

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 26th Annual Report along with the Audited Accounts of your Company for the year ended 31st March, 2013.

Financial Results

Particulars	<i>(Amount in Rs.)</i>	
	For the year ended 31 st March 2013	For the year ended 31 st March 2012
Income	86,29,94,705	46,54,60,931
Profit before Interest, Depreciation and Taxation	51,52,58,767	20,38,82,434
Depreciation	(33,30,774)	(24,90,407)
Profit before Taxation	51,19,27,993	20,13,92,027
Provision for Taxation		
Provision for Current Tax	(16,76,00,000)	(6,59,00,000)
Provision for Deferred Tax	1,36,674	(4,36,325)
	(16,74,63,326)	(6,63,36,325)
Profit after Taxation	34,44,64,667	13,50,55,702
Balance of Profit for prior years	48,06,93,594	40,28,12,892
Amount available for Appropriation	82,51,58,261	53,78,68,594
Appropriations:		
Transfer to General Reserve	3,50,00,000	1,36,00,000
Dividend on Equity Shares (Proposed)	-	3,75,00,000
Tax on Dividend (Proposed)	-	60,75,000
Dividend on Equity Shares (Interim)	10,00,00,000	-
Tax on Dividend (Interim)	1,62,30,938	-
Surplus carried to Balance Sheet	67,39,27,323	48,06,93,594

Dividend

During the year under review, an interim dividend at the rate of 400 percent (Rs. 40/- per share) on 25,00,000 Equity Shares of Rs. 10/- each has been paid to the shareholders whose names appeared on the Register of Members as on 1st March, 2013, the Record Date fixed for this purpose. This interim dividend involved a total outgo of Rs. 11.6 crores including dividend distribution tax, surcharge and education cess.

In view of the above, your Directors do not recommend a final dividend for the year ended 31st March, 2013.

Operations

In March 2013, your Company crossed the 8,00,000 mark in terms of policies serviced, with a total of 8,39,408 policies for both Life and Non-Life retail business lines. The customized Life Insurance cover "Mahindra Loan Suraksha" (MLS) continued

to receive an encouraging response and grew by 21% from 3,63,691 lives covered with a Sum Assured of Rs. 8,255.0 crores in the financial year 2011-12 to 4,40,553 lives covered with a Sum Assured of Rs 11,798.2 crores in the financial year 2012-13, with a substantial portion being covered in the rural markets.

Your Company achieved a growth of 33.8% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs. 413.8 crores (Gross Premium Rs. 456.2 crores) in the financial year 2011-12 to Rs. 553.8 crores (Gross Premium Rs.619.8 crores) in the financial year 2012-13, crossing a milestone of Rs.600 crores of Gross Premium.

The Income increased by 85 % from Rs. 46.6 crores in the financial year 2011-12 to Rs.86.3 crores in the financial year 2012-13. The Profit before Tax increased by 154.2% from Rs. 20.1 crores to Rs. 51.2 crores and the Profit after Tax increased

by 155% from Rs. 13.5 crores to Rs. 34.5 crores during the same period.

Strategic Partnership

During the year under review, your Company has entered into Definitive Agreements with Inclusion Resources Private Limited (IRPL), a subsidiary of LeapFrog Inclusion Fund (LFIF), incorporated in Singapore and Mahindra & Mahindra Financial Services Limited (MMFSL), its parent company to expand the Company's services to consumers in rural and semi-urban areas of India, by bringing in IRPL's international knowledge and experience, especially in using low cost technology solutions to provide insurance in mass markets. In addition, given IRPL's expertise and association in reinsurance globally, IRPL would help the Company to connect with various global reinsurers to assist in the Company's reinsurance broking business.

LFIF is the world's first and largest investor in companies that insure under-served people in Asia and Africa, and has International Finance Corporation (IFC), European Investment Bank (EIB), KfW Development Bank, Germany as well as FMO Development Bank of The Netherlands as its investors. LFIF has a specialist focus on mass market insurance and invests in companies that provide insurance to the "Next Billion" emerging market consumers. LFIF is unusual in two respects, first its focus on social impact and secondly, its focus on insurance.

Your Company has received the necessary approvals from the Insurance Regulatory and Development Authority and the Foreign Investment Promotion Board as well as the Reserve Bank of India for the aforesaid transaction.

Share Capital

During the year under review, the Authorised Share Capital of your Company has increased from Rs.2.5 crores consisting of 25,00,000 (Twenty-five Lakhs) Equity Shares of Rs.10 (Rupees Ten) each to Rs.3.5 crores consisting of 35,00,000 (Thirty-five Lakhs) Equity Shares of Rs.10 (Rupees Ten) each.

Your Company has, during the year under review, pursuant to the Definitive Agreements executed between the Company, MMFSL and IRPL made a Preferential allotment to IRPL of 77,320 Equity Shares of Rs.10 each, for cash at a premium of Rs. 2,070 per Share, aggregating to Rs. 16.1 crores.

Consequent to the above, your Company has ceased to be a wholly-owned subsidiary of MMFSL. The paid-up Share Capital of the Company stands increased from Rs.2.5 crores to Rs.2.6 crores.

Transfer of Shares

During the year under review, MMFSL, the holding Company has transferred 3,09,278 Equity Shares of Rs. 10 each of the Company to IRPL, vide issue of transfer instruction dated 30th March, 2013. On account of a technical issue raised by the Depository Participant of IRPL, the actual transfer of 309,278 Equity Shares on sale by MMFSL from the demat account of MMFSL, was recorded in the demat account of IRPL on 2nd April, 2013, being the next working day.

Pursuant to the preferential allotment and transfer of Equity Shares to IRPL, the shareholding of MMFSL, the holding company, stands reduced to 85 per cent from 100 per cent.

Directors

Mr. Ramesh Iyer and Mr. Hemant Sikka retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Audit Committee

The Audit Committee of the Board of Directors of the Company presently comprises of Mr. Rajeev Dubey (Chairman of the Committee), Mr. Ramesh Iyer and Mr. V. Ravi. The Audit Committee met four times during the year under review.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company presently comprises of Mr. Uday Y. Phadke, Mr. Rajeev Dubey and Mr. Ramesh Iyer. The Committee met once during the year under review.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) They have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis.

Auditors

Messrs. B. K. Khare & Co., Chartered Accountants, Mumbai, retire as Auditors of the Company and have given their consent for re-appointment. The members are requested to appoint Auditors from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Public Deposits and Loans/Advances

The Company has not accepted any deposits from the public or its employees during the year under review.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., as required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement of the parent company – Mahindra & Mahindra Financial Services Limited and the ultimate parent company – Mahindra & Mahindra Limited, with the Stock Exchanges, are furnished separately.

Codes of Conduct

The Board of Directors of the Company had adopted separate Codes of Conduct for Corporate Governance (“the Codes”) for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company’s business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of the Company’s ethos.

The Company has for the year under review, received declarations under the Codes from the Board Members and the Senior Management and Employees of the Company affirming compliance with the respective Codes.

Outlook for the Current year

During the last financial year, the Non-Life Insurance industry is estimated to have grown by 22% and Life Insurance industry is estimated to have registered a decrease of 6%. The Non-Life Insurance industry is expected to continue its growth trend, albeit at a reduced rate due to macro economic changes in the economy. Your Company will continue to explore opportunities for expanding its customer base in the Commercial and Retail segments.

Your Company will increase its thrust on the Reinsurance Broking business and expand its domestic and international customer base.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in

the Report of Board of Directors) Rules, 1988 are given in Annexure I to this Report.

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 and Rules framed thereunder

As required under Section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company’s employee who was in receipt of remuneration of not less than Rs.60,00,000 per annum during the year ended 31st March 2013 or not less than Rs.5,00,000 per month during any part of the said year is given in Annexure II to this Report.

Secretarial Compliance Certificate

In accordance with the provisions of Section 383A of the Companies Act, 1956, a Certificate from Ms. Neha H. Shroff, Company Secretary in Whole-time Practice, certifying that the Company has complied with all the provisions of the Companies Act, 1956 is given in Annexure III and forms part of this Report.

