

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2004.

	Year ended 31.3.2004 (Rs. Lakhs)	Year ended 31.3.2003 (Rs. Lakhs)
Gross operating profit / (loss)	437.94	8.13
Less : Interest and finance charges	298.22	370.33
Profit/(Loss) before depreciation, amortisation and taxation	139.72	(362.20)
Less : Depreciation and Amortisation	30.06	34.44
Profit/(Loss) before Taxation	109.66	(396.64)
Less : Provision for Taxation	—	—
Profit/(Loss) after Taxation	109.66	(396.64)
Brought forward from previous year	(8622.70)	(8226.06)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(8513.04)	(8622.70)

The gross operating profit in the year ended March 31, 2004 was Rs. 437.94 lakhs, compared to a profit of Rs. 8.13 lakhs in the previous year and after providing for interest and depreciation, the net profit for the year was Rs. 109.66 lakhs as against a loss of Rs. 396.64 lakhs in the previous year.

Economic Scenario

During the past year despite the ongoing liberalisation there has been no turnaround in the status of the non-performing assets of the NBFC Industry and hence there has been no significant beneficial impact on the recovery of the monies due to your Company. During the year some clients have come forward for negotiated settlements and concluded the same. Some more settlements are under evaluation. Your Company continues to vigorously pursue various legal cases initiated against defaulting clients.

Operations

During the last seven years your Company has concentrated only on recoveries and has collected a total of Rs. 9012.90 lakhs including by way of property settlements. The collections were largely utilised for repayment of debts - Rs. 955.05 lakhs (Inter corporate deposits), Rs. 687.39 lakhs (Non-convertible debentures), Rs. 161.08 lakhs (Bill Rediscounting), Rs. 1571.43 lakhs (Fixed Deposits), Rs. 518.17 lakhs (Financial Institutions) and Rs. 3814.72 lakhs (Banks), an aggregate of Rs. 7707.84 lakhs.

Your Company, during the year, has concluded negotiated settlements with LIC Housing Finance Ltd, Andhra Bank, The Hongkong and Shanghai Banking Corporation Limited and Sanwa Bank and offered property, received by way of settlements from clients, to two other banks for settlement of dues. Your Company expects that most of the external liabilities would be settled over the next financial year.

Reserve Bank of India directions to NBFCs

Your Company has made provisions as per the Reserve Bank of India's Directions.

Directors' Responsibility Statement

Your Directors have :

- i. followed, in the preparation of the annual accounts, the applicable

accounting standards with proper explanation relating to material departures;

- ii. selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- iii. 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;
- iv. prepared the annual accounts on a going concern basis.

Dividend

In view of the accumulated loss, your Board regrets that the Company is not in a dividend paying position.

Particulars of Employees

The Company has no employee in the category specified under Section 217(2A) of the Companies Act, 1956.

Subsidiary Companies

BFIL Securities Limited

Your Company's subsidiary is in the process of voluntary winding up.

MRR Trading & Investment Company Limited

With a view to acquire office space in Mumbai, by way of tenancy rights, your Company had acquired the entire equity share capital of MRR Trading & Investment Company Limited after obtaining the necessary approval from the Central Government. The tenanted space is being utilised as corporate office of your Company.

Directors

Sri Sudip Bandyopadhyay retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Deposits

Fixed Deposits, aggregating Rs. 1.99 lakhs, against 14 deposits were unclaimed at the end of the year and an equivalent amount has been retained in an escrow account with State Bank of India, Mumbai.

Acknowledgements:

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

On behalf of the Board

P. Dhobale P. K. Talwar
Director Director

Secunderabad, 14th April, 2004

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of BFIL Finance Limited as at March 31, 2004 and the related Profit and Loss Account for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 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 misstatement. 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.
3. 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' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give 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 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

- (f) Reference is invited to note 1 of Schedule 14 to the financial statements regarding the Company's accounts being prepared on a going concern basis.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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 March 31, 2004; and
- ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner

Hyderabad, April 14, 2004

Membership no. 18863

Annexure referred to in para 3 of the Auditors report to the Members of BFIL Finance Limited on the accounts for the year ended March 31, 2004.

1. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) All the fixed assets have been physically verified by the management during the year, except for the lease assets where parties have defaulted in payment of lease rentals and Company has initiated legal proceedings for recovering the dues, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified during the year.
 - (c) During the year, in our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company.
 2. (a) The stock-in-trade of the Company has been physically verified by the management at the year-end. However in respect of stock-on-hire, the Company has initiated legal proceedings for recovering its dues and no physical verification was carried out. In our opinion the frequency of verification of stock-in-trade is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock-in-trade followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of stock-in-trade and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
 3. The Company has not granted / taken loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act, paragraphs 4(iii) (b),(c),(d) of the order, are not applicable.
 4. In our opinion and having regard to the explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
 5. In our opinion and according to the information and explanations given to us, the transactions that there are no transactions that are required to be entered into the Register maintained under Section 301 of the Companies Act, 1956, paragraph 4(v) (b) of the Order is not applicable.
 6. 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 the provisions of Section 58A and 58AA of the Act and the rules framed there under. As per information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board on the company.
 7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
 8. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, there are no undisputed and unpaid statutory dues other than, interest-tax dues, which are given in Annexure I.
 - (b) As at March 31, 2004, according to the records of the company and the information and explanations given to us, there are no dues in respect of income-tax, sales tax, wealth tax and cess, except as disclosed in Annexure II, which have not been deposited on account of any dispute, excise duty and customs duty are not applicable to the Company.
 9. The company's accumulated losses as at March 31, 2004, are more than fifty percent of its net worth and the company has incurred cash losses during the immediately preceding financial year.
 10. Based on our audit procedures and on the information and explanations given by the management, in our opinion, the company has defaulted in repayment of dues to banks as at the balance sheet date and the details of dues as per books are given in Annexure III. (Refer note 2(iii)&3, Schedule 14 of financial statements).
 11. In our opinion, the Company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
 12. Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
 13. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- Clause 4(viii), 4(xii), 4(xiii)(a), 4(xiii)(b), 4(xiii)(c), 4(xiii)(d), 4(xv), 4(xvi), 4(xviii), 4(xix), 4(xx) of the above order are not applicable in the case of the Company since in our opinion there is no matter which arises to be reported in the aforesaid order.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner

Hyderabad, April 14, 2004

Membership no. 18863

ANNEXURE – I

Year ended March 31, 2004

DETAILS OF UNDISPUTED STATUTORY DUES

Nature of the Statute	Nature of Dues	Assessment Year	Amount Rs.	Due date	Date of Payment
Interest Tax Act, 1974	Interest- tax	94-95	2,701,841	January, 2001	Unpaid
		95-96	6,801,816	January, 2001	Unpaid

ANNEXURE – II

Year ended March 31, 2004

DETAILS OF DISPUTED STATUTORY DUES

Nature of the Statute	Nature of Dues	Assessment Year	Amount Rs.	Forum where it is pending
Income Tax Act, 1961	Income – tax	93-94	3,040,160	DCIT
		96-97	16,643,401	CIT Appeals

ANNEXURE – III

Year ended March 31, 2004

DETAILS OF OUTSTANDING LOANS - BANKS

BANK	OUTSTANDING SINCE	AMOUNT OUTSTANDING Rs.
Vijaya Bank	16-Jun-00	57,987,330
Karur Vysya Bank	19-Mar-02	49,278,576
State Bank of India	2-Feb-02	138,546,393
State Bank of Hyderabad	16-Jun-00	29,470,357
TOTAL		275,282,656

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at 31st March, 2004 (Rs. lakhs)		As at 31st March, 2003 (Rs. lakhs)	
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Capital	1	20,00.00		20,00.00	
(b) Reserves & Surplus		—	20,00.00	—	20,00.00
2. Loan Funds					
(a) Secured Loans	2	27,54.83		35,58.66	
(b) Unsecured Loans	3	52,24.11	79,78.94	52,24.11	87,82.77
			99,78.94		1,07,82.77
II. APPLICATION OF FUNDS					
1. Fixed Assets					
(a) Gross Block	4	37,71.82		42,26.83	
(b) Depreciation		(18,85.85)		(20,79.76)	
(c) Lease Terminal Adjustment		(4,93.21)		(5,14.36)	
(d) Net Block		13,92.76		16,32.71	
(e) Capital Work-in-Progress		6,82.65		6,79.42	
(f) Provision for Doubtful Assets		(10,17.21)	10,58.20	(10,39.18)	12,72.95
2. Investments					
	5		5,06.58		5,06.58
3. Current Assets, Loans and Advances					
(a) Stock-on-hire		12,83.66		12,83.66	
Less : Provision for Doubtful Assets		(10,13.35)		(10,13.35)	
		2,70.31		2,70.31	
(b) Stock-in-trade	6	1,77.61		6,90.61	
(c) Sundry Debtors	7	—		—	
(d) Cash and Bank Balances	8	0.10		3.14	
(e) Loans and Advances	9	2,07.87		184.43	
		6,55.89		11,48.49	
Less : Current Liabilities and Provisions					
Current Liabilities					
	10	7,54.77		7,67.95	
Net Current Assets					
			(98.88)		3,80.54
4. Profit and Loss Account – Debit Balance					
			85,13.04		86,22.70
			99,78.94		1,07,82.77
Notes on Accounts					
	14				

