earned any foreign exchange nor incurred any expenses.

## AUDITORS :

M/s K.S.Sanghvi & Co. Chartered Accountants retiring Auditors of the Company, retires at the ensuing Annual General Meeting of the Company and are eligible for re-appointment. Members are requested to appoint the auditors and fix their remuneration.

## ACKNOWLEDGMENTS :

Your Directors wishes to place on record their appreciation to all the employees for their hard work, dedication, commitment and rendering impeccable service to every constituent of the company's customer and shareholders.

Place: Mumbai
DATED: 8th September 2010.

For And On Behalf Of the Board of Directors.

**MUKUND H. DOSHI**
**Chairman.**

## MANAGEMENT DISCUSSION AND ANALYSIS:

## INDUSTRY STRUCTURE & DEVELOPMENTS:

The Company is asset finance company focusing on rural, semi-urban & other under banked geographies of Gujarat & Maharashtra.

Company has conceptualised simple **& speedy, small cap, asset financing products**

### Why Simple & Speedy :

1. The company operates in rural areas & its procedures have to be simple to be understood by the local people.
2. It is difficult to give unsecured finance on large scale swifty unlike secured finance.

### Why Small Cap :

1. The Bank's / Big NBFC's have exited or reduced exposure to small deals as cost of administration for them is too high & smallness does not attract them.
2. We want to reach to the bottom of pyramid people with annual family income of less than Rs. 1, 00,000/- p.a.
3. The risk is spread over a very large number of customers.

### Why Rural :

1. There will be saturation in urban markets in near future.
2. Successive government is targeting growth of rural infrastructure with fiscal support measures
3. With rising income levels there is shift in pattern of consumption from food to non-food item where vehicle has top priority.
4. Rural market is yet to be penetrated fully.
5. The bankers & big NBFC are averse to financing in rural areas.
6. Due to invasion of television & communication rural people are aspiring for new products including vehicles.
7. 11th Five Year Plan (2007 2012) targets turnaround in agriculture.

### Why asset finance especially vehicles :

1. There is & will be huge demand for vehicle specially two wheelers & old four- wheelers.
2. Company intends to give only secured finance to have very low level of delinquency.
3. Company feels that financing for white goods & personal finance will take a long time to succeed in rural areas.
4. RBI & courts have taken an adverse view for tough recovery system which is must for unsecured finance.
5. Unsecured finance requires lot of energy towards loan processing.

## THREATS & RISKS :

There may be drastic slowdown in demand for the two wheelers. However, company is confident to growits business due to withdrawal of NBFC's /Bank from this sector.

There is always a greater difficulty of seizing NPA assets from rural than urban area due to non-co-operation of customers and local community pressure. Shalibhadra Finance Limited has mitigated this risk to a great degree by keeping the average loan size small and financing a maximum of 75% of the vehicle, along with a robust hypothecation policy, besides building relationships with locals with human face. However, a major slowdown in economy, fluctuation in interest rates, liquidity availability, extra-ordinary increase in fuel prices or vehicle taxes, floods or such calamities can drastically affect Shalibhadra Finance Limited business growth and asset portfolio in non-urban segments.

## OPERATIONS & CONTROL SYSTEMS :

Shalibhadra Finance Limited has a very good presence in Gujarat, being *"the dominant player"* in its segment of financing 2 wheelers in rural, semi rural and under banked areas. Shalibhadra Finance Limited operates in small towns, villages and city outskirts where the customer is not very literate and highly unorganized. Shalibhadra Finance Limited has its grip on the right pulse of the market segment in question, and has mastered the art of keeping excellent relations with its clients without compromising on growth and bottom-line, resulting in return business and word of mouth publicity.

Shalibhadra Finance Limited has tie up's with various dealers, brokers and service station spread across around 50km, range of each branch from regular business is generated.

The company is looking for avenues of cheap finance from bank & other sources.

Our company believes that normal collection through post dated cheques will not work in rural areas due to poor banking habit & poor banking penetration. The company has tied up with various Co-operative banks to collect on behalf of company which has received good response from customers.

Company dose not operate on franchise or DSA model but put up its own branches in owned premises. The company thinks that this small loan business is highly service oriented & requires physical presence & can not be done from a long distance. We have to be physically present & be face-to-face to give service to rural borrower. Company cover up to 50km. of area from each branch to keep its high standard of service & be in touch with customers directly.

The company presently have branch network of 13 branches & planning to reach to 24 branches in near future.

Company employs local rural people who know local market well, know local language properly & can easily establish good relationship with local customers. This also helps in keeping employee cost down.

Shalibhadra Finance Limited a reasonably de-centralized decision making system with the first contact employee empowered to initiate sanction of loans under supervision of branch heads upto certain amounts. All disbursements of loan are done from head office. All branches are fully computerized and efforts to link the same on-line with head office are underway.

Once loan is sanctioned there is strong MIS system which is centralized at head office. Monthly reporting system of all overdues and follow-ups with customers are in place. All documents pertaining to hypothecation are kept at branches. NOC are sent from Head office.