

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2008

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2008.

	Year ended 31.03.2008 (Rs. Lakhs)	Year ended 31.03.2007 (Rs. Lakhs)
Gross operating Profit / (Loss)	116.40	123.79
Less: Interest and finance charges	0.00	0.04
Profit / (Loss) before depreciation and taxation	116.40	123.75
Less: Depreciation and Impairment loss	3.05	3.25
Profit / (Loss) before Taxation	113.35	120.50
Less: Provision for Taxation	—	—
Profit / (Loss) after Taxation	113.35	120.50
Brought forward from previous year	(6203.84)	(6324.34)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(6090.49)	(6203.84)

The gross operating profit for the year ended March 31, 2008 was Rs.116.40 lakhs, compared to a profit of Rs.123.79 lakhs in the previous year and after providing depreciation, the net profit for the year was Rs.113.35 lakhs as against a net profit of Rs.120.50 lakhs in the previous year.

Economic Scenario

During the past 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 eleven years your Company has concentrated only on recoveries and has collected a total of Rs. 9514.84 lakhs including by way of property settlements. The collections were largely utilized 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. 528.67 lakhs (Financial Institutions), Rs. 4371.72 lakhs (Banks) and Rs. 335 lakhs (Repayment of Loan from Holding Company), an aggregate of Rs.8610.34 lakhs.

Your Company has already discharged all its external liabilities.

Your Company has prepared the annual accounts on a going concern basis. Your Company is presently concentrating on the recovery of its dues. It is being planned to further intensify the efforts for collection of dues through negotiated settlements, in the coming year. The Company will examine options for further opportunities, on improvement of collections from debtors.

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 profit 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 Members' 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 utilized as Corporate Office of your Company.

Directors

Sri J. Singh 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

The Company has not accepted any deposits during the year under the Companies (Acceptance of Deposits) Rules, 1975. As at 31st March 2008, the Company does not hold any Fixed Deposits.

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

Secunderabad, 17th April, 2008

P. Dhobale Raja Parasuram
Director Director

AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LIMITED

1. We have audited the attached Balance Sheet of BFIL Finance Limited as at March 31, 2008 and the related Profit and Loss Account and Cash Flow Statement 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, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 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 and Cash Flow Statement 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 and Cash Flow Statement 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 of the Company as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 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 on Schedule 13 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 financial statements

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, 2008;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Hyderabad, April 17,2008

Membership No. 18863

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of BFIL Finance Limited on the accounts for the year ended March 31, 2008]

1. (a) The Company is maintaining adequate records to show the particulars of fixed assets, commensurate with the size of the Company and the nature of its business.
- (b) All the fixed assets of the Company are physically verified by the management during the year, except for the leased assets where parties have defaulted in payment of lease rentals and the Company has initiated legal proceedings for recovering the dues, according to the information and explanations given to us, there is a regular program 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) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The stock-in-trade 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, 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 the inventory records, in our opinion, the Company is maintaining proper records of stock-in-trade. The discrepancies noticed on physical verification of inventory as compared to the book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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, for the purchase of inventory, fixed assets and for the sale of goods and services. However, during the year, there are no purchases of inventory and fixed assets or sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act, during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
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 Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the

public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, there are no undisputed material statutory dues liable to be paid by the Company during the year and remaining un-paid at the end of the year.
- (b) According to the information and explanations given to us and the records of Company examined by us, there are no dues in respect of income-tax which have not been deposited on account of any dispute. Sales tax, wealth tax, service tax, customs duty, excise duty and cess are not applicable to the Company during the current year.
9. The Company's accumulated losses as at March 31, 2008 are more than fifty percent of its net worth and has not incurred cash losses during the financial year ended on date and in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to debenture holders as at the balance sheet date. There are no dues to financial institutions and bank.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.
13. In our opinion, the Company has not entered into any transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year. However, the Company as at March 31, 2008 holds certain securities as stock-in-trade and such securities have been held by the Company in its own name.
14. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
16. The Clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (viii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4, of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable in the case of the Company for the current year, 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 17,2008