Schedules 1 to 10 and 14 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our Report of even date.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan, Partner
Secunderabad, 14th April, 2004

On behalf of the Board
P. Dhobale Director
P.K. Talwar Director
T.R. Shankar Manager
V. Radhakrishnan Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	For the year ended 31st March, 2004 (Rs. lakhs)		For the year ended 31st March, 2003 (Rs. lakhs)	
INCOME					
Other Income	11	11,56.74		33.01	
		11,56.74		33.01	
EXPENDITURE					
Personnel, Operating and Administration Expenses	12	7,18.80		24.88	
Interest and Finance Charges	13	2,98.22		3,70.33	
Depreciation		30.06		34.44	
		10,47.08		4,29.65	
PROFIT/(LOSS) BEFORE TAXATION					
Provision for Taxation		1,09.66		(3,96.64)	
		—		—	
PROFIT/(LOSS) AFTER TAXATION					
Brought forward from previous year		1,09.66		(3,96.64)	
		(86,22.70)		(82,26.06)	
AVAILABLE BALANCE					
Balance carried to Balance Sheet		(85,13.04)		(86,22.70)	
		(85,13.04)		(86,22.70)	
Notes on Accounts					
	14				
Earnings Per Share (Rs.)					
		0.55		(1.98)	

Schedules 11 to 14 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our Report of even date.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan, Partner
Secunderabad, 14th April, 2004

On behalf of the Board
P. Dhobale Director
P.K. Talwar Director
T.R. Shankar Manager
V. Radhakrishnan Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2004 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)
1. CAPITAL				
AUTHORISED				
3,00,00,000 Equity Shares of Rs. 10/- each	30,00.00		30,00.00	
10,00,000 Cumulative Redeemable / Convertible Preference Shares of Rs. 100/- each	<u>10,00.00</u>	<u>40,00.00</u>	<u>10,00.00</u>	<u>40,00.00</u>
ISSUED AND SUBSCRIBED				
2,00,00,000 Equity Shares of Rs. 10/- each fully paid-up in cash. (all the above Shares are held by the Holding Company, ITC Limited)		<u>20,00.00</u>		<u>20,00.00</u>
		<u>20,00.00</u>		<u>20,00.00</u>
2. SECURED LOANS				
Term Loans :				
Secured against the first mortgage of the title deeds of specific building		—		70.00
Interest accrued and due		—		23.68
Cash Credit from Banks :				
Secured by way of hypothecation of specific equipment, plant and machinery, vehicles, stock-on-hire etc., and related book debts		<u>10,49.60</u>		14,63.49
Interest accrued and due		<u>17,05.23</u>		20,01.49
		<u>27,54.83</u>		<u>35,58.66</u>
3. UNSECURED LOANS				
Fixed Deposits unclaimed,	1.99		2.10	
Less : Amount in Escrow Account	<u>1.99</u>	—	<u>2.10</u>	—
15,00,000 — 0% Non-Convertible Debentures of Rs. 100/- each issued to the Holding Company, renewed during the year and repayable on 1st April, 2006		<u>15,00.00</u>		15,00.00
Loans from Holding Company		<u>37,24.11</u>		37,24.11
		<u>52,24.11</u>		<u>52,24.11</u>

4. FIXED ASSETS

(Rs. lakhs)