Acknowledgements

Your Directors thank the Insurance Regulatory and Development Authority for their continuous support and guidance rendered to the Company. Your Directors also thank the Foreign Investment Promotion Board and the Reserve Bank of India for the support rendered during the processing of the Company’s Foreign Direct Investment proposal for the strategic partnership with Inclusion Resources Private Limited, Singapore. The Directors acknowledge the trust reposed by the customers, the support of the shareholders and the noteworthy performance of the employees.

For and on behalf of the Board

Rajeev Dubey
Chairman

Mumbai, 16th April, 2013

PARTICULARS OF LOANS/ADVANCES AND INVESTMENT BY LOANEES IN THE SHARES OF LISTED COMPANIES, THEIR SUBSIDIARIES, ASSOCIATES, ETC., REQUIRED TO BE DISCLOSED IN THE ANNUAL ACCOUNTS OF THE COMPANY PURSUANT TO CLAUSE 32 OF THE RESPECTIVE LISTING AGREEMENTS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED, THE PARENT COMPANY AND MAHINDRA & MAHINDRA LIMITED, THE ULTIMATE PARENT COMPANY.

Loans and advances in the nature of loans to firms/companies in which Directors are interested are as given below:

Name of the Company	(In Rupees)	
	Balance as on 31 st March, 2013	Maximum outstanding during the year
Mahindra & Mahindra Financial Services Limited	51,40,00,000	51,40,00,000
Mahindra Rural Housing Finance Limited	21,25,00,000	21,25,00,000

The Company has no subsidiaries or associates and no loans and advances in the nature of loans have been made by the Company where there is no repayment schedule or repayment beyond seven years or where there is no interest or interest below the limits prescribed under Section 372A of the Companies Act, 1956.

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

A. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken: Though the activities of the Company are not energy-intensive, necessary measures are taken to contain and bring about savings in power consumption through improved operational methods and better housekeeping.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- (c) Impact of the measures taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: These measures are expected to reduce energy consumption.
- (d) Total energy consumption and energy consumption per unit of production as per Form-A to the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Areas in which R & D is carried out : None
2. Benefits derived as a result of the above efforts : Not applicable
3. Future plan of action : None
4. Expenditure on R & D : Nil
5. Technology absorption, adaptation and innovation : None
6. Imported Technology for the last 5 years : None

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The total Foreign Exchange Earnings and Outgo during the year under review are as follows :

Foreign Exchange Earnings	:	Rs. 64,47,930 (F.Y. 2011-12 : Nil)
Foreign Exchange Outflow	:	Rs. 29,58,426 (F.Y. 2011-12 : Rs.18,27,746)

For and on behalf of the Board

Rajeev Dubey
Chairman

Mumbai, 16th April, 2013

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013

Name of Employee	Designation / Nature of Duties	Gross Remuneration (subject to income tax) (Rs.)	Qualifications	Experience (Years)	Age (years)	Date of Commencement of Employment	Last Employment held (Designation and Organisation)
Dr. Jaideep R. Devare	Managing Director	6,321,585.00	Ph.D. in Management (Thesis on Insurance industry in India), B.E. (Hons.) (Production), MMS (Finance)	22	45	01/01/2009	Head - Business Development (New Initiatives) - Mahindra & Mahindra Financial Services Limited

Notes:

1. Nature of employment is contractual, subject to termination on three months' notice on either side.
2. Terms and conditions of employment are as per Company's Rules/contract.
3. 'Gross Remuneration' includes salary, taxable value of perquisites and Company's contribution to Provident and Superannuation Funds.
4. The Company has made a provision for contribution to the Employees' Gratuity Fund and Leave Encashment based on the actuarial valuation. This amount has not been included in 'Gross Remuneration' as no separate figures are available for individual employee.
5. The above employee is not a relative of any Director of the Company.
6. The above employee has adequate experience to discharge the responsibilities assigned to him.
7. The above employee does not hold by himself or along with his spouse and dependent children, 2% or more of the equity shares of the Company.

For and on behalf of the Board

Rajeev Dubey
Chairman

Mumbai, 16th April, 2013

ANNEXURE III TO THE DIRECTORS' REPORT

NEHA SHROFF
Company Secretary
(ACS-17456:CP 7302)

Office: B-42 Milan,
87 Tardeo Road,
Mumbai 400 034.
Mobile: 9890736259

Secretarial Compliance Certificate
Company Identification Number:- U65990MH1987PLC042609
Authorised Share Capital:- Rs. 3,50,00,000
Paid-up Share Capital:- Rs. 2,57,73,200

To,
Members,
Mahindra Insurance Brokers Limited
Mahindra Towers, P. K. Kurne Chowk,
Worli, Mumbai-400 018.

I have examined the registers, records, books and papers of Mahindra Insurance Brokers Limited ("the Company") as required to be maintained under the Companies Act, 1956, ("the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended 31st March, 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year ("the year"):

- 1) The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
- 2) The Company has duly filed the forms and returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, within the time prescribed under the Act and the Rules made thereunder except otherwise stated.
- 3) The Company is a Public Limited Company within the meaning of the provisions of Section 3(1)(iv) of the Companies Act, 1956. The paid-up share capital of the Company is Rs. 2,57,73,200.
- 4) The Board of Directors duly met 5 (five) times on 17th April, 2012, 23rd July, 2012, 18th October, 2012, 15th January, 2013 and 19th March, 2013 in respect of which proper notices / circulars were issued / given and the proceedings thereof were properly recorded in the Minutes Book and signed. A resolution dated 11th March, 2013 was passed by the Board by circulation for declaration of Interim Dividend @ 400 per cent on the Equity Shares of the Company. The Committee of Directors at its Meeting held on 28th March, 2013 has allotted 77,320 Equity Shares of Rs. 10 each for cash at a premium of Rs. 2,070 each to Inclusion Resources Private Limited, a subsidiary of LeapFrog Inclusion Fund, incorporated in Singapore.
- 5) The Company has not closed/was not required to close its Register of Members or Debentureholders during the year.
- 6) The Annual General Meeting (AGM) for the financial year ended 31st March, 2012 was held on 23rd July, 2012, after

giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose. A Special Resolution for approval of Shareholders under Section 372A for increase in the limits to make loans/place inter corporate deposits from Rs. 50 crores to Rs. 150 crores was also passed at the AGM.

- 7) Two Extraordinary General Meetings of the Company were held on:
 - i) 17th April, 2012- for increase in the Authorised Share Capital of the Company from Rs. 2,50,00,000 to Rs. 3,50,00,000 and consequential changes in the Memorandum of Association and Articles of Association of the Company.
 - ii) 26th March, 2013 – for passing a Special Resolution for Preferential Allotment of 77,320 Equity Shares of Rs. 10 each at a premium of Rs. 2,070 each to Inclusion Resources Private Limited, a subsidiary of LeapFrog Inclusion Fund, incorporated in Singapore.
- 8) The Company has not advanced any loans to its Directors or persons or firms or companies referred to in Section 295 of the Act.
- 9) The Company has not entered into any contracts falling within the purview of section 297 of Act.
- 10) The Company was not required to make entries in the register maintained under section 301 of the Act.
- 11) As there was no instance falling within the purview of section 314 of the Act, the Company was not required to obtain any approval from the Board of Directors, Members or Central Government under that section.
- 12) The Company has not issued duplicate share certificate(s) during the year.
- 13) (i) There was no lodgment for Share Transfer and/or for other purposes in accordance with the provisions of the Act;
(ii) The Company at the AGM declared a dividend of 150 per cent i.e. Rs. 15 per share on 25,00,000 Equity Shares of the Company and the Company has duly complied with the provisions of Section 205 of the Act for the payment of dividend;

