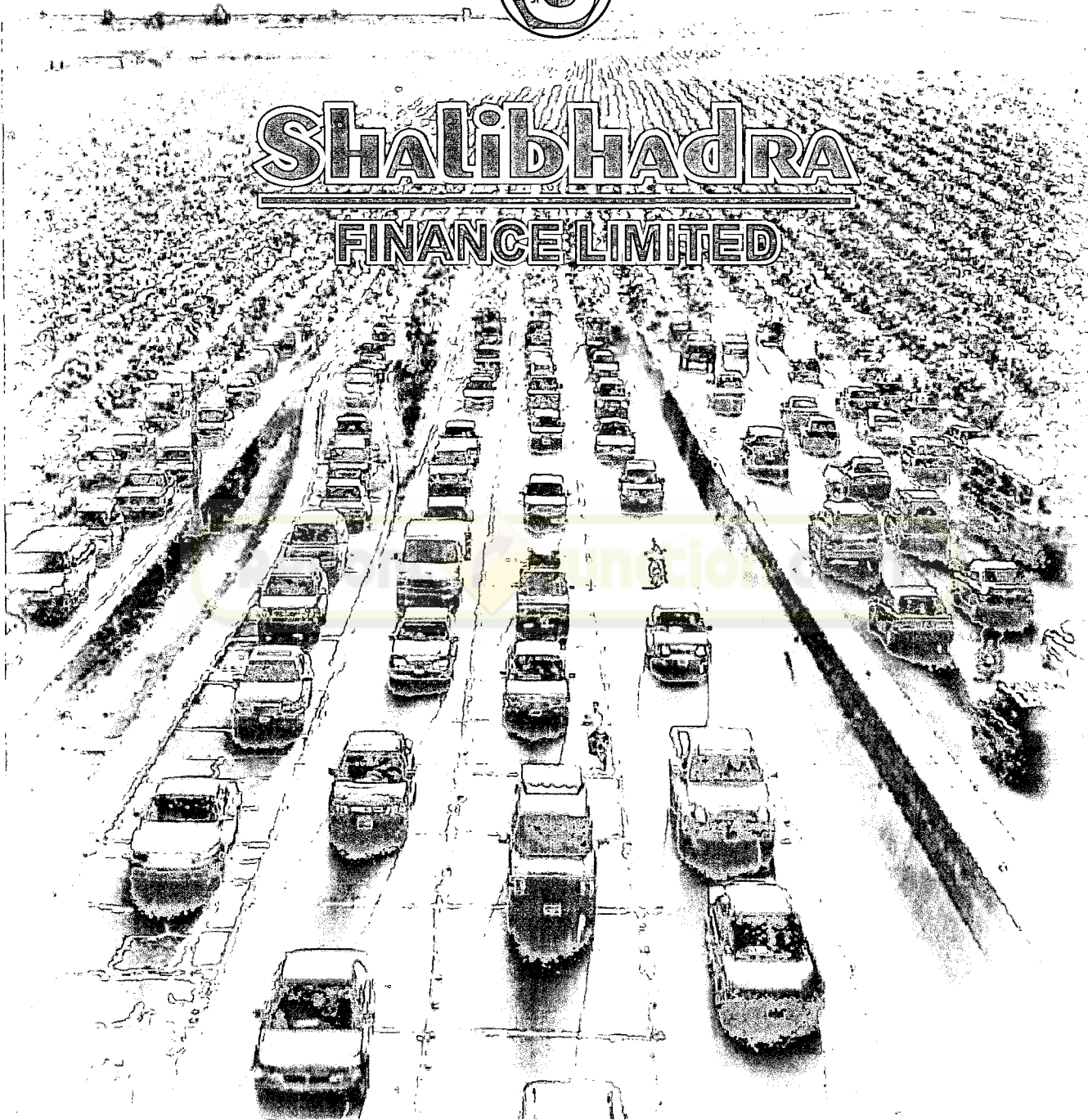




SHALIBHADRA FINANCE LIMITED



**AUDITED ANNUAL ACCOUNTS
2006 - 2007**

Shalibhadra

FINANCE LIMITED

BOARD OF DIRECTORS

SHRI MAYUR A VORA	<i>Chairman</i>
SHRI MINESH M DOSHI	<i>Managing Director</i>
SHRI MUKUND H DOSHI	<i>Director</i>
SHRI GOVIND L KESWANI	<i>Director</i>
SHRI NAROTANMAL RAMPURIA	<i>Director</i>

REGISTERED OFFICE

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

BRANCHES

Vapi
Bharuch
Valsad
Navsari
Boisar
Anand
Bardoli
Mehsana
Ahmedabad
Himatnagar

BANKERS

Indian Overseas Bank

AUDITORS

M/s. K.S.Sanghavi & Co.
Chartered Accountants

ADVOCATES & SOLICITORS

Kanga & Co.,
Mumbai.

