Chaitanya

Improving Lives

ANNUAL REPORT
2009-2010

Chaitanya India Fin Credit Private Limited
Regd.Office: No. 443, 18th Main, 32nd Cross, 4th T Block, Jayanagar, Bangalore – 560041
Phone / Fax: +91-80-26677690, Email: admin@chaitanyaindia.in

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DIRECTORS' REPORT

Report of the Directors of Chaitanya India Fin Credit Pvt Ltd.,

Your Directors have the pleasure in presenting the 1st Annual Report and Audited Accounts of the Company for the period ended 31.03.2010.

(Amt. in Lakhs)

Financial Results	From 01.04.2009 to 31.03.2010
Gross Revenue	13.44
Profit / (loss) before Taxation	(13.81)
Provision for Taxation	
- Income Tax - Deferred Tax	- 0.51
Profit after Taxes	(13.30)

Operations & Highlights

The Company has extended financial assistance to 1674 Beneficiaries during the year. It is yet to reach break-even level of operation and your Directors are confident of achieving both volumes and retention of profits during the next year. Efforts are being made to expand the operating base and there is a huge gap between supply and demand at present. Your Directors are confident of scouting for lendable resources so as to achieve economies of scale through increase in volumes. The operations will become sustainable only if the required volumes are reached as the income spread at the operating level have been worked out keeping in view of the market conditions for micro credit.

Deposits

As on 31st March 2010 the Company does not have any public deposits.

Dividends

The Company has not provided for payment of dividend for the year under consideration.

Personnel

Information required to be furnished u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) rules 1975 is not applicable as there are no employees drawing remuneration beyond the amounts prescribed under this section.

Energy, Technology & Foreign Exchange

Since the Company does not own any manufacturing facility, the other particulars prescribed under section 217 (1) (c) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are NIL.

Director's Responsibility Statement

The Board of Directors of the Company confirms:

i. that in preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
ii. that the selected accounting policies were applied consistently and the directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31st, 2010 and of the Profit of the Company for the year ended on that date;
iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
iv. that the annual accounts have been prepared on a going concern basis.

Statutory Auditors

M/s. Ramesh Ashwin & Karanth, Chartered Accountants, Bangalore retire as Auditors of the Company at the forthcoming AGM and have expressed their willingness to continue as Auditors, if re-appointed. The shareholders will be required to appoint the Auditors and fix their remuneration.

Acknowledgement

Your Directors take this opportunity to offer their sincere thanks to bankers, investors, and independent directors for their unstinted support and assistance received from them during the year. The Directors would also like to place on record their appreciation of the dedicated efforts put in by the employees of the Company.

By order of the Board

Bangalore, 21.04.2010

Sd/-	Sd/-
Samit S. Shetty	Anand Rao
Director	Managing Director

MANAGEMENT DISCUSSION

Introduction

India's impressive economic growth rate since 1985 has helped reduce poverty from 93 percent of the country's population in 1985 to 54 percent in 2005 and is further expected to bring it down to 22 percent by 2025. With such a large number of people moving out of poverty, the need for financial services - credit, savings, insurance and remittances - to low income households is huge. With formal banking channels reaching only 40 percent of India's population, the need to expand financial services is urgent. At the same time this also opens up a massive opportunity and challenge for financial service providers to meet this demand.

The Indian microfinance sector, with its two lending models – bank-SHG linkage and group lending adopted by microfinance institutions reaches around 70 million people. This impressive figure makes India the largest microfinance market in the world, but still reaches only 15-20 percent of the potential market. Also, the reach is primarily through credit delivery and group based lending with the challenge of providing savings, insurance, remittances and individual services to the low income households yet to be addressed.

The Indian microfinance sector has grown exponentially in the last few years, with outstanding loans growing 13 times in the last 4 years. This growth has come with the commercialization of the sector. With the model of providing group loans to low income women turning commercially viable, many NGO's providing this service have converted into NBFCs and several new NBFCs have started to provide microfinance as a for profit business in the last few years. With commercialization has come scale and professionalism to the sector. Moving along, commercialization will also bring in increased competition and with it will come increased efficiency, innovation, lower interest rates, all leading to superior service to the customer.

Microfinance services in India are largely concentrated in South India with close to 75 percent of the MFI portfolio present in South India. Other parts of India, especially North India offer a huge market. Even in many parts of South India, the growth of microfinance has largely followed a pattern. The spread of MFI branches has been in small towns (district and taluk head quarters). These branches cover customers in the towns and in villages close to these towns. With multiple MFIs following this similar approach to expansion, there are several towns with excessive competition. However, there are many areas, dispersed villages at a distance from small towns where reach of MFIs is less or non existent.