- (iii) The Company has paid the interim dividend (F.Y. 2012-13) @ 400 per cent i.e. Rs. 40 per share on 25,00,000 Equity Shares of the Company to the shareholders within the prescribed time and has duly complied with the provisions of Section 205 of the Act;
- (iv) Transfer of any unpaid dividend amount to Investor Education and Protection Fund as required under the provisions of Section 205C of the Act was not applicable to the Company;
- (v) The Company has duly complied with the requirements of Section 217 of the Act.
- 14) The Board of Directors of the Company is duly constituted and the re-appointment of Directors retiring by rotation have been duly approved by the members of the Company at the AGM.
- 15) The Company has not appointed any Managing Director/ Whole-time Director/Manager during the financial year.
- 16) The Company has not appointed any sole selling agents during the year.
- 17) The Company has, wherever required, obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies, Reserve Bank of India, Foreign Investment Promotion Board or such other authorities as may be prescribed under the various provisions of the Act, FEMA Regulations, etc.
- 18) The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
- 19) The Company has not issued any debentures during the financial year. However, the Company has issued 77,320 Equity Shares on a preferential allotment basis to Inclusion Resources Private Limited, after obtaining the requisite approvals of the Regulatory Authorities.
- 20) The Company has not bought back any shares during the year.
- 21) There was no redemption of preference shares or debentures during the year.
- 22) The Company did not have to keep in abeyance dividend, rights or bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
- 23) The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the year.
- 24) The Company has not made any borrowings during the year.
- 25) The Company has placed inter-corporate deposits with other bodies corporate within the limits approved by the Company in the General Meeting. The necessary entries have been made in the Register kept for the purpose. The Company has not given any guarantees or provided securities to other bodies corporate.
- 26) The Company has, during the year, not altered the provisions of the Memorandum with respect to:
- i) situation of the Company's Registered Office from one State to another;
 - ii) the Name of the Company; and
 - iii) the Objects of the Company.
- 27) The Company has altered the provisions of Memorandum of Association with respect to increase in the Authorised Share Capital of the Company.
- 28) The Company has altered its Articles of Association pursuant to increase in Authorised Share Capital of the Company.
- 29) There was/were no prosecution/s initiated against or show cause notices received by the Company and no fine or penalty or any other punishment was imposed on the Company during the year, for alleged offences under the Act.
- 30) The Company has not received any money as security from its employees during the year.
- 31) The Company has deposited both employees' and employer's contributions to provident fund with the prescribed authorities pursuant to Section 418 of the Act.

Sd/-

NEHA SHROFF

Company Secretary

ACS No. 17456, CP No. 7302

Mumbai, 16th April, 2013

ANNEXURE 'A' TO THE COMPLIANCE CERTIFICATE DATED 16TH APRIL, 2013

Registers as maintained by the Company

Statutory Registers

- 1) Register of Members under Section 150 of the Act.
- 2) Minutes Books of Meetings of the Board of Directors and of the General Meetings under Section 193 of the Act.
- 3) Register of Directors under Section 303 of the Act.
- 4) Books of Account under Section 209 of the Act.
- 5) Register of Renewed & Duplicate Share Certificates under Rule 7 of the Companies (Issue of Share Certificates) Rules, 1960.
- 6) Register of Investments or Loans made, Guarantee given or Security provided under Section 372A of the Act.
- 7) Register of Contracts under Section 301 of the Act.

Other Registers

- 1) Transfer Register.
- 2) Register of Directors' Attendance.

The Company has not maintained the following Registers, since as informed by the Company, there were no entries/transaction to be recorded therein.

- 1) Register of Investments under Section 49 of the Act.
- 2) Register of Deposits under Rule 7 of the Companies (Acceptance of Deposits) Rules, 1975.
- 3) Register of Securities Bought Back under Section 77A of the Act.
- 4) Register of Debentureholders under Section 152 of the Act.
- 5) Register of Charges under Section 143/copies of Instruments creating charge under Section 136 of the Act.
- 6) Index of Members under Section 151 of the Act.
- 7) Register of Destruction of Records/Documents as required under the Companies (Preservation and Disposal of Records) Rules, 1966.
- 8) Register of Directors' Shareholdings under Section 307 of the Act.

ANNEXURE 'B' TO THE COMPLIANCE CERTIFICATE DATED 16TH APRIL, 2013

Forms and returns as filed by the Company with the Registrar of Companies/ Central Government, during the year ended 31st March 2013.

S. N.	Form No./ Return	Filed under section	For	Date of filing	Whether filed within the prescribed time	If delay in filing whether requisite additional fee paid
1)	Form No. 23	31	Alteration of Articles of Association of the Company for increase in the Authorised Share Capital by a Special Resolution on 17 th April, 2012.	11/05/2012	Yes	Not Applicable
2)	Form No. 5	97	Increase in Authorised Share Capital of the Company by a Special Resolution on 17 th April, 2012.	14/05/2012	Yes	Not Applicable
3)	Secretarial Compliance Certificate Form No.66	383A	Secretarial Compliance Certificate issued by Mr. J. P. Fernandes, Company Secretary in Practice.	25/07/2012	Yes	Not Applicable
4)	Form No. 23	372A	Increase in the limits to make loans/ place inter corporate deposits by Special Resolution on 23 rd July, 2012.	30/07/2012	Yes	Not Applicable
5)	Audited Annual Accounts Form No.23AC- XBRL and Form No.23ACA - XBRL	220	The Annual Accounts for the year ended 31 st March, 2012 adopted at the Annual General Meeting of the Company held on 23 rd July, 2012.	27/11/2012	Yes	Not Applicable
6)	Annual Return Form No.20B	159	Annual Return as at 23 rd July, 2012.	10/08/2012	Yes	Not Applicable

Note:

Form No. 23 and Form No. 2 in respect of preferential allotment of 77,320 Equity Shares to IRPL pursuant to the Special Resolution passed at the Extraordinary General Meeting of the Company were filed in the Financial Year 2013-14.

INDEPENDENT AUDITOR'S REPORT

To

The Members of MAHINDRA INSURANCE BROKERS LIMITED

1. We have audited the accompanying financial statements of **MAHINDRA INSURANCE BROKERS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

3.1 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3.3 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and;
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by 'the Companies (Auditor's Report) Order, 2003, as amended by the 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 Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company 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 Order.

5.2 As required by section 227(3) of the Act, 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 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For B. K. Khare & Co.
Chartered Accountants
FRN : 105102W

H P Mahajani
Partner
M. No.30168

Place: Mumbai,
Date: 16th April 2013

ANNEXURE TO THE AUDITOR'S REPORT REFERRED TO IN OUR REPORT OF EVEN DATE:

- 1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. These assets were physically verified by the Management during the year at reasonable intervals and no discrepancies were noticed on such verification.
- (b) None of the fixed assets have been revalued during the year.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status of the Company.
- 2 Clause 4(ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- 3 (a) Based on the records examined by us and according to the information and explanations given to us, the Company has:
 - (i) Not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - (ii) Not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us the Company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. 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 we been informed of any continuing failure to correct any major weaknesses in the aforesaid internal control system.
- 5 According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- 6 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company.
- 7 In our opinion and according to the information and explanations provided to us, the Company has an internal audit system, which is commensurate with its size and the nature of its business.
- 8 On facts, the requirements of Para 4 (viii) requiring maintenance of cost records are not applicable in case of the Company.
- 9 (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax and service tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the records of the company and information and explanations given to us there are no disputed dues which have not been deposited with the relevant authority.
- 10 The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
- 11 Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.
- 13 The provisions of any applicable statute to Chit Fund, Nidhi or Mutual Benefit Fund/Society are not applicable to the Company.
- 14 The Company is not dealing or trading in shares, securities, debentures and other investments.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 Based on the records examined by us and according to the information and explanations given to us, during the year, term loans were applied for the purpose for which the loans were taken.
- 17 On the basis of overall examination of the financial statements and other financial information furnished, we report that the company has not used short term funds for long term investments.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 19 On the basis of our examination of books of account and documents and according to the information and explanations given to us, the Company has not issued any debentures.
- 20 The Company has not made any public issue of its shares during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted accounting practices and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company noticed or reported during the year, nor have we been informed of any such instances during the year.