Membership No. 18863

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As at 31st March, 2008 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
Capital	1	2,000.00	2,000.00
2. Loan Funds			
Unsecured Loans	2	4,889.11	5,039.11
		<u>6,889.11</u>	<u>7,039.11</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets	3		
(a) Gross Block		2,943.50	2,977.53
(b) Depreciation and Impairment		(1,636.98)	(1,633.93)
(c) Lease Terminal Adjustment		(416.11)	(416.11)
(d) Net Block		890.41	927.49
(e) Capital Work-in-Progress		281.73	281.73
(f) Provision for Doubtful Assets		(837.01)	(871.05)
		335.13	338.17
2. Investments	4	430.24	430.24
3. Current Assets, Loans and Advances			
(a) Stock-on-hire		618.31	670.17
Less: Provision for Doubtful Assets		485.37	510.36
		132.94	159.81
Less: Unmatured finance charges		132.94	159.81
		—	—
(b) Stock-in-trade	5	0.01	0.01
(c) Sundry Debtors	6	—	—
(d) Cash and Bank Balances	7	22.18	51.65
(e) Loans and Advances	8	16.44	20.43
		38.63	72.09
Less: Current Liabilities and Provisions			
Current Liabilities	9	5.38	5.23
Net Current Assets		33.25	66.86
4. Profit and Loss Account - Debit Balance		6,090.49	6,203.84
		<u>6,889.11</u>	<u>7,039.11</u>
Notes to the Accounts	13		

Schedules 1 to 9, 13 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, 17th April, 2008

On behalf of the Board
P. Dhobale Director
Raja Parasuram Director
V. Radhakrishnan Manager & Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	For the year ended 31st March, 2008 (Rs. lakhs)	For the year ended 31st March, 2007 (Rs. lakhs)
INCOME			
Other Income	10	144.02	142.47
		<u>144.02</u>	<u>142.47</u>
EXPENDITURE			
Personal, Operating and Administration Expenses	11	27.62	18.68
Interest and Finance Charges	12	—	0.04
Depreciation and Impairment loss		3.05	3.25
		<u>30.67</u>	<u>21.97</u>
PROFIT / (LOSS) BEFORE TAXATION		113.35	120.50
Provision for Taxation		—	—
PROFIT / (LOSS) AFTER TAXATION		113.35	120.50
Surplus / (Deficit) Brought forward from previous year		(6,203.84)	(6,324.34)
Surplus / (Deficit) Carried forward to Balance Sheet		(6,090.49)	(6,203.84)
Notes to the Accounts	13		
Basic and Diluted Earnings per Share (Rs.)		0.57	0.60

Schedules 10 to 13 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, 17th April, 2008

On behalf of the Board
P. Dhobale Director
Raja Parasuram Director
V. Radhakrishnan Manager & Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS

	31st March, 2008 (Rs. lakhs)	As at 31st March, 2008 (Rs. lakhs)	31st March, 2007 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)
1. CAPITAL				
AUTHORISED				
3,00,00,000 Equity Shares of Rs. 10/- each	3,000.00		3,000.00	
10,00,000 Cumulative Redeemable / Convertible Preference Shares of Rs.100/- each	<u>1,000.00</u>	<u>4,000.00</u>	<u>1,000.00</u>	<u>4,000.00</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>2,000.00</u>		<u>2,000.00</u>
		<u>2,000.00</u>		<u>2,000.00</u>
2. UNSECURED LOANS				
15,00,000-0% Non-Convertible Debentures of Rs. 100/- each issued to the Holding Company and repayable on 1st April, 2009		<u>1,500.00</u>		<u>1,500.00</u>
Loans from Holding Company		<u>3,389.11</u>		<u>3,539.11</u>
		<u>4,889.11</u>		<u>5,039.11</u>

3. FIXED ASSETS

	(Rs. lakhs)											
	Gross Block (at cost)				Depreciation				Lease Terminal Adjustment		Net Block	
	As at 31st March, 2007	Additions during the year	Deductions during the year	As at 31st March, 2008	As at 31st March, 2007	For the year	On withdrawals and adjustments	As at 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007	As at 31st March, 2008	As at 31st March, 2007
Buildings	108.59			108.59	67.57	2.05	69.62				38.97	41.02
Office Equipment	30.02			30.02	27.43	0.36	27.79				2.23	2.59
Furniture and Fixtures	148.05			148.05	148.05		148.05				0.00	—
Leasehold Improvements	66.10			66.10	53.27	0.64	53.91				12.19	12.82
LEASED ASSETS												
Plant and Machinery	2,624.77		34.03	2,590.74	1,337.61		1,337.61	416.11	416.11		837.01	871.05
Total	2,977.53	—	34.03	2,943.50	1,633.93	3.05	1,636.98	416.11	416.11		890.41	—
Previous Year	2,977.53	—	—	2,977.53	1,630.69	3.25	1,633.93	416.11	416.11		—	927.49
Capital Work-in-Progress											281.73	281.73