Chaitanya Mission and Vision

Chaitanya was set up with the intention of providing access to financial services to low income households, and also provide sustainable rate of return to its investors. The stated mission of the company is "TO IMPROVE LIVES OF LOW INCOME HOUSEHOLDS BY PROVIDING FINANCIAL SERVICES AND ENSURING SUSTAINABLE SHARE HOLDER RETURNS" This mission provides Chaitanya with two clear, simultaneous and constant objectives of improving lives and of providing sustainable investor returns. Chaitanya hopes to reach one lakh customers and an outstanding loan portfolio of Rs. 50 crores within three years of its operations.

Chaitanya's Operational Model

The company follows the Grameen Bank's Joint Liability Lending approach. In this approach, a group of women, living close to each other and having good understanding between them come together and take small loans with each group member guaranteeing repayment of loans of the other members.

Planks of Our Operational Strategy

Entry Phase: Focus on the low reach areas in and around Karnataka: Karnataka is among the states with higher penetration of microfinance and has had a series of problems associated with multiple lending and over selling of credit. At the same time several parts of Karnataka have been underserved though the major JLG based NBFCs have a large number of customers. The reason being, most of the majors are limited to cities, towns and villages close to cities and towns. As a new entrant we are limiting ourselves in the initial growth phase to Karnataka, the geographies and culture we are familiar with because of our origins and past experience working as a NGO.

Growth and Sustainability Phase: This phase includes building and retaining strong LOCAL ROOTS and operational depth as we simultaneously strive to achieve business scale that is driven by geographical spread. We hope to achieve the same through our Regional Approach. To focus on depth before spread, the company identifies specific geographies (total area of 2500 to 5000 km^2) where there is little or no presence of MFIs and penetrates deep in the region through a network of branches and small branches (small branches could be with as little as 3 staff). In its region of operations, Chaitanya targets to be the dominant microfinance institution providing superior customer service. Majority of the staff in the region will be recruited from the region and unless promoted to levels above a regional manager the staff will be placed within the region for long duration. Recruitment would be done region wise and care taken that staff will not be placed at home towns, the overall distance from home towns will be kept reasonable to ensure longevity of staff. The objective is to keep a stable and robust staff and front line managers whose accrued knowledge over time would mitigate local risks, provide operational stability and also open up avenues to provide other financial services.

A region would be a manageable size of 30-50 staff, an outstanding loan portfolio of 5 – 10 crores with 10,000 -20,000 customers. The senior management will have responsibility over finance, system design, middle management manning and appraisal and the regional management takes full accountability for system implementation, manpower planning, process implementation, information gathering, business development, risk mitigation and other regular operational aspects.

Senior managers handling the regions who would share the company's values and who would be globally mobile and managerially capable to handle independent business units would drive the geographical growth preserving the essence of the regional approach in their area of operations. These growth plans would be executed in line with our ability to generate profits and add investors.

Some Operational Features of our Strategy

Internet Based IT System: The Company believes that use of technology will be a key differentiator in the long term. Technology will also be critical to lower costs of operations, increase efficiency and improve productivity of the company, essential in a competitive future market. The company has invested in internet based microfinance ERP software with integrated operations and financial modules. The IT system allows real time information updating and facilitates management and control of operations. It allows us to centrally handle critical systems and technological issues while the implementation and usage accountability rests in the region.

Need based Repayment Schedule: Strong regional level orientation to system design and implementation allows us to run weekly repayments, fortnightly repayments or monthly repayments depending on the maturity level of the customers in a region and the specific needs dictated by their income patterns. Currently repayment collection from customers is on a fortnightly basis, unlike the more common weekly collection. Fortnightly collection increases the productivity of staff and also saves time for customers as they have to come to center meetings for repayment once every fortnight.

Differentiated Performance based Incentive for Field Staff: The incentive for field staff has been consciously structured to discourage multiple lending and credit over selling. The incentive structure is holistic including field performance, market intelligence, repayment performance and customer targets and not commission based. Given the close presence of regional managers who spend ample time with the staff and are also the final decision makers on incentives flexibility in design is a key aspect of the incentive system to ensure that incentive systems are used to drive current and immediate priorities in the region.

Risk Management

The company has well established systems and procedures for risk management. Some of the major risks faced by the company and the steps adopted by the company to mitigate the risks are as follows:

Credit Risk

This is the risk of non repayment of loans by the customer.