	Gross Block (at cost)				Depreciation				Lease Terminal Adjustment		Net Block	
	As at 31st March, 2003	Additions during the year	Deductions during the year	As at 31st March, 2004	As at 31st March, 2003	Additions during the year	Deductions during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003
Buildings	4,36.18			4,36.18	1,33.30	15.15		1,48.45			2,87.73	3,02.88
Office Equipment	34.66			34.66	19.99	2.02		22.01			12.65	14.67
Furniture and Fixtures	1,48.05			1,48.05	95.98	9.43		1,05.41			42.64	52.07
Leasehold Improvement*	66.10			66.10	30.04	3.46		33.50			32.60	36.06
LEASED ASSETS												
Plant and Machinery	35,41.84		4,55.01	30,86.83	18,00.45		2,23.97	15,76.48	4,93.21	5,14.36	10,17.14	12,27.03
Total	42,26.83		4,55.01	37,71.82	20,79.76	30.06	2,23.97	18,85.85	4,93.21	5,14.36	13,92.76	16,32.71
Previous Year	45,59.48		3,32.65	42,26.83	22,25.47	34.44	1,80.15	20,79.76	5,14.36	6,62.64	16,32.71	

Capital Work-in-Progress**

6,82.65 6,79.42

* Leasehold Improvement represents the amount incurred on renovation of the premises of the wholly owned subsidiary, MRR Trading & Investment Co. Ltd. which holds tenancy rights.

** Capital Work-in-Progress includes Rs. 375.61 lakhs representing value of property received towards settlement of dues as reduced by Rs. 93.89 lakhs representing part of the property offered to bank towards full and final settlement.

Also includes Rs. 303.80 lakhs paid towards Bandra Kurla complex, pending registration.

	As at 31st March, 2004 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)	As at 31st March, 2004 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)
5. INVESTMENTS				
Unquoted (At Cost)				
Long Term :				
Government/Trust Securities (other than trade)				
National Savings Certificate fully paid (deposited with Government Authorities)	0.05		0.05	
Kisan Vikas Patra fully paid (deposited with Government Authorities)	0.05		0.05	
Trade Investments				
5 Shares of Maker Towers Co-operative Housing Society Ltd. of Rs. 50/- each fully paid - Rs. 250	—		—	
10 Shares of Laxmi Finance and Leasing Companies Commercial Premises Co-operative Society Limited of Rs. 50/- each fully paid - Rs.500	0.01		0.01	
Bombay Mercantile Co-op. Bank Ltd.	0.01		0.01	
Subsidiary Company				
MRR Trading & Investment Company Limited			5,06.46	5,06.46
50,000 Equity Shares of Rs. 10/- each fully paid			<u>5,06.58</u>	<u>5,06.58</u>
6. STOCK-IN-TRADE				
(Valued at Cost or Market Value whichever is lower)				
Stock of Shares & Securities				
Quoted - Fully paid				
Equity Shares of Rs. 10/- each			0.01	0.01
Unquoted - Fully paid				
Equity Shares of Rs. 10/-each			3,42.00	3,42.00
Optionally Fully Convertible Debentures			<u>5,94.00</u>	5,94.00
			<u>9,36.00</u>	9,36.00
Less : Provision for erosion in value			<u>7,58.40</u>	<u>7,58.40</u>
			<u>1,77.60</u>	<u>2,45.40</u>
			<u>1,77.61</u>	<u>6,90.60</u>
			<u>1,77.61</u>	<u>6,90.61</u>