Notes:

- Leasehold Improvements represents the amount incurred on renovation of the premises of the wholly owned subsidiary, MRR Trading & Investment Co.Ltd. which holds the tenancy rights.
- Capital Work-in-Progress includes Rs. 281.73 lakhs (2007: Rs. 281.73 lakhs) being value of property received towards settlement of dues pending registration.
- Depreciation as at the year end include impairment loss as under:

	As at	
	31st March, 2008	31st March, 2007
Buildings	32.01	32.01
Furniture and Fixtures	48.87	48.87
	<u>80.88</u>	<u>80.88</u>

	As at 31st March, 2008 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2008 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)
4. INVESTMENTS				
Long term, Unquoted (At Cost)				
Other than trade:				
Government / Trust Securities				
National Savings Certificate fully paid (deposited with Government Authorities)	0.05	0.05		
Kisan Vikas Patra fully paid (deposited with Government Authorities)	<u>0.05</u>	<u>0.05</u>		
	0.10	0.10		
Less : Provision for doubtful investments	<u>0.10</u>	<u>0.10</u>		
	—	—		
Trade Investments:				
Subsidiary Company				
MRR Trading & Investment Company Limited (includes 50,000 Equity Shares of Rs. 10/- each fully paid)	506.46	506.46		
Less: Diminution in value of investments	<u>(76.22)</u>	<u>430.24</u>	<u>(76.22)</u>	<u>430.24</u>
		<u>430.24</u>		<u>430.24</u>
5. STOCK-IN-TRADE				
(Value at Cost or Market Value whichever is lower)				
Stock of Shares & Securities Quoted-Fully paid				
3 Equity Shares of Rs. 10/- each of Ultra Tech CemCo Limited			0.01	0.01
Unquoted-Fully paid				
5,40,000 Optionally Fully Convertible Debentures of G-Tech Stone Ltd.			594.00	594.00
Less: Provision for erosion in value			<u>594.00</u>	<u>594.00</u>
			<u>0.01</u>	<u>0.01</u>
6. SUNDRY DEBTORS				
(Unsecured, considered doubtful)				
Over six months:				
Lease and hire purchase debtors			480.62	556.98
Trade debtors			<u>1,045.60</u>	<u>1,055.56</u>
			<u>1,526.22</u>	<u>1,612.54</u>
Less: Provision for doubtful debts			<u>1,526.22</u>	<u>1,612.54</u>
			—	—

	As at 31st March, 2008 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)
7. CASH AND BANK BALANCES			
Cash on hand	—		—
With Scheduled Banks			
on Current Accounts	<u>22.18</u>		<u>51.65</u>
	<u>22.18</u>		<u>51.65</u>
8. LOANS AND ADVANCES			
(Unsecured, considered good)			
Dues from the Holding Company	1.09		5.19
Maximum amount due at any time during the year Rs. 13.83 lakhs (2007-Rs. 5.19 lakhs)			
Deposit with Govt., Public Bodies etc.	15.00		15.00
Other Advances	<u>0.35</u>		<u>0.24</u>
	<u>16.44</u>		<u>20.43</u>
9. CURRENT LIABILITIES			
Sundry Creditors			
Dues to Micro, Small and Medium enterprises	—		—
Other Liabilities (includes Rs. 0.11 lakh (2007-Rs. 0.11 lakh) due to Subsidiary Company)	<u>5.38</u>		<u>5.23</u>
	<u>5.38</u>		<u>5.23</u>
	For the year ended 31st March, 2008		For the year ended 31st March, 2007
10. OTHER INCOME			
Provision no longer required written back	144.02		120.84
Other Income	<u>—</u>		<u>21.63</u>
	<u>144.02</u>		<u>142.47</u>
11. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES			
Professional Charges	17.14		5.14
Legal Expenses	6.84		10.72
Remuneration to Auditors:			
Audit Fee	<u>0.86</u>	0.86	
Other services	<u>0.26</u>	<u>1.12</u>	0.26
Miscellaneous [includes Rs.1.72 lakhs (2007-Rs.1.30 lakhs) paid towards reimbursement of expenses incurred by the Subsidiary Company]	<u>2.52</u>		1.70
	<u>27.62</u>		<u>18.68</u>
12. INTEREST AND FINANCE CHARGES			
Bank / Other Financial Charges	—		0.04
	<u>—</u>		<u>0.04</u>