For B. K. Khare & Co.
Chartered Accountants
FRN : 105102W

H P Mahajani
Partner
M. No. 30168

Place: Mumbai,
Date: 16th April 2013

BALANCE SHEET AS AT 31ST MARCH, 2013

Particulars	Note No.	In Rupees	
		March-13	March-12
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	A	25,773,200	25,000,000
(b) Reserves and surplus	B	913,720,924	526,537,052
		<u>939,494,124</u>	<u>551,537,052</u>
(2) Current liabilities			
(a) Trade payables		28,904,175	10,468,700
(b) Other current liabilities	C	10,619,403	9,069,554
(c) Short-term provisions	D	40,514,050	76,467,235
		<u>80,037,628</u>	<u>96,005,489</u>
TOTAL		<u>1,019,531,752</u>	<u>647,542,541</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	E	19,097,533	16,685,050
(b) Deferred tax assets (net)		448,082	311,408
(c) Long-term loans and advances	F	94,508,955	38,524,091
		<u>114,054,570</u>	<u>55,520,549</u>
(2) Current assets			
(a) Trade receivables	G	86,739,682	63,815,516
(b) Cash and cash equivalents	H	142,035,948	69,897,174
(c) Short-term loans and advances	I	650,304,535	434,436,483
(d) Other current assets	J	26,397,017	23,872,819
		<u>905,477,182</u>	<u>592,021,992</u>
TOTAL		<u>1,019,531,752</u>	<u>647,542,541</u>

See accompanying notes to the financial statements

The notes referred to above form an integral part of the Balance Sheet**For B. K. Khare & Co.**Chartered Accountants
Firm Regn No. 105102W**H.P. Mahajani**Partner
Membership No. 30168Mumbai, 16th April 2013**For and on behalf of the Board****Rajeev Dubey** *Chairman***Uday Y. Phadke****Ramesh Iyer****V. Ravi****Hemant Sikka****Dr. Jaideep Devare** *Managing Director*Mumbai, 16th April 2013

PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED MARCH 31, 2013

Particulars	Note No.	In Rupees	
		March-13	March-12
I. Revenue from operations	K	800,075,279	425,172,098
II. Other income		62,919,426	40,288,833
III. Total Revenue (I + II)		862,994,705	465,460,931
IV. Expenses:			
Employee benefits expense	L	241,490,087	185,322,605
Depreciation and amortization expense	M	3,330,774	2,490,407
Other expenses	N	106,245,851	76,255,892
Total expenses		351,066,712	264,068,904
V. Profit before exceptional and extraordinary items and tax (III-IV)		511,927,993	201,392,027
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V-VI)		511,927,993	201,392,027
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII-VIII)		511,927,993	201,392,027
X. Tax expense:			
(1) Current tax		167,600,000	65,900,000
(2) Deferred tax		136,674	(436,325)
XI. Profit/(Loss) for the period from continuing operations (IX-X)		344,464,667	135,055,702
XII. Income Tax adjustment for earlier year (net)		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit/(Loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit/(Loss) for the period (XI + XIV)		344,464,667	135,055,702
XVI. Earnings per equity share:			
(1) Basic		137.74	54.02
(2) Diluted		137.74	54.02

See accompanying notes to the financial statements

The notes referred to above form an integral part of the Profit & Loss Account.

For B. K. Khare & Co.
Chartered Accountants
Firm Regn No. 105102W

H.P. Mahajani
Partner
Membership No. 30168

Mumbai, 16th April 2013

For and on behalf of the Board

Rajeev Dubey *Chairman*

Uday Y. Phadke

Ramesh Iyer

V. Ravi

Hemant Sikka

Dr. Jaideep Devare *Managing Director*

Mumbai, 16th April 2013

CASH FLOW STATEMENT

Particulars	In Rupees	
	March-13	March-12
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies	511,927,993	201,392,028
Add/(Less):		
Depreciation & Amortisation	3,330,774	2,490,407
Interest Income	(62,887,847)	(40,092,885)
Provision for Doubtful Debts/Advances Written-off (net)	205,000	30,000
(Profit)/Loss on sale/retirement of assets	1,087,391	255,809
(Profit)/Loss on sale of Investment	-	-
Operating profit before working capital changes	(I) 453,663,311	164,075,359
LESS:		
(Increase)/Decrease in Trade Receivables	(23,129,165)	(8,206,566)
(Increase)/Decrease in Loans & Advances	(2,113,185)	(2,756,944)
	(25,242,350)	(10,963,510)
Add: Increase/(Decrease) in Current liabilities	(II) 19,192,588	17,630,602
	(6,049,762)	6,667,092
Cash generated from operations	(I + II) 447,613,549	170,742,451
Income Taxes paid	(161,743,527)	(65,296,199)
NET CASH FROM OPERATING ACTIVITIES	(A) 285,870,022	105,446,252
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,290,996)	(9,370,777)
Sale of fixed assets	460,349	509,573
Interest received	61,981,995	30,680,149
Intercorporate Deposits Placed	(268,800,000)	(56,500,000)
NET CASH FROM INVESTING ACTIVITIES	(B) (213,648,652)	(34,681,055)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Additional Equity Share Capital	159,723,343	-
Dividends paid	(159,805,938)	(11,661,000)
NET CASH FROM FINANCING ACTIVITIES	(C) (82,595)	(11,661,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A + B + C)	72,138,775	59,104,197
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the period	69,897,173	10,792,976
End of the period	142,035,948	69,897,173

Examined and found correct

For B. K. Khare & Co.
Chartered Accountants
Firm Regn No. 105102W

H.P. Mahajani
Partner
Membership No. 30168

Mumbai, 16th April 2013

For and on behalf of the Board

Rajeev Dubey *Chairman*

Uday Y. Phadke

Ramesh Iyer

V. Ravi

Hemant Sikka

Dr. Jaideep Devare *Managing Director*

Mumbai, 16th April 2013

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013
A. Share Capital

		In Rupees	
		March-13	March-12
Authorised:			
3,500,000	(Previous Year: 2,500,000) Equity Shares of Rs. 10 each	35,000,000	25,000,000
Issued Capital:			
2,577,320	(Previous Year: 25,00,000) Equity Shares of Rs. 10 each	25,773,200	25,000,000
Subscribed & Paid up Capital:	(Previous Year: 25,00,000) Equity Shares of Rs. 10 each	25,773,200	25,000,000
2,577,320 TOTAL		25,773,200	25,000,000

Note:

Mahindra & Mahindra Financial Services Limited, the Holding Company holds 21,90,722 (Previous Year: 25,00,000) shares as on 31st March 2013 (including 30 shares held jointly with nominees) (refer note below)

Particulars	March-13	March-12
a. Reconciliation of the number of shares -		
Number of equity shares outstanding at the beginning of the year	2,500,000	500,000
Add: Fresh allotment of shares during the year:		
1) Private placement to QIBs under QIP	77,320	0
2) Issue of bonus/rights shares	0	2,000,000
3) Shares issued under Employees' Stock Option Scheme	0	0
4) Conversion of any convertible security	0	0
5) Any others (specify)	0	0
	2,577,320	2,500,000
Less: Shares bought back during the year	0	0
Number of equity shares outstanding at the end of the period	2,577,320	2,500,000
b. Number of equity shares held by holding company or ultimate holding Company including shares held by its subsidiaries/associates:		
Holding company: Mahindra & Mahindra Financial Services Limited	2,190,722	2,500,000
(Equity shares of Rs. 10/- Each) (Refer note below)		
Percentage of holding (%)	85	100
c. Shareholders holding more than 5 percent shares (refer note below):		
Mahindra & Mahindra Financial Services Limited	2,190,722	2,500,000
Inclusion Resources Private Limited	386,598	0
d. Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts:		
(Specify, if any)	0	0
e. Shares allotted during the period of five years immediately preceding the date as at which the Balance Sheet is prepared:		
- Aggregate number and class of shares allotted as fully paid up pursuant	0	0

Particulars	March-13	March-12
to contract(s) without payment being received in cash.		
- Aggregate number and class of shares allotted as fully paid up by way of bonus shares	2,000,000	2,000,000
- Aggregate number and class of shares bought back.	0	0

Note:

Inclusion Resources Private Limited (IRPL), a Singapore-based subsidiary of LeapFrog Financial Inclusion Fund (LFIF) acquired a 15% stake in the Company by way of a preferential issue of 77320 equity shares by the Company vide corporate action dated March 28, 2013, and a sale of 309,278 shares by the Promoter Company, Mahindra & Mahindra Financial Services Limited (MMFSL) vide issue of transfer instruction dated March 30, 2013. On account of a technical issue raised by the Depository Participant of IRPL, the actual transfer of 309,278 equity shares on sale by MMFSL from the demat account of MMFSL, was recorded in the demat account of IRPL on April 2, 2013, being the next working day.