	As at 31st March, 2004 (Rs. lakhs)	As at 31st March, 2003 (Rs. lakhs)		For the year ended 31st March, 2004 (Rs. lakhs)	For the year ended 31st March, 2003 (Rs. lakhs)
7. SUNDRY DEBTORS					
(Unsecured, considered doubtful)					
Over 6 months :					
Lease and hire purchase debtors	6,93.54	7,72.96			
Trade debtors	<u>12,19.23</u>	<u>12,53.49</u>			
	19,12.77	20,26.45			
Less: Provision for doubtful debts	<u>19,12.77</u>	<u>20,26.45</u>			
	—	—			
8. CASH AND BANK BALANCES					
Cash on hand	—	—			
With Scheduled Banks					
on current account	—	0.24			
on short term deposit	<u>0.10</u>	<u>2.90</u>			
	<u>0.10</u>	<u>3.14</u>			
9. LOANS AND ADVANCES					
(Unsecured, considered good)					
Advances recoverable in cash or in kind or for value to be received (includes Rs. 19.36 lakhs from holding company; 2003 - Nil)	26.13	2.69			
Advances with Government, Public Bodies etc.	0.92	0.92			
Advance payment of tax net of provision	<u>1,80.82</u>	<u>1,80.82</u>			
	<u>2,07.87</u>	<u>1,84.43</u>			
10. CURRENT LIABILITIES					
Sundry Creditors					
Due to Small Scale Industries	—	—			
Others (includes Rs.200 lakhs due to holding company)	<u>2,30.37</u>	<u>2,40.72</u>			
	2,30.37	2,40.72			
Other Liabilities (Includes Rs. Nil due to subsidiary company - 2003 - Rs. 0.14)	2,54.09	2,56.91			
Unmatured Finance Charges	<u>2,70.31</u>	<u>2,70.32</u>			
	<u>7,54.77</u>	<u>7,67.95</u>			
	For the year ended 31st March, 2004 (Rs. lakhs)	For the year ended 31st March, 2003 (Rs. lakhs)			
11. OTHER INCOME					
Dividend Income	1.80	1.68			
Amounts written back pursuant to negotiated settlements with Banks	8,95.42	—			
Liabilities no longer required written back	2,29.46	3.40			
Other Income	<u>30.06</u>	<u>27.93</u>			
	<u>11,56.74</u>	<u>33.01</u>			
12. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES					
Salaries and Allowances	—	1.00			
Contribution to Provident and other funds	—	0.17			
Staff Welfare	—	<u>0.20</u>	1.37		
Electricity and Lighting	—	—	0.24		
Rates, Taxes and Stamp Duty	1.81	0.06			
Postage, Telephone and Telegrams	0.04	1.11			
Repairs and Maintenance					
– Buildings	0.08	0.53			
– Others	—	<u>0.02</u>	0.55		
Provision for diminution in value of stock-in-trade	5,13.00	—			
Loss on fixed assets sold/discarded	1,87.91	3.73			
Travelling and Conveyance	—	0.74			
Professional Charges	2.86	1.05			
Legal Expenses	10.23	9.28			
Remuneration to Auditors :					
Audit Fee and Expenses	1.26	1.51			
Certification	—	—	1.51		
Miscellaneous (includes Rs. 1.26 lakhs to subsidiary company, 2003 - Rs. 1.56 lakhs)	1.61	5.24			
	<u>7,18.80</u>	<u>24.88</u>			

13. INTEREST AND FINANCE CHARGES

Interest paid on		
– Other Loans	2,82.07	3,56.98
– Others	16.13	13.30
Bank / Other financial charges	0.02	0.05
	<u>2,98.22</u>	<u>3,70.33</u>

14. NOTES ON ACCOUNTS

- The financial statements have been prepared on a going concern basis. While there has been a business disruption due to problems prevailing in the Non-Banking Finance Industry, the Company continued recovery of its dues in the normal course of business. Settlements including sale of properties and collection of dues have largely been used for reducing its liabilities and it is expected that most of the external liabilities would be settled over the next financial year. Thereafter the Company will examine options for further business opportunities.
- Claims against the Company not acknowledged as debts :
 - Income-tax matters under dispute Rs.124.37 lakhs (March 31,2003 – Rs.371.96 lakhs)
 - Lease tax on account of non-accrual of lease rental (as per the Reserve Bank of India guidelines on Non Performing Assets) and disputes in tax demands – Rs.47.15 lakhs (March 31, 2003 – Rs.63.28 lakhs).
 - During the year ended on March 31, 2002, three banks have filed cases against the Company in the Debts Recovery Tribunal. The Company had settled the dues of one Bank and contesting the claims of two Banks. During the year, one more Bank has filed its claim before the Debts Recovery Tribunal in March 2004. The resultant contingent liability as at 31st March, 2004 is Rs.1397.79 lakhs (2003 – Rs.767.85 lakhs).
- During the year, the Company settled its dues with one Financial Institution and three Banks including one Bank which had initiated proceedings against the Company in the Debts Recovery Tribunal. The Company is in discussions with the other Banks for negotiated settlements of their dues.
- The Company received demand notices for interest tax during 2000-01 which have been fully provided for, and the Company has since commenced payments. The company proposes to discharge this liability against refunds due on implementation of CIT (Appeals) Orders.
- One of the creditors of the Company filed a legal action against the Company under Section 138 of the Negotiable Instruments Act. The principal amount and the interest payable as per the Company have been paid by the Company. The case, however, is still pending.
- The Company has initiated legal proceedings against various parties for recovery of dues and such legal proceedings are at different stages as at the date of the Balance Sheet and upon culmination, are expected to result in recovery of part of the dues in the future.
- The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the uncertainty of availing the benefit in future.
- The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit/(losses) after taxation. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

	2003-2004	2002-2003
Profit/(loss) after taxation (Rs. lakhs)	1,09.66	(3,96.64)
Weighted average number of equity shares outstanding	2,00,00,000	2,00,00,000
Basic and diluted earnings per share in rupees (face value – Rs.10/- per share)	0.55	(1.98)

- Information with regard to matters in clauses 3, 4(A), 4(C) and 4(D) of part II of Schedule VI of the Companies Act, 1956 to the extent that they are either Nil or not applicable to the Company, have not been given.