13. NOTES TO THE 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. The Company will examine options for further business opportunities, on improvement of collections from debtors. No provision has been made for Income Tax during the current financial year as there would be no Income Tax liability.
- Claims against the Company not acknowledged as debts represents lease tax on account of non-accrual of lease rental (as per Reserve Bank of India guidelines on Non-Performing Assets) Rs. 34.63 lakhs (2007-Rs.34.63 lakhs) and with respect to Income Tax matters Rs. Nil (2007-Rs.45.12 lakhs).
- The Company has initiated legal proceeding 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 benefit in future.
- The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit / (loss) after taxation. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

	2007-08	2006-07
Profit after Taxation (Rs. lakhs)	113.35	120.50
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)	0.57	0.60

- 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.
- Segment Reporting - The Company operates in a single business segment and hence no further disclosure is being made.

8. RELATED PARTIES DISCLOSURES:
a) Relationships:

Holding Company - ITC Limited
Subsidiary Company - MRR Trading & Investment Company Limited

b) Key Management Personnel

Mr. P. Dhobale - Non-Executive Director
Mr. Raja Parasuram - Non-Executive Director (from July 30, 2007)
Mr. J. Singh - Non-Executive Director
Mr. P. K. Talwar - Non-Executive Director (upto July 30, 2007)
Mr. T. R.Shankar - Manager (upto March 14, 2008)
Mr. V. Radhakrishnan - Manager & Company Secretary (From April 01, 2008)

c) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:-

Particulars	2007-08 (Rs. lakhs)	2006-07 (Rs. lakhs)
Holding Company		
Contribution towards office improvement	—	21.60
Repayment of unsecured loan	150.00	185.00
Balance as at the year end		
Receivables	1.09	5.19
0% Non-Convertible Debentures	1,500.00	1,500.00
Loans from Holding Company	3,389.11	3,539.11
Subsidiary Company		
Re-imbusement of expenses	1.72	1.30
Balance as at the year end		
Payables	0.11	0.11

- Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

10. QUANTITATIVE ANALYSIS FOR STOCK-IN-TRADE

Particulars	Opening Stock As at April 1, 2007		Purchases During the year		Sales During the year		Closing Stock As at March 31, 2008		Closing Stock As at March 31, 2007	
	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 of Ultra Tech CemCo. Ltd.	3	0.01	—	—	—	—	3	0.01	3	0.01
Unquoted Convertible / Non-Convertible Debentures of G-Tech Stone Ltd.	5,40,000	594.00	—	—	—	—	5,40,000	594.00	5,40,000	594.00
Less: Provision for Diminution in the value		(594.00)	—	—	—	—	—	(594.00)	-	(594.00)
Total		0.01						0.01		0.01

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 recognized upon realization, on Non-Performing Assets.

Revenue is not recognized on the grounds of prodence until realized 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 diminutions 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 (excluding electrical installations) are being depreciated @5% on written down value and Electrical Installations included in Leasehold improvements are being depreciated @ 15%.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial years. The impairment loss recognized in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

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		(ii) for the previous financial years	(Rs. lakhs) (4.16)
(b) Net aggregate amount of Subsidiary's profit/(loss) not dealt with in the Holding Company's accounts:	(Rs. lakhs)	(c) Net aggregate amount of Subsidiary's profit / (loss) dealt with in the Holding Company's accounts:	
(i) for the Subsidiary's financial year ended March 31, 2008	Nil	(i) for the Subsidiary's financial year ended March 31, 2008	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. State Code
 Balance Sheet Date
 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.
 (ITC Code)
 Product Description

On behalf of the Board
 P. Dhobale Director
 Raja Parasuram Director
 V. Radhakrishnan Manager & Company Secretary