SHARE TRANSFER SERVICE

3, Kamat Industrial Estate,
396, Veer Savarkar Marg,
Prabhadevi, Mumbai-400 025 INDIA

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16th Annual General Meeting on Friday, 28th September, 2007 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 16th ANNUAL GENERAL MEETING of the members of SHALIBHADRA FINANCE LIMITED will be held on Friday 28th September, 2007 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, 2007 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 appoint the Auditors and fix their remuneration.

Registered Office:

3, Kamat Industrial Estate,
396, V.S. Marg,
Opp. Siddivinayak Temple,
Prabhadevi,
Mumbai – 400 025.
Tel: 24 322 993/ 24 322 994.
Place: MUMBAI
Date: 6th September 2007

For and on behalf of Board of Directors

DIRECTORS

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED 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 25.09.2007 to 28.09.2007.
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.
4. 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.
5. 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.
6. 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	: 6 th 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: 6th September 2007

DIRECTORS

Shalibhadra

FINANCE LIMITED

DIRECTORS REPORT

Your directors present here with the 16th Annual Report of the company with the Audited Statements of the Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS:

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

<u>Particulars</u>	<u>Previous Year 2006-2007</u> <u>(Rs.in '000)</u>	<u>Previous Year 2005 – 2006</u> <u>(Rs.in '000)</u>
Business Income	27,428	31,391
Profit before Interest, Depreciation , Lease Equalization Charges & Tax	15,535	21,415
Less:		
a. Interest	5,180	6,139
b. Depreciation	1,504	1,492
Profit before tax	8,851	13,784
Provision for Income	3,500	2,500
Tax Provision for FBT	225	200
Profit after tax	5,136	11,084
Proposed Dividend	3,500	3,002
Distribution Tax	595	445
Transfer to General Reserve	2,500	2,500
Transfer to Special Reserve	1,100	2,500
Balance brought forward from Previous Year	2,648	10
Balance carried to Balance Sheet	79	2,647

DIVIDEND:

The Directors recommend dividend of 7% i.e. Rs 0.70 per equity share.

PERFORMANCE REVIEW:

The company has done reasonably well on vehicle finance front due to decent growth in two and three wheeler industry. The company is concentrating on old vehicle financing to generate additional business.

Shalibhadra

FINANCE LIMITED

FINANCE:

The company has got term loan of Rs.3 crores from Indian Overseas Bank repayable over a period of 36 months. The company has repaid cash credit of Dena Bank.

CORPORATE GOVERNANCE & COMPLIANCE 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:

The Company expect the growth in new vehicle finance. The companies also expect growth in old vehicle finance. Company expects to earn capital gain in current year due to run up in stock market. You directors are sincerely putting efforts to improve profitability and financial strength of the Company and increase shareholders value in future.

B. Clause 32: Cash flow statement pursuant to clause 32 listing agreement is provided alongwith 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, 2007 is much higher than the minimum norms stipulated by the RBI for NBFC (AFC's).

Pursuant to the notification of the RBI on re-classification of NBFC's, your Company applied and has received a fresh certificate of registration dated: 25.04.2007 as a Asset Finance Company – Non- Deposit Taking.

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 lease and hire 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, 2007, 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, 2007 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, 2007 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.Sanghavi & 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: 6th September 2007

For And On Behalf Of the Board of Directors.

MAYUR. A. VORA
Chairman.

Shalibhadra FINANCE LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE & DEVELOPMENTS:

The Company is asset finance company focusing on rural, semi-rural & underbanked areas.

Company is concentrating on **simple & speedy, small cap, rural, asset finance.**

Why Simple & Speedy:

1. The company operates in rural areas & its procedures has to be simple to be understood by people over there easily.
2. It is difficult to give unsecured finance on a large scale swiftly unlike secured finance.

Why Small Cap:

1. The Bank's / Big NBFC's are not interested in small deals as cost of administration for them is too high & smallness dose 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/-pa.
3. The risk is spread over a very large number of customers.

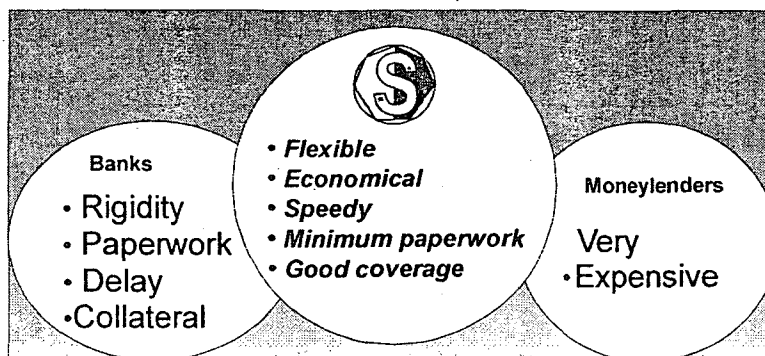
Why Rural:

1. There will be saturation in urban markets in near future.
2. Successive government is targeting growth of rural infrastructure & pumping lot of money.
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) target turnaround in agriculture.