10. QUANTITATIVE ANALYSIS FOR STOCK-IN-TRADE

Particulars	Opening Stock As On 01.04.2003		Purchases During The Year		Sales During The Year		Closing Stock as on 31.03.2004		Closing Stock as on 31.03.2003	
	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)
Quantitative Information										
Equity Shares of Rs. 10/- each	8	0.01	—	—	—	—	8	0.01	8	0.01
Unquoted Equity Shares of Rs. 10/- each fully paid up	2,40,000	3,42.00	—	—	—	—	2,40,000	3,42.00	2,40,000	3,42.00
Unquoted Convertible / Non-Convertible Debentures	5,40,000	5,94.00	—	—	—	—	5,40,000	5,94.00	5,40,000	5,94.00
Less : Provision for Diminution in the value		(2,45.40)	—	—	—	—	(7,58.40)		(2,45.40)	
Total		6,90.61					1,77.61		6,90.61	

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These accounts have been prepared under the historical cost convention and on accrual system based on the principle of going concern. Income recognition and provisioning for Non-Performing Assets, consisting of Lease and Hire Purchase Assets, Bills Discounted and other Loans and advances, is done as per Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

REVENUE RECOGNITION

As per the directives of the Reserve Bank of India, revenue is recognised upon realisation, on Non-Performing Assets.

Revenue is not recognised on the grounds of prudence until realised in respect of liquidated damages, penalties and delayed payment charges, as recovery of the amounts is uncertain.

STOCK-IN-TRADE

Stock of securities are stated at cost or market price whichever is lower. Stock-on-hire is valued at agreement value less amounts receivable.

INVESTMENTS

All investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition where applicable. Provision for any permanent diminution in value of investments is made which is considered to be appropriate. Income from investments is stated in revenue account in the year in which it is accrued and at gross value.

FIXED ASSETS

All fixed assets including assets given on lease are valued at cost inclusive of direct and incidental expenses related to acquisition.

Depreciation of fixed assets is provided on written down value method on pro-rata basis in accordance with the rates prescribed under amended Schedule XIV of the Companies Act, 1956. Leasehold improvements are being depreciated @ 5% on written down value and Electrical Installations included in Leasehold improvements are being depreciated @ 15%.

STATEMENT REGARDING SUBSIDIARY COMPANIES :

Pursuant to Section 212(1) and (3) of the Companies Act, 1956

MRR TRADING & INVESTMENT COMPANY LIMITED

(a) Holding Company's interest :

50,000 Equity Shares of Rs. 10/- each, fully paid-up

(b) Net aggregate amount of Subsidiary's profit/(loss) not dealt with in the Holding Company's accounts : (Rs. lakhs)

(i) for the Subsidiary's financial year ended 31st March, 2004 (0.80)
(ii) for the previous financial years (3.36)

(c) Net aggregate amount of Subsidiary's profit / (loss) dealt with in the Holding Company's accounts : (Rs. lakhs)

(i) for the Subsidiary's financial year ended 31st March, 2004 Nil
(ii) for the previous financial years Nil

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01-64662 State Code 11

Balance Sheet Date 31/03/04
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure
Profit/Loss Before Tax Profit/loss After Tax
(Please tick appropriate box + for profit, - for loss)

Earnings per Share (Rs.) Dividend rate (%)

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. NOT APPLICABLE
(ITC Code)
Product Description NOT APPLICABLE

On behalf of the Board

P. Dhobale Director
P.K. Talwar Director
T.R. Shankar Manager

Secunderabad, 14th April, 2004

V. Radhakrishnan Company Secretary

Audit Committee : Mr. P. Dhobale, Chairman, M/s. P. K. Talwar, Sudip Bandyopadhyay, Members.