Mitigation: The Company follows the well established Joint Liability Group lending approach to women which have proved to be effective in reducing credit risk. In light of increased competition and the risk of multiple lending, the company is following further measures to reduce credit risk.

1. *Avoiding areas with multiple MFIs:* The Company consciously avoids areas with multiple MFIs.
2. *Customer Selection Process:* The Company follows a well defined process of customer identification, customer training and customer household check before giving loans.
3. *Loan Sizes based on Repayment Capacity:* Size of loans to group members based on their repayment capacity after looking at their household income sources and household expenditures.
4. *Field Staff Incentive:* Customer acquisition is only one part of field staff incentive to ensure that field staffs do not blindly chase getting customers and the company avoids multiple lending.
5. *Loan Utilization Check:* Every customer's loan utilization is checked to ensure that loan amount is used appropriately and there is no risk for repayment.
6. *Center Meeting Attendance:* Attendance of customers is taken during repayment to track repeated absentee customers so that action can be taken proactively against such customers before they could possibly turn risky customers
7. *Life insurance cover:* Every customer is covered by life insurance to facilitate recovery of loan in case of customer's death during the tenure of the loan.

Operational Risk

Operational risk arises from the execution of a company's business functions.

Mitigation: The Company has documented operational procedures, well defined roles and responsibilities for all staff and system of internal controls to manage this risk. To reduce the risk from cash management, minimum cash is kept overnight at branches with cash deposited in banks on a daily basis. To reduce cash transit risk, all disbursals are done at the branches. All branches close financial accounts on a daily basis which is monitored on a real time basis from head office.

M/s Ramesh Ashwin & Karanth

CHARTERED ACCOUNTANTS

Premier Presidency
35/17, 1st Floor
Langford Road
Opp. St. Joseph College
Bangalore – 560 025
Phone: 080 41464630

AUDITORS' REPORT

To the members of **CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**

We have audited the attached Balance Sheet of **CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED** as at 31st March 2010 and the Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

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 whether the financial statements are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 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 purpose of our audit.

   b) In our opinion, the Company has kept proper books of accounts as required by Law so far as appears from our examination of such books.

   c) The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts.

M/s RAMESH ASHWIN & KARANTH
BANGALORE 560 025
Chartered Accountants

d) In our opinion, the Balance Sheet and the Profit and Loss account dealt with this report comply with the Accounting standards referred to in sub-section (3C) of Sections 211 of the Companies Act, 1956.

e) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2010; and

ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

Date: 21.04.2010
Place: Bangalore

For Ramesh Ashwin & Karanth
Chartered Accountants

Prashanth Karanth
Partner
M.No.214235
FRNo. 010680S

M/s RAMESH ASHWIN & KARANTH
BANGALORE 560 025
Chartered Accountants

M/s Ramesh Ashwin & Karanth | **CHARTERED ACCOUNTANTS**

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ANNEXURE TO AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report to the members of **CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED** on the accounts for the year ended 31st March 2010.

i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.

(b) All fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) During the year, the Company has not disposed-off any Fixed Assets.

ii) (a) The Company is not manufacturing or trading in goods and does not deal with stores, spare parts and raw materials. Hence, clauses 4(ii)(a), 4(ii)(b) & 4(ii)(c) are not applicable.

iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956.

(b) This sub-clause is not applicable to the Company.

(c) This sub-clause is not applicable to the Company.

(d) This sub-clause is not applicable to the Company.

(e) The Company has taken loans from a Director amounting to Rs. 10,923/-.

(f) The Company is not paying any interest on the above loan.

(g) The Company has taken the above loan from Director to carry on the day to day activities of the Company. The same needs to be repaid.

M/s RAMESH ASHWIN & KARANTH ★ Chartered Accountants ★ BANGALORE 560 025

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into a register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, there are no transactions exceeding the value of Rs. five lakhs towards contracts or arrangements which requires entry in Register maintained under section 301 of the Companies Act, 1956.

vi) According to the information and explanation given to us the Company has not accepted any deposits from the public and hence, the directives issued by the Reserve Bank of India and provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder, are not applicable to the Company.

vii) The internal audit system is commensurate with the size of the Company and its activity level.

viii) Maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 is not applicable to the Company.

ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing all undisputed statutory dues with the appropriate authorities.

(b) According to the information and explanations given to us, there are no disputed amounts payable in respect of Income tax, Sales tax, Customs Duty, Wealth tax, Excise Duty and Cess, which are in arrears, as at 31st March 2010, for a period of more than six months from the date they became payable.