Why asset finance – specially 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 require lot of energy towards loan processing.

Shalibhadra FINANCE LIMITED



THREATS & RISKS:

Although the financing industry is highly competitive in India, there is not much competition yet in the rural sector. However this picture could change in the coming years during which a number of banks & NBFC's are planning aggressive financing in the non-urban areas looking at its size and potential. Shalibhadra Finance Limited would have advantage over these institutions due it being much higher on the learning curve and having an established customer, branch and alliance base in rural segment.

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, alongwith a robust hypothecation policy. 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 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 where regular business is generated.

The company has availed of term of Rs.300 Lac from IOB for financing its business, and is actively exploring other cheaper forms of additional financing looking at the potential of the industry and targeted growth rate of > 25%.

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 bank 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 think that this small loan business is highly service oriented & requires physical presence & can not be done from 500km. away from corporate building at Bandra Kurla Complex. You 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.

Shalibhadra FINANCE LIMITED

The company presently have branch network of 10 branches & planning to reach to 24 branches in near future.

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

Shalibhadra Finance Limited a reasonably de-centralised 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 computerised 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.

In last 10 years your company has learnt to walk in rural finance but now it will run.

FUTURE OUTLOOK:

The Indian rural landscape is rapidly changing, presenting various growth opportunities. The rural customer (>75% of the population) is becoming more market savvy, and aspires for a higher life quality. Shalibhadra Finance Limited objective is to grow its customer base to over 50,000 customers, 24 braches and a vehicle finance portfolio of Rs.500 million by March 2009.

Shalibhadra Finance Limited plans to concentrate further on smaller but upcoming towns to avoid margin competition. Shalibhadra Finance Limited customers are generally salaried class, agriculturist and self employed. Since the past five years, Shalibhadra Finance Limited has concentrated on 2 wheelers and 2, 3 & 4 wheelers' refinance. This industry in growing in double figure rates and competition from other NBFC's and banks is practically non-existant due to relatively small & wide market and high service oriented business.

Company plan to cross sell other products to same customers like mutual funds, health & life insurance.

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

CAUTIONARY STATEMENT:

As stated in the beginning, this report Shareholders is in compliance with the corporate Governance Standard incorporated in the listing Agreement with the stock Exchanges and as such cannot be constructed as holding out of any forecasts, projections, expectations, invitations, offers etc, within the meaning of applicable securities, laws and regulations. This report basically seeks to furnish information, as laid down with in the different headings provided under the sub-head Management Discussion and Analysis to meet the Listing Agreement requirements.

FINANCIAL PERFORMANCE

During the year the operations have been satisfactory and profitable insofar as the Company has generated revenue of Rs. 274.28 Lacs (Previous year Rs. 313.92 Lacs) and a profit after tax of Rs. 51.26 Lacs (Previous Year Rs.110.84 Lacs).

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in clause 49 of Listing Agreement as applicable to the company is set out below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The company is committed to good corporate governance and has started implementing corporate governance norms as prescribed by SEBI. The Company respects the rights of not only of its Shareholders but also of general public to the information on the performance of the Company and considers it self a trustee of its Shareholders.

2. BOARD OF DIRECTORS:

The Company is fully compliant with the Corporate Governance Norms in terms of constitution of the Board with a good combination of Executive and Non – Executive Directors. The board has complete access to any information within the Company and to any employee of the Company.

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once every quarter to review the quarterly results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4 times in a year and the gap between two Board Meetings is not more than 4 months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important information relating to the business of the Company including those listed in Annexure 1A of the revised Clause 49 of the Listing Agreement.

COMPOSITION AND CATEGORY

Present strength of the Board of Directors is five whose composition is given below:

- 1 Managing Director.
- 2 Promoter Director.
- 3 Non-Executive Directors.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

During the financial year ended March 31,2007, Twelve Board Meetings were held on 27th April 2006, 25th May 2006, 29th June 2006, 27th July 2006, 31st August 2006, 28th September 2006, 26th October 2006, 30th November 2006, 28th December 2006, 28th January 2007, 22nd February 2007, 29th March 2007.

Name of the Director	No. of Board Meetings attended	Attendance at last AGM held on 29 th December 2005.
Shri Minesh M.Doshi	12	Present
Shri Mayur A.Vora	11	Present
Shri Mukund H.Doshi	12	Present
Shri Govind L.Keswani	12	Present
Shri Narotnmal Rampuria	10	Present

3. DISCLOSURE REGARDING APPOINTMENT OR REAPPOINTMENT OF DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Shri Mukund H.Doshi, Director of the Company, retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment. Shri Mukund H.Doshi offers himself for reappointment. The required details of Shri Mukund H.Doshi are provided in the Notice of the Annual General Meeting.