**SCHEDULE TO THE BALANCE SHEET OF A
NON-BANKING FINANCIAL COMPANY AS AT 31ST MARCH 2004**

(as required in terms of paragraph 9BB of Non-Banking Financial Prudential Norms (Reserve Bank) Directions, 1998)

	(Rs. In lakhs)			(Rs. In lakhs)
Particulars				
Liabilities side :				
1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :	Amount Outstanding	Amount Overdue		
(a) Debentures : Secured	Nil	Nil		
Unsecured (from Holding Company) (other than falling within the meaning of public deposits*)	15,00.00	15,00.00		
(b) Deferred Credits	Nil	Nil		
(c) Term Loans	Nil	Nil		
(d) Inter corporate loans and borrowing (from Holding Company)	37,24.11	37,24.11		
(e) Commercial Paper	Nil	Nil		
(f) Public Deposits*	Nil	Nil		
(g) Other Loans (Bank Borrowings) (including interest accrued and due)	27,54.83	27,54.83		
2. Break-up of (1) (f) above (Outstanding Public Deposits inclusive of interest accrued thereon but not paid) :				
(a) In the form of Unsecured debentures				
(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security				
(c) Other Public Deposits	Nil	Nil		
(An amount of Rs. 1.99 lakhs are unclaimed and an equivalent amount has been maintained with an escrow account with State Bank of India, Mumbai)				
Assets side :	(Rs. in Lakhs)	Amount outstanding		
3. Break-up of Loans and Advances including bills receivable (other than those included in(4) below)				
(a) Secured		12,19.23		
(b) Unsecured				
Less : Provision for doubtful debts		(12,19.23)		
4. Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities				
(i) Lease assets including lease rentals under sundry debtors				
(a) Financial lease		15,23.56		
Less : Advance received and provision for doubtful debts/ assets		(15,23.56)		
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire		14,70.78		
Less : Provision for doubtful debts/ assets		(12,00.47)		
Less : Unmatured Finance Charges		(2,70.31)		
(iii) Hypothecation loans counting towards EL/HP activities				
(a) Loans where assets have been repossessed				
(b) Loans other than (a) above				
5. Break-up of investments :				
Current Investments :				
1. Quoted :				
(i) Shares: (a) Equity		0.01		
(b) Preference				
(ii) Debentures and Bonds				
(iii) Units of Mutual funds				
(iv) Government Securities				
(v) Others				
2. Unquoted :				
(i) Shares: (a) Equity			3,42.00	
Less: Provision for diminution in value			(1,64.40)	
(b) Preference				
(ii) Debentures and Bonds			5,94.00	
Less : Provision for diminution in value			(5,94.00)	
(iii) Units of Mutual funds				
(iv) Government Securities			0.10	
(v) Others				
10 shares of Lakshmi Finance and Leasing Companies			0.01	
Bombay Mercantile Co-op. Bank Ltd			0.01	
Long Term investments :				
1. Quoted :				
(i) Shares : (a) Equity				
(b) Preference				
(ii) Debentures and Bonds (OFCD)				
(iii) Units of Mutual funds				
(iv) Government Securities				
(v) Others				
2. Unquoted :				
i) Shares : (a) Equity				
(b) Preference				
(ii) Debentures and Bonds (OFCD)				
(iii) Units of Mutual funds				
(iv) Government Securities				
(v) Others			5,06.46	
6. Borrower group-wise classification of all leased assets, stock on-hire and loans and advances :				
Category		Amount net of Provisions		
		Secured	Unsecured	Total
1. Related parties **				
(A) Subsidiaries		Nil	Nil	Nil
(B) Companies In the same group		Nil	Nil	Nil
(C) Other related parties		Nil	Nil	Nil
2. Other than related parties		Nil	Nil	Nil
TOTAL		Nil	Nil	Nil
7. Investor group-wise classification of all investments (current and long term) in share and securities (both quoted and unquoted) :				
Category		Market Value/Breakup or fair value or NAV		Book value (Net of provisions)
1. Related parties **				
(a) Subsidiaries		5,06.46		5,06.46
(b) Companies in the same group				
(c) Other related parties				
2. Other than related parties		1,77.73		1,77.73
TOTAL		6,84.19		6,84.19
** As per Accounting Standard of ICAI				
8. Other information				
Particulars				Amount (Rs.in Lakhs)
(i) Gross Non-Performing Assets				
(a) Related Parties				
(b) Other than related parties				42,13.57
(ii) Net Non-Performing Assets				
(a) Related Parties				Nil
(b) Other Than Related Parties				Nil
(iii) Fixed assets acquired in satisfaction of debt				4,21.56