Secunderabad, 17th April, 2008

Audit Committee : Mr. P. Dhobale, Chairman, M/s. Raja Parasuram, J. Singh Members.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	For the year ended 31st March, 2008 (Rs. In lakhs)	For the year ended 31st March, 2007 (Rs. In lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	113.35	120.49
Adjustments For:		
Depreciation	3.05	3.26
Provision no longer required written back	<u>(144.02)</u>	<u>(120.84)</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(27.62)	2.91
ADJUSTMENTS FOR:		
Sundry Debtors - (increase) / decrease	144.02	120.84
Trade and Other Receivables - (increase) / decrease	3.98	(19.68)
Trade Payables - increase / (decrease)	<u>0.15</u>	<u>(1.88)</u>
CASH GENERATED FROM OPERATIONS	120.53	102.19
Income Tax Paid	<u>—</u>	<u>—</u>
NET CASH FROM OPERATING ACTIVITIES	120.53	102.19
B. CASH FLOW FROM INVESTING ACTIVITIES:	—	—
C. CASH FLOW FROM FINANCIAL ACTIVITIES:		
Repayments of Long Term Borrowings-Holding Company	<u>(150.00)</u>	<u>(185.00)</u>
NET CASH USED IN FINANCING ACTIVITIES	(150.00)	(185.00)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(29.47)	(82.81)
OPENING CASH AND CASH EQUIVALENTS	51.65	134.46
CLOSING CASH AND CASH EQUIVALENTS	22.18	51.65

The comparative figures for the previous year have been re-arranged to conform with the revised presentation of the accounts.

This is the Cash Flow Statement referred to in our report of even date.

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

Secunderabad, 17th April, 2008

On behalf of the Board
P. Dhobale Director
Raja Parasuram Director
V. Radhakrishnan Manager & Company Secretary

**SCHEDULE TO THE BALANCE SHEET OF A
NON-BANKING FINANCIAL COMPANY AS AT 31ST MARCH, 2008**

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

Particulars	(Rs. in lakhs)		(Rs. In lakhs)
Liabilities side:	Amount outstanding	Amount overdue	Amount Outstanding
1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			
(a) Debentures: Secured	Nil	Nil	
:Unsecured (from Holding Company) (other than falling within the meaning of public deposits)	1,500.00	Nil	
(b) Deferred Credits	Nil	Nil	
(c) Term Loans	Nil	Nil	
(d) Inter-corporate loans and borrowing (from Holding Company)	3,389.11	Nil	
(e) Commercial Paper	Nil	Nil	
(f) Public Deposits	Nil	Nil	
(g) Other Loans (Bank Borrowings) (including interest accrued and due)	Nil	Nil	
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	Nil	Nil	
(b) In the form of Partly Secured Debentures i.e. Debentures where there is a shortfall in the value of security	Nil	Nil	
(c) Other Public Deposits	Nil	Nil	
Assets side:			
3. Break-up of Loans and Advances including bills receivable (other than those included in (4) below)			
(a) Secured	Nil	Nil	
(b) Unsecured	Nil	1,045.60	
Less: Provision for doubtful debts	Nil	(1,045.60)	
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			1,256.54
Less: Advance received and provision for doubtful debts / assets			(1,256.54)
(ii) Stock-on-hire including hire charges under sundry debtors:			
(a) Assets on hire			679.40
Less: Provision for doubtful debts / assets			(546.46)
Less: Unmatured Finance Charges			(132.94)
(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			
(b) Preference			
(ii) Debentures and Bonds			
(iii) Units of Mutual Funds			
(iv) Government Securities			
(v) Others			

(Rs. In lakhs)

(Rs. In lakhs)

2. Unquoted:	
(i) Shares: (a) Equity	
(b) Preference	
(ii) Debentures and Bonds	
(iii) Units of Mutual Funds	
(iv) Government Securities	
(v) Others	
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 - Investment in subsidiary Company	430.24

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	1.09	1.09
2. Other than related parties	Nil	Nil	Nil
TOTAL	Nil	1.09	1.09

7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Market value/Break up or fair value or NAV	Book value (Net of provisions)
1. Related Parties**		
(a) Subsidiaries	430.24	430.24
(b) Companies in the same group		
(c) Other related parties		
2. Other than related parties		
TOTAL	430.24	430.24

**As per Accounting Standard of ICAI

8. Other Information Particulars

(i) Gross Non-Performing Assets	
(a) Related parties	
(b) Other than related parties	4,735.27
(ii) Net Non-Performing Assets	
(a) Related Parties	Nil
(b) Other than related parties	Nil
(iii) Fixed assets acquired in satisfaction of debt	390.32