B. Reserves and Surplus

Particulars	March-13	March-12
General Reserve:		
As per last Balance Sheet	45,843,458	52,243,458
Add: Transfer during the period	35,000,000	13,600,000
Less: Issue of Bonus shares out of Reserve.	0	20,000,000
Closing Balance	80,843,458	45,843,458
Securities Premium Account:		
As per last Balance Sheet	0	0
Add: Additions during the year	160,052,400	0
Less: Share issue expenses	1,102,257	0
Closing Balance	158,950,143	0
Surplus in Statement of Profit and Loss:		
Balance Profit (for earlier years) as per last Balance Sheet	480,693,594	402,812,892
Add: Profit for the current year transferred from Statement of Profit & Loss	344,464,667	135,055,702
	825,158,261	537,868,594
Less: Allocations & Appropriations:		
Transfer to General Reserve	35,000,000	13,600,000
Proposed Dividend (Final)	0	37,500,000
Corporate Dividend Tax (Final)	0	6,075,000
Interim Dividend Paid	100,000,000	0
Corporate Dividend Tax Paid	16,230,938	0
Balance in Profit & Loss Account	673,927,323	480,693,594
TOTAL	913,720,924	526,537,052

C. Other Current Liabilities

	In Rupees	
Particulars	March-13	March-12
Other Current Liabilities (Statutory Liabilities)	10,619,403	9,069,554
	10,619,403	9,069,554

D. Short Term Provisions

	In Rupees	
Particulars	March-13	March-12
Provision for Employee Benefits	38,179,841	32,892,235
Proposed Dividend	0	37,500,000
Corporate Dividend Tax	0	6,075,000
Provision for Tax (net of advance tax)	2,334,209	0
	40,514,050	76,467,235

E. Tangible Assets

Description of Assets	Gross Block At Cost				Depreciation				Net Block	
	As at 1-Apr-12	Additions for Purch/Trf	Deductions for Sale/Trf	As at 31-Mar-13	Upto 1-Apr-12	Additions /Trf	Deductions /Trf	Upto 31-Mar-13	As at 1-Apr-12	As at 31-Mar-13
Vehicles	9,370,999	2,623,401	1,462,631	10,531,769	1,393,913	903,794	408,613	1,889,094	7,977,086	8,642,675
Furniture	1,000,338	285,404	207,774	1,077,968	182,018	225,221	48,049	359,190	818,320	718,778
Office Equipment	1,873,787	488,971	337,383	2,025,375	762,501	460,815	116,496	1,106,820	1,111,286	918,555
Computers	11,104,679	3,893,220	168,513	14,829,386	4,326,321	1,740,944	55,404	6,011,861	6,778,358	8,817,525
Total	23,349,803	7,290,996	2,176,301	28,464,498	6,664,753	3,330,774	628,562	9,366,965	16,685,050	19,097,533
As at 31-03-2012	15,184,876	9,370,777	1,205,850	23,349,803	4,614,814	2,490,407	440,468	6,664,753	10,570,062	16,685,050

F. Long Term Loans and Advances

	In Rupees	
	March-13	March-12
Loans and advances (unsecured, considered good):		
Inter Corporate Deposits Given (for more than one year) with related parties :	87,500,000	35,000,000
Other Advances recoverable in cash or kind or for value to be received	5,583,711	3,360,566
Gratuity Plan Assets (Net)	221,244	163,525
Deposits for Office Premises/Others	1,204,000	0
TOTAL	94,508,955	38,524,091

G. Trade Receivables

	In Rupees	
	March-13	March-12
Sundry Debtors (Unsecured, considered good):		
- Debts outstanding for a period exceeding six months	1,776,688	1,376,383
- Other Debts	86,197,994	63,469,133
	87,974,682	64,845,516
- Less: Provision for Doubtful Debts	1,235,000	1,030,000
TOTAL	86,739,682	63,815,516

H. Cash & Cash equivalents

	In Rupees	
	March-13	March-12
Cash & Bank Balances:		
- Cash and Cheques on hand	127,316	147,141
- Balance with Scheduled Banks in Current Account	16,908,632	11,250,033
- Term Deposit with Scheduled Banks (less than 12 months maturity)	119,000,000	52,500,000
- Term Deposit with Scheduled Banks [Under lien to IRDA for broking license and including Rs.5,000,000 with more than 12 months maturity]	6,000,000	6,000,000
TOTAL	142,035,948	69,897,174

I. Short Term Loans and Advances

	In Rupees	
	March-13	March-12
Loans and advances (unsecured, considered good):		
Inter Corporate Deposits Given	639,000,000	422,700,000
Advance Payment of Tax (net of provision)	0	3,522,264
Deposits - Others	200,000	0
Other Advances recoverable in cash or kind or for value to be received	11,104,535	8,214,219
TOTAL	650,304,535	434,436,483

J. Other Current Assets

	In Rupees	
	March-13	March-12
Interest Accrued but not due - Bank FD/ICD	2,38,32,141	2,29,26,289
Other Current Assets	25,64,876	9,46,530
TOTAL	2,63,97,017	2,38,72,819

K. Revenue From Operations

	In Rupees	
	March-13	March-12
Brokerage	328,280,843	245,379,609
Broker Retainer Fees	398,856,236	99,521,546
Handling Charges	72,938,200	80,270,943
TOTAL	800,075,279	425,172,098

L. Employee Benefits Expense

	In Rupees	
	March-13	March-12
Salary, Bonus & Incentives	202,444,878	159,927,812
Company's Contribution to PF. & Other Funds	11,348,506	9,233,200
Employee Compensation Expenses on account of ESOPs	5,162,881	0
Manpower Outsourcing Charges	16,179,957	14,035,635
Staff Welfare	6,353,865	2,125,958
TOTAL	241,490,087	185,322,605

M. Depreciation

	In Rupees	
	March-13	March-12
Depreciation on tangible assets	3,330,774	2,490,407
TOTAL	3,330,774	2,490,407

N. Other Expenses

	In Rupees	
	March-13	March-12
OTHER EXPENSES:		
Electricity charges	3,659,770	481,013
Rent	18,344,539	12,898,308
Administration Support Charges	7,168,255	6,735,722
Insurance	7,691,956	6,404,185
Rates and Taxes	864,196	305,933
Legal & Professional Charges	2,387,770	3,227,635
Loss on Sale/Retirement of Owned Assets	1,087,391	255,809
Travelling Expenses	25,396,908	19,651,655
Provision for Expenses - Debtors	205,000	30,000
Auditors Remuneration		
- Audit Fees	300,000	300,000
- Other Services	43,670	35,000
Donations	3,418,001	1,015,600
General & Administrative Expenses	35,678,395	24,915,032
TOTAL	106,245,851	76,255,892

O. SIGNIFICANT ACCOUNTING POLICIES (SAP)

1) The Balance Sheet and Profit & Loss Account have been drawn up in the form set out in the revised Schedule VI to the Companies Act 1956. Previous year's figures have been regrouped and reclassified to correspond to current year's groupings and classifications. Further, apart from other applicable criteria, assets and liabilities have also been classified as 'current' if they are expected to be realized or settled, as the case may be, within twelve months after the reporting date.

2) Basis for Preparation of Accounts:

The accounts have been prepared to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

3) Revenue Recognition:

i. General:

The Company follows the accrual method of accounting for its income and expenditure.

ii. Brokerage Income:

Brokerage Income, handling charges & broker retainer's fees and is accounted for net of Service Tax.

4) Share Issue Expenses:

Expenses incurred in connection with fresh issue of share capital are adjusted against Securities Premium Account in the year in which they are incurred.

5) Fixed Assets:

Fixed Assets are stated at cost of acquisition (including incidental expenses), less depreciation.

6) Depreciation:

Depreciation on fixed assets is charged using the Straight Line method at rates specified in Schedule XIV to the Companies Act, 1956, except for Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV. Individual assets cost less than Rs. 5000/- are written off in the year of purchase.