(c) According to information and explanations given to us, there are no pending disputed statutory dues.

x) There is sufficient net-worth in the Company to absorb current year's loss and the net owned funds of the Company is above the required statutory norms of Rs. 200 lakhs. The Company has incurred cash losses during the period covered by the report.

xi) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.

xii) In our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence, maintenance of any such records is not applicable.

xiii) In our opinion, the Company is not a chit fund or *nidhi* mutual benefit fund/ society and therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

M/s RAMESH ASHWIN & KARANTH Chartered Accountants BANGALORE 560 025

xiv) According to the information and explanations provided to us, the Company is not dealing in or trading in shares, debentures and other investments and accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi) According to the information and explanations given to us, the Company has not taken any term loan, hence the provisions of clause 4(xvi) are not applicable to the Company.

xvii) According to the information and explanations given to us and an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act and therefore, the provisions of clause 4(xviii) of the Order are not applicable to the Company.

xix) According to the information and explanations given to us, the Company has not issued any debenture and therefore, the provisions of clause 4(xix) of the Order are not applicable to the Company.

xx) The Company has not raised money from the public during the year.

xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under review.

Date: 21.04.2010
Place: Bangalore

For Ramesh Ashwin & Karanth
Chartered Accountants

M/s RAMESH ASHWIN & KARANTH
BANGALORE 560 025
Chartered Accountants

Prashanth Karanth
Partner
M.No.214235
FRNo. 010680S

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED
NO. 443, 18TH MAIN, 4TH T BLOCK, JAYANAGAR,
BANGALORE - 560 041

BALANCE SHEET AS AT 31.03.2010

PARTICULARS	SCH. No.	AMOUNT (Rs)	AS AT 31.03.2010
SOURCES OF FUNDS			
1) Share holders Funds			
a) Share Capital	1		23,540,000
2) Loan Funds			
a) Unsecured Loans	2		10,923
TOTAL			**23,550,923**
APPLICATION OF FUNDS			
1) Fixed Assets	3		
a) Gross Block		1,566,547	
b) Less Depreciation		180,521	
c) Net Block			1,386,026
2) Investments	4		9,152,307
3) Current Assets, Loans & Advances			
a) Deposits	5		287,740
b) Loans & Advances	6		10,877,153
c) Cash & Bank balances	7		711,779
d) Other Current Assets	8		241,638
			22,656,643
Less: Current Liabilities & Provisions			
a) Current Liabilities & Provisions	9		486,338
Net Current Assets			**22,170,305**
Deferred Tax Asset	10		51,022
4) Miscellaneous Expenses			
Profit & Loss Account			1,329,596
TOTAL			**23,550,923**

Significant Accounting Policies & Notes to Accounts 15

Schedules referred to above form integral part of Balance Sheet

For and on behalf of Board of Directors

As per our report of even date
For Ramesh Ashwin & Karanth
Chartered Accountants

Prashanth Karanth
Partner
M.No.214235
FR No.010680S
Place: Bangalore
Date : 21.04.2010

(Samit S Shetty)
Director

(Anand Rao)
Director

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED
NO. 443, 18TH MAIN, 4TH T BLOCK, JAYANAGAR,
BANGALORE - 560 041

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.04.2009 TO 31.03.2010

PARTICULARS	SCH. No.	FOR THE PERIOD 01.04.09 TO 31.03.2010
INCOME		
Operative Incomes		
Interest Received from Customers	11	582,649
Other Income	12	761,552
		1,344,201
EXPENDITURE		
Personnel Expenses	13	1,045,104
Adminstrative Expenses	14	1,499,194
Depreciation	3	180,521
		2,724,819
Net Profit / (Loss)		(1,380,618)
Less Provision for Taxes		
Current Tax		-
Deferred Tax		(51,022)
Net Profit / (Loss) carried forward to Balance sheet		(1,329,596)

Significant Accounting Policies & Notes to Accounts 15
Schedules referred to above form integral part of Profit and Loss Account

As per our report of even date
For Ramesh Ashwin & Karanth
Chartered Accountants

Prashanth Karanth
Partner
M.No.214235
FR No.010680S
Place: Bangalore
Date : 21.04.2010

For and on behalf of Board of Directors

(Samit S Shetty)
Director

(Anand Rao)
Director

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 443, 18TH MAIN, 4TH T BLOCK, JAYANAGAR,