7) Employee Benefits:

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as the Balance Sheet date, made by independent actuaries.

a. Defined Contribution Plans –

Company's contribution paid/payable during the year to Provident Fund, Superannuation and Labour Welfare Fund are recognised in Profit & Loss Account.

b. Defined Benefit Plan –

Company's liabilities towards gratuity & leave encashment is determined using the Projected Unit Credit Method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

8) Segment Reporting:

The company has single reportable segment namely insurance auxiliary services for the purpose of Accounting Standard 17 on Segment Reporting.

9) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

10) Provisions and Contingent Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

NOTES TO ACCOUNTS

- 1) The company was operating under Direct Broker licence since 18th May 2004, which was changed to Composite broker licence (Direct and Reinsurance) on 23rd September 2011.
- 2) In the opinion of the Board, Current Assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
- 3) The company earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The company does not expect any significant variation in the book balances.
- 4) Related Party Disclosure as per Accounting Standard 18:

List of the related parties:

Holding Companies:

Mahindra & Mahindra Financial Services Limited
Mahindra & Mahindra Limited*

Fellow subsidiary Companies:

Mahindra Rural Housing Finance Limited
Mahindra Business & Consulting Services Private Limited
Mahindra Logistics Limited
NBS International Limited

Key Management Personnel

Managing Director : Dr. Jaideep Devare

Amounts in brackets represent amounts pertaining to previous financial year.

Related Parties Transactions are as under:

(in Rupees)					
Sr. No	Nature of Transactions	Holding Companies*	Fellow subsidiary Companies	Key Management Personnel	
1	INCOME	Interest (Gross)	2,25,76,151	2,79,74,552	–
			(1,81,84,659)	(1,65,18,318)	–
		Handling Charges (Gross of Service Tax)	8,19,53,361	–	–
		(8,06,84,450)	(Nil)	–	
2	EXPENSE	Other Expenses (Gross of Service Tax)	1,41,57,471	1,81,89,297	48,72,399
			(84,30,673)	(1,55,04,817)	(42,87,228)
3	DEPUTATION CHARGES PAID To Related Parties (Gross of Service Tax)		–	–	–
			–	–	–

(in Rupees)

Sr. No	Nature of Transactions	Holding Companies*	Fellow subsidiary Companies	Key Management Personnel	In Rupees		
					Gratuity Funded	Leave Non-Funded	
					March 2013	March 2012	March 2013
4	FINANCE						
	Inter Corporate Deposits given	51,40,00,000	21,25,00,000	-			
		(23,77,00,000)	(22,00,00,000)	-			
	Dividends Paid (for previous year)	3,75,00,000	-	-			
		(1,00,00,000)	-	-			
	Dividends Paid (for current year)	10,00,00,000	-	-			
5	OTHER TRANSACTIONS						
	Purchase of Fixed Assets	-	-	-			
		-	(10,88,000)	-			
	Sale of Fixed Assets	-	-	-			
		-	-	-			
6	OUTSTANDINGS						
	Receivables	3,94,73,327	94,19,084	-			
		(4,29,87,823)	(88,16,098)	-			
	Payables	76,65,272	31,69,390	-			
		(11,58,857)	(12,93,467)	-			

* Mahindra Insurance Brokers Limited is a 85% subsidiary of Mahindra & Mahindra Financial Services Limited, which in turn is a subsidiary of Mahindra & Mahindra Limited.

- 5) Earnings in Foreign Currency for FY 2012-13 are Rs. 64,47,930/- (Previous Year Rs. Nil)
- 6) Expenditure incurred in Foreign Currency – Rs. 29,58,426/- (Previous Year Rs. 18,27,746/-)
- 7) The company has incurred a cost of Rs. 5,162,881/- (previous year Rs.7,816,174/- borne by Mahindra & Mahindra Financial Services Limited (MMFSL)) towards ESOPs granted by the holding company, MMFSL.
- 8) In accordance with the provisions of Accounting Standard – 15 (revised) issued by the Institute of Chartered Accountants of India; cost of employee benefits in the form of compensated absences for the period ended 31st March 2013 is Rs. 27,01,805/- (Previous Year Rs. 28,82,491/-) and has been recognised in the Profit & Loss Account as such. The Present Value of obligation on account of such compensated absences is Rs. 53,74,836/- (Previous Year Rs. 50,25,579/-) as on 31st March 2013.
- 9) Defined Employee Benefits:

In Rupees

Gratuity Funded
Leave Non-Funded

March 2013 March 2012 March 2013

I. Change in Obligation during the year ended 31st March 2013

1. Present value of obligation as the beginning of the year	4,641,070	3,389,211	-
2. Interest Cost	432,936	323,666	-
3. Current Service Cost	4,685,508	3,574,209	1,534,747
4. Actuarial (Gain)/Loss on Obligations	(2,785,507)	(2,511,821)	3,840,089
5. Benefits Paid	(393,704)	(134,195)	-
6. Present value of Defined Benefit Obligation at the end of the year.	6,580,303	4,641,070	5,374,836

II. Change in Assets during the Year ended 31st March 2013

1. Plan Assets at the beginning of the year	4,804,595	3,804,595	-
2. Expected return on plan assets.	403,280	317,564	-
3. Contributions by Employer	1,996,952	1,000,000	-
4. Actual benefits paid	(393,704)	(134,195)	-
5. Actual Gain/(Losses)	(9,576)	(183,369)	-
6. Plan Assets at the end of the year	6,801,547	4,804,595	-

III. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March 2013

1. Present Value of Defined Obligation as at 31st March 2013	6,580,303	4,641,070	5,374,836
2. Fair Value of plan assets as at 31st March 2013	6,801,547	4,804,595	-
3. Fund status (Surplus/(Deficit))	221,244	163,525	(5,374,836)
4. Net Assets/ (Liability) as at 31st March 2013	221,244	163,525	(5,374,836)

IV. Expenses recognised in the statement of Profit and Loss for the year ended 31st March 2013

1. Current Service cost	4,685,508	3,574,209	1,534,747
2. Interest Cost	432,936	323,666	-
3. Expected return on Plan Assets	(403,280)	(183,369)	-
4. Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/ (Loss) adjustment)	(2,775,931)	(2,462,647)	3,840,089
5. Expenses recognised in statement of Profit & Loss	1,939,233	1,251,859	5,374,836

V. The Major Categories in Plan Assets as a percentage of total plan

1. Insurer Managed Funds	100%	100%	
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VI. Method of Valuation:

Projected Unit Credit Method	Projected Unit Credit Method	Projected Unit Credit Method
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VII. Actuarial Assumption

1. Discount Rate	8%	8%	8%
2. Expected rate of return on plan assets	8%	8%	
3. Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4. Salary Increment Rate	5%	5%	5%
5. Retirement Age	60 Years	60 Years	60 Years
6. Withdrawal	Attrition rate of 1% up to the age of 30 Years	Attrition rate of 1% up to the age of 30 Years	Attrition rate of 1% up to the age of 30 Years

VIII. Experience Adjustments

	Year ended				
	March 09	March 10	March 11	March 12	March 13
Defined Benefit obligation at end of the period	1,569,335	2,308,369	3,389,211	4,641,070	65,80,303
Plan assets at the end of period	2,354,595	3,004,595	3,804,595	48,04,595	68,01,547
Funded Status Surplus/ (Deficit)	(785,260)	(696,226)	(415,384)	(1,63,525)	(2,21,244)
Experience adjustments on plan liabilities (gain)/loss	(481,035)	(444,432)	(625,820)	(695,979)	(5,16,858)
Experience adjustments on plan assets gain/(loss)	43,999	(46,895)	(63,952)	(83,037)	(1,05,820)

10) Earnings per share

	March-13	March-12
Amount used as numerator – Balance of Profit after Tax available for shareholders (Rs.)	34,44,64,667	13,50,55,702
Weighted average number of equity shares used in computing basic earnings per share	25,00,847	25,00,000
Weighted average number of equity shares used in computing diluted earnings per share	25,00,847	25,00,000
Basic earnings per share (Rs.) (Face value of Rs. 10 per share)	137.74	54.02
Diluted earnings per share (Rs.)	137.74	54.02

11) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Tax Asset of Rs. 4,48,082/- (Previous Year Rs. 3,11,408/-) as at 31st March

2013. The break up of the Deferred Tax Asset as at 31st March 2013 is as under:

	In Rupees	
	Deferred Tax Asset/ (Liability) March 2013	Deferred Tax Asset/ (Liability) March 2012
Provision for Doubtful Debts	4,19,777	3,34,184
Depreciation	(18,25,371)	(17,30,049)
Gratuity	(75,201)	(53,056)
Leave Encashment	18,26,907	16,30,549
Bonus and Incentive	1,01,970	129,780
TOTAL	4,48,082	3,11,408

- 12) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.
- 13) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, has not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this and legal opinion obtained by the Company, information required under Section 22 of the said Act is not given.