BANGALORE - 560 041

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2010

PARTICULARS	AS AT 31.03.2010
Schedule - 1	
Share Capital	
Authorised Share Capital	
50,00,000 Equity Shares of Rs. 10 each	50,000,000
Issued, Subscribed & Paid Up Share Capital	
23,54,000Equity Shares of Rs. 10 each	23,540,000
Total	**23,540,000**
Schedule - 2	
Unsecured Loans	
Loan from Director - Anand Rao	10,923
Total	**10,923**
Schedule - 4	
Investments	
Canara Robeco - Folio no. 180639	5,152,307
Canara Fixed Deposit - 0408401005446/1	4,000,000
Total	**9,152,307**
Schedule - 5	
Deposits	
Telephone Deposit	12,740
Rent Deposit	275,000
Total	**287,740**
Schedule - 6	
Loan & Advances	
Advance for Motor Car	218,000
Advances Paid	34
Staff Advance	800
General Purpose Loan	10,536,670
Vehicle Loan to Employees	121,649
Total	**10,877,153**

Bangalore 560 02.. Chartered Accountants

Schedule -7	
Cash & Bank Balances	
Cash in Hand	11,710
Bank Balances	
With Canara Bank	253,128
With HDFC Bank	55,001
With State Bank of Mysore	109,597
With Pragathi Grameena Bank	7,021
With Canara Bank C.A/c 117	188,282
With Pragathi Grameena Bank Khanahosahally	77,040
With ICICI Bank	10,000
Total	**711,779**
Schedule -8	
Other Current Assets	
TDS on interest	90,370
Interest Accrued but not due	99,607
Interest Accrued on General Purpose loan	42,404
Prepaid Expenses	9,257
Total	**241,638**
Schedule -9	
Current Liabilities & Provisions	
Salary Payable	32,742
EPF Payable	9,448
ESI Payable	3,279
Conveyance Charges Payable	742
Telephone & Internet Charges	13,962
Rent Payable	16,900
Profession Tax Payable	1,400
Electricity Charges Payable	2,687
TDS Payable	41,171
Insurance Premium Payable	8,944
Internal Audit Fees Payable	59,562
Audit Fees Payable	16,545
Sundry Creditors	278,956
Total	**486,338**
Schedule - 10	
Deferred Tax Asset	
Depreciation	(64,822)
Preliminary & Preincorporation Expenses	115,844
	51,022

Ramesh Ashwin & Rajesh * Chartered Accountants * Bangalore 560 027

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.04.2009 TO 31.03.2010

Schedule - 11	
Operational Income	
Interest Received from Customers	582,649
Total	**582,649**
Schedule - 12	
Other Income	
Short term Capital Gain From Mutual Fund Investments	107,307
Interest on FD	519,541
Loan Processing Fees	125,630
Loan Processing Fees from employee loan	1,440
Fines Collected	628
Interest on employee loan	1,760
Excess Insurance Premium Collected from Customers	5,246
Total	**761,552**
Schedule - 13	
Personnel Expenses	
Staff Salary	745,104
Salary to Director	300,000
Total	**1,045,104**
Schedule - 14	
Administrative Expenses	
Rent	161,900
Traveling Expenses	63,587
Printing & Stationary	97,618
News Papers & Periodicals	7,449
Training Expenses	58,834
Telephone Charges	30,593
Electricity Charges	11,845
Courier Charges	1,460
Vehicle Expenses	44,609
Repairs & Maintenance	33,488
Internet Charges	49,487
Subscriptions	5,513
Seminar & Conference	27,575
Commission & Brokerage Paid	11,000
Rates & Taxes	19,056
Professional Charges	185,540
Stamp Duty Charges	21,474

Profession Tax	7,500
Water Charges	1,700
Staff Welfare Exps	13,236
Conveyance Expenses	59,313
Business Promotion Expenses	8,864
Insurance	1,037
Bank Charges	4,616
Preliminary & Preoperative Expenses Written Off	468,626
Internal Audit Fees Paid	66,180
Audit Fees Paid	16,545
EPF Employer's Contribution	5,021
ESI Employer's Contribution	2,391
Office Maintenance	10,672
Transportation Charges	2,465
Total	**1,499,194**