Signatures to Notes to Accounts

For B. K. Khare & Co. Chartered Accountants Firm Regn No. 105102W	For and on behalf of the Board Rajeev Dubey Chairman Uday Y. Phadke Ramesh Iyer Partner Membership No. 30168 V. Ravi Hemant Sikka Dr. Jaideep Devare Managing Director
Mumbai, 16 th April 2013	Mumbai, 16 th April 2013

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Sixth Report together with the audited accounts of your Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

Particulars	Amount in Rupees	
	March 2013	March 2012
Income	1,40,40,01,981	85,74,32,113
Less : Finance Costs	55,55,85,455	32,73,23,879
Expenditure	56,35,36,509	36,40,29,248
Depreciation and Amortisation Expenses	1,08,26,038	47,30,443
Total Expenses	1,12,99,48,002	69,60,83,570
Profit Before Tax	27,40,53,979	16,13,48,543
Less : Provision for Tax		
Current Tax	8,70,33,930	5,26,02,340
Deferred Tax	(1,61,58,007)	(1,03,63,523)
Profit / (Loss) for the year	20,31,78,056	11,91,09,726
Profit / (Loss) brought forward from previous year	8,99,57,011	4,41,74,664
Amount available for Appropriation	29,31,35,067	16,32,84,390
Appropriations:		
Special Reserve	5,55,00,000	3,61,36,184
Additional Special Reserve (u/s 29C of NHB Act 1987)	5,00,000	–
Proposed dividend on Equity Shares	4,57,14,280	3,19,99,996
Income-tax on proposed dividend	77,11,758	51,91,199
Surplus carried to Balance Sheet	18,37,09,029	8,99,57,011

OPERATIONS

During the year under review, the total income was Rs. 140.40 crores as against Rs.85.74 crores for the financial year 2011-12, registering a growth of 64% over the previous year. Profit before tax was 70% higher at Rs. 27.41 crores as compared to Rs. 16.13 crores for the previous year. Profit after tax was 71% higher at Rs. 20.32 crores as compared to Rs. 11.91 crores for the previous year.

Your Company has disbursed loans aggregating Rs. 432.85 crores (previous year Rs. 266.75 crores) achieving a growth of 62% over the previous year. The outstanding loan portfolio as at 31st March, 2013 stood at Rs. 879.47 crores.

Your Company continued its focus on serving customers in rural India. Majority of the loans disbursed were to customers in villages with an average annual household income of less than Rupees Two lakhs. During the year under review, over 61,000 households were given home loans in addition to the existing 62,920 households till 31st March, 2012, since its inception. Cumulatively, your Company has crossed the 1,20,000 customer base in March 2013.

The housing loans sanctioned during the year ended 31st March, 2013 were to the extent of Rs. 540.99 crores as against Rs. 292.16 crores sanctioned during the previous year. The cumulative loans sanctioned by your Company as at the end of financial year 2012-13 were Rs. 1,253.29 crores as compared to Rs. 718.44 crores in the previous year. The cumulative loan disbursement at the end of the year stood at Rs. 1,040.49 crores as compared to Rs. 607.36 crores in the previous year.

Your Company has been expanding its geographical presence, to provide affordable services for rural households. During the year under review, operations were strengthened in the states of Maharashtra, Gujarat, Rajasthan, Tamilnadu, Andhra Pradesh, Kerala, Karnataka, Madhya Pradesh and Bihar.

DIVIDEND

Your Directors recommend a dividend of Re. 1 per Equity Share on 45,714,280 Equity Shares of Rs.10 each, aggregating Rs. 4.57 crores. The above dividend, if approved, will be paid to those Members whose names appear in the Register of Members as on the Record Date fixed for this purpose. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs.5.35 crores (as against Rs.3.72 crores on account of dividend of Re. 0.70 per Equity Share, paid for the previous year).

GOLDEN JUBILEE RURAL HOUSING FINANCE SCHEME

Your Company during the year under review has disbursed Rs.425.50 crores in respect of 61,018 dwelling units under the Golden Jubilee Rural Housing Finance Scheme ("the Scheme") of Government of India. The cumulative disbursements at the end of the year under the Scheme stood at Rs. 994.27 crores in respect of 1,22,358 dwelling units.

FINANCE

During the year under review, the Reserve Bank of India (RBI) adopted a softer approach by reducing its key rates. The Repo rate was reduced three times from 8.50% to 7.50%,

mainly due to easing inflation numbers and to provide adequate liquidity.

During the year under review, your Company has availed of a total sanction of Refinance Assistance from National Housing Bank (NHB) of Rs. 75 crores. As on 31st March, 2013 the outstanding borrowings from NHB cumulatively amounted to Rs.232.62 crores.

As part of its Liability Management, your Company endeavours to achieve an appropriate maturity structure. During the year under review, your Company has availed a total sanction of Term loans of Rs.425 crores from banks for longer tenure of three to five years. As on 31st March, 2013 the outstanding borrowings from Banks cumulatively amounted to Rs. 441.97 crores.

CREDIT RATING

During the year under review, CRISIL has reaffirmed 'A+/Stable' rating to your Company. Your Company's short term debt programme (including commercial paper) has been assigned "CRISIL A1+" rating which is the highest rating for short term borrowing programme assigned by CRISIL. Credit Analysis & Research Limited (CARE) has reaffirmed the Issuers rating 'CARE A+' assigned to your Company.

OUTLOOK FOR THE YEAR 2013-14

Housing loans outstanding, as a percentage to GDP, were 9% for India as compared to 88% in the U.K., 81% in the U.S.A., 20% in China and 17% in Thailand (source: European Mortgage Foundation, 2009 and World Bank 2008). This itself indicates the vast potential for the Housing Finance Industry in the country. In addition, your Company faces lower competition as most of the industry players concentrate on metros and urban India.

Assuming a normal monsoon, agricultural growth should be in line with the trend rate. This will lead to a healthy growth in the demand for products and services in rural areas including the demand for home loan.

ONE PER CENT SUBVENTION

The Government of India in its Budget for the financial year 2012-13, has extended for a period of one year the scheme of interest subvention of 1% on housing loan upto Rs. 15 lacs where the cost of the house does not exceed Rs. 25 lacs. Pursuant to this scheme, all retail home loans disbursed by the Company are eligible for subvention. For the first time, your Company has utilized this benefit and passed on the same to nearly 16,000 customers during the year.

ACHIEVEMENTS

During the year under review, your Company was awarded the 'Golden Peacock Innovation Management Award' by the Awards Jury under the Chairmanship of Justice P. N. Bhagwati, former Chief Justice of India and Member, UN Human Rights Commission. This award signifies the commitment of your Company to fostering Innovation in order to reach and serve the under-banked customers in Rural India.

Your Company has also been bestowed membership of 'Business Call to Action'(BCtA) which serves as a confirmation

of the Company's leadership in, and commitment to, inclusive and sustainable business initiatives at the base of the pyramid (BoP). BCtA is a global initiative of United Nations Development Program that seeks to challenge companies to develop inclusive business models that offer the potential for development impact along with commercial success.

CAPITAL ADEQUACY

As at 31st March, 2013, the Capital to Risk Asset Ratio (CRAR) of your Company was 16.0% as against the minimum requirement of 12.0% stipulated by NHB.

NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

Your Company scrupulously adheres to the prudential guidelines for Non-Performing Assets (NPAs), issued by NHB under its Housing Finance Companies (NHB) Directions, 2010, as amended from time to time. Your Company has made adequate provision for the assets on which installments are overdue for 90 days or more and on other assets, as required.