Bangalore
560 0[illegible]
Chartered Accountants

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

NO. 443, 18TH MAIN, 4TH T BLOCK, JAYANAGAR,
BANGALORE - 560 041

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31.03.2010

Schedule -3 Fixed Assets

Particulars	Rate of Depreciation	Gross Block				Depreciation			Net Block	
		Cost as on 31.03.2009	Additions During the Period	Deductions During the Period	Cost as at 31.03.2010	Provision upto 31.03.2009	Provision for the Period	Provision upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Computers	40%	0	460070	0	460070	0	64417	64417	395653	0
Computer Software	40%	0	785100	0	785100	0	99846	99846	685254	0
UPS	13.91%	0	139549	0	139549	0	6992	6992	132557	0
Furniture & Fixtures	18.10%	0	130357	0	130357	0	7585	7585	122772	0
Electrical Equipments	13.91%	0	18201	0	18201	0	666	666	17535	0
Office Equipments	13.91%	0	33270	0	33270	0	1015	1015	32255	0
		0	**1566547**	**0**	**1566547**	**0**	**180521**	**180521**	**1386026**	**0**

Ramesh & Narayan, Chartered Accountants, Bangalore 560 027

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED
NO. 443, 18TH MAIN, 4TH T BLOCK, JAYANAGAR,
BANGALORE - 560 041

Cash in Hand as on 31.03.2010

Particulars	Amount
Cash in Hand	
At Head Office	8817.00
At Jagalur Branch	1348.00
At Nayakanahatty Branch	520.00
At Khanahosahally Branch	1025.00
	11710.00

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Schedules forming part of financial statements for the year ended 31.03.2010

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared to comply in all material respects with the notified Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956('the Act"). The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India.

1. REVENUE RECOGNITION

The Company being an NBFC recognizes income on accrual basis except for loans outstanding for more 180 days which will be recognized only on receipt basis. Short term capital gains on sale of investment instruments (treasury operations) are recognized on actual sale of instruments.

2. USE OF ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the results of operations at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

3. FIXED ASSETS

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its present condition for intended use.

4. DEPRECIATION

Depreciation on fixed assets is provided under the WDV method at rates, which are equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

5. INVESTMENTS

Idle funds are temporarily parked in short term investments as part of treasury operations of the Company. Such investments are carried at book value and not marked to market.

6. EMPLOYEE BENEFITS

The Company has not completed the minimum statutory period for making a provision towards gratuity. In the absence of any policy towards employee benefits, no provision has been made towards gratuity or other employee benefits. However, the Company has subscribed to Employees' Provident Fund scheme as per the statutory requirements.

7. CONTINGENT LIABILITIES

Contingent liabilities are not usually provided for unless it is probable that future outcome may be detrimental to the Company.

8. TAXES

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized.

9. PRELIMINARY AND PRE-INCORPORATION EXPENSES:

As per Accounting Standard 26 issued by ICAI, the preliminary and pre-incorporation expenses have been written off fully as there are no tangible and enduring benefits emanating from such outflows.

NOTES TO ACCOUNTS:

1. The Deferred Tax Income for the period ended 31.03.2010 is worked out by considering the difference between depreciation under the Companies Act, 1956 and the Income Tax Act, 1961, and recognition of preliminary expenses to the extent permitted under section 35D of the Income Tax Act, 1961.

2. Related Party Disclosures, as required by AS -18: ' Related Party Disclosures' are given below:

A: Relationships

i)	Directors	: a) Anand Rao, Director b) Samit S. Shetty, Director c) K.S. Ravi, Director
ii)	Relatives of Directors and key management personnel and their enterprises where transactions have taken place	: a) Ravi & Shrihari, Chartered Accountants b) Raghurama Rao c) Smitha Rao d) Ramesh Paineedi e) Shashikala

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Transactions carried out with related parties referred in (A) above in the ordinary course of business:

NATURE OF TRANSACTION	RELATED PARTIES	
	DIRECTORS	RELATIVES OF DIRECTORS AND KEY MANAGEMENT PERSONNEL
Share Capital	19140000	3900000
Share Application Money	19140000	3900000
Expenses	37600	5886
Services received	0	304880
Salary	300000	150000

3. **AUDITORS' REMUNERATION**

PARTICULARS	2009-2010
AUDIT FEES	15,000/-
SERVICE TAX	1,545/-

4. The Balances in Current liabilities, Loans, Advances and Deposits are subject to confirmation.

5. Provisions for all known liabilities are adequate in the opinion of the Management.

6. The borrowers' loans outstanding are less than 180 days and therefore no provision have been made towards bad and doubtful debts.

7. The Company is not having a whole time company secretary as required u/s 383A of the Companies Act, 1956.

8. Since this is the first year of business, previous year's figures has not been provided as required under Act.

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