NATIONAL HOUSING BANK GUIDELINES

Your Company has complied with all the applicable regulations of NHB. Your Company has scrupulously adhered to various Circulars, Guidelines and Notifications issued by NHB from time to time. The Circulars and the Notifications issued by NHB are also placed before the Board at regular intervals.

INSURANCE PROTECTION TO BORROWERS

Your Company has tied up with Kotak Mahindra Old Mutual Life Insurance Limited and Cholamandalam MS General Insurance Company Limited for insurance of its housing loan products alongwith life insurance called Sampoorna Suraksha Plan which covers the borrowers of the Company.

HUMAN RESOURCES AND TRAINING

The ever changing demands of the evolving economy necessitate companies to appreciate the importance of Human Resources. In the current scenario an organization requires a more sophisticated approach for managing and developing human capital, which gives a Company the desired competitive advantage to survive in the long run.

Your Company took a number of initiatives to strengthen human resources during the year. In pursuance of the Company's commitment to develop and retain the best available talent, the Company has been sponsoring the employees for training programmes organized by reputed professional institutions and training programmes conducted by National Housing Bank for upgrading the skill and knowledge of the employees in different operational areas.

DIRECTORS

Mr. Ramesh Iyer retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken 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) the annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Board presently comprises of Mr. Ramesh Iyer (Chairman of the Committee), Mr. Uday Y. Phadke and Mr. V. Ravi. The Audit Committee met twice during the year under review.

REMUNERATION / COMPENSATION COMMITTEE

The Remuneration / Compensation Committee of the Board presently comprises of Mr. Ramesh Iyer, Mr. K. Chandrasekar and Mr. V. Ravi. During the year under review, Mr. Uday Y. Phadke resigned as member of the Remuneration/ Compensation Committee with effect from 13th March, 2013 and Mr. K. Chandrasekar was appointed as member of the Committee in place of Mr. Uday Y. Phadke with effect from the said date. The Committee met once during the year under review.

ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) of the Board presently comprises of Mr. Ramesh Iyer, Mr. K. Chandrasekar and Mr. V. Ravi. Mr. Uday Y. Phadke resigned as member of the ALCO Committee with effect from 15th April, 2013. The ALCO Committee met twice during the year under review.

AUDITORS

Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting, and have given their consent for re-appointment. The shareholders would be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B.K. Khare & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

PUBLIC DEPOSITS AND LOANS/ADVANCES

The Company has not accepted deposits from the public or its employees during the year under review.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., as required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement of the parent company – Mahindra & Mahindra Financial Services Limited and the ultimate parent company – Mahindra & Mahindra Limited, with the Stock Exchanges are furnished separately.

CODES OF CONDUCT FOR CORPORATE GOVERNANCE

The Company has adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has for the year under review, received declarations under the Codes from the Board Members and the Senior Management and Employees of the Company affirming compliance with the respective Codes.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure I to this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES MADE THEREUNDER

As required under section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company's employee who was in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2013 or not less than Rs. 5,00,000 per month during any part of the said year is given in Annexure II to this Report. The Company had no employee who was employed for a part of the Financial Year and was in receipt of remuneration of not less than Rs. 5,00,000 per month during any part of the year.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their sincere appreciation to National Housing Bank, the Company's customers, bankers, shareholders and employees for the support received from them during the year under review.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2013

PARTICULARS OF LOANS / ADVANCES AND INVESTMENT BY LOANEES IN THE SHARES OF LISTED COMPANIES, THEIR SUBSIDIARIES, ASSOCIATES, ETC., REQUIRED TO BE DISCLOSED IN THE ANNUAL ACCOUNTS OF THE COMPANY PURSUANT TO CLAUSE 32 OF THE RESPECTIVE LISTING AGREEMENTS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED, THE PARENT COMPANY AND MAHINDRA & MAHINDRA LIMITED, THE ULTIMATE PARENT COMPANY.

Loans and advances in the nature of loans to firms/companies in which Directors are interested are as given below:

In Rupees

Name of the Company	Balance as on 31 st March, 2013	Maximum Outstanding during the year
Mahindra & Mahindra Financial Services Limited	NIL	27,15,31,612

The Company has no subsidiaries or associates and no loans and advances in the nature of loans have been made by the Company where there is no repayment schedule or repayment beyond seven years or where there is no interest or interest below the limits prescribed under Section 372A of the Companies Act, 1956.

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

A. Conservation of Energy

- a) Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: These measures are expected to reduce the energy consumption.
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable

B. Technology Absorption

Research & Development (R & D)

1. Areas in which R & D is carried out : None
2. Benefits derived as a result of the above efforts : Not applicable
3. Future plan of action : None
4. Expenditure on R & D : Nil
5. Technology absorption, adaptation and innovation : None
6. Imported Technology for the last 5 years : None

C. Foreign Exchange Earnings And Outgo

The Information on Foreign Exchange Outgo is furnished in Notes to Accounts. There were no foreign exchange earnings during the year under review.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2013

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

Name of Employee	Designation/ Nature of Duties	Gross Remuneration (subject to income-tax) (Rs.)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Mr. Anuj Mehra	Managing Director	80,70,499/-	Bachelor in Economics P.G.D.M., I.I.M. (Ahmedabad)	29	52	1 st March, 2009	Vice President – Marketing Mahindra Lifespace Developers Limited

Notes:

- Nature of employment is contractual, subject to termination on one month's notice on either side.
- The above employee is not a relative of any Director of the Company.
- The above employee does not hold by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.
- Terms and conditions of employment are as per Company's Rules/contract.
- Gross remuneration received as shown in the statement includes Salary, Bonus, House Rent Allowance or value of perquisites for accommodation, car perquisites value/allowances applicable, employer's contribution to Provident Fund, Superannuation scheme and Gratuity Fund including group insurance premium, leave travel facility, reimbursement of medical expenses and all allowances/perquisites and terminal benefits as applicable.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2013

INDEPENDENT AUDITOR'S REPORT

TO

The Members of

Mahindra Rural Housing Finance Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of **Mahindra Rural Housing Finance Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial

statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and;
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003, as amended by the 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 Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company 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 Order.
8. As required by section 227(3) of the Act, 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 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For B. K. Khare & Co.
Chartered Accountants
(FRN : 105102W)

Devdatta Mainkar
Partner

Membership No. 109795

Mumbai, dated 15th April 2013

ANNEXURE TO THE AUDITOR'S REPORT REFERRED TO IN OUR REPORT OF EVEN DATE:

1. i. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- ii. Fixed assets have been physically verified by the management during the year. In our opinion, management's program of verification provides for physical verification of all fixed assets at reasonable intervals. No material discrepancies were noticed on such verification.
- iii. Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status of the Company.
2. The company is not engaged in any manufacturing activity and therefore Clause 4(ii) of Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
3. i. In our opinion and according to the information and explanations provided to us, during the period, Company has not granted any loans to parties covered under section 301 of the Companies Act, 1956.
- ii. During the period, Company has not taken any unsecured loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us the company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the company do not involve purchase of inventory and sale of goods. No major weaknesses in internal control system were noticed in the course of our audit.
5. i. In our opinion and according to the information and explanations given to us all the particulars of contracts and arrangements referred in section 301 of the Act have been entered in the register required to be maintained under that section.
- ii. In our opinion and according to the information and explanations given to us each of these transactions in respect of any such parties during the financial period have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, provisions of sections 58A, 58AA and any other relevant provisions of the Act and the rules framed there under, in respect of deposits accepted from the public are not applicable to the company as the company has not accepted any deposits from the public.
7. In our opinion and according to the information and explanations provided to us the company has an internal audit system, which is commensurate with its size and nature of its business.
8. In respect of the activities of the company, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
9. i. On the basis of our examination of books of accounts and according to the information and explanations given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax and Service Tax, cess and other applicable statutory dues with the appropriate authorities.
- ii. There are no disputed tax dues remaining to be deposited with the relevant authority.
10. The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
11. On the basis of our examination of books of accounts and documents and according to the information and explanations given to us the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. From the examination of books of accounts and according to the information and explanations provided to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit fund, nidhi, mutual benefit fund or a society.
14. The company is not dealing or trading in shares, securities, debentures or any other investments.
15. In our opinion and according to the information and explanations given to us the company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us, during the year term loans were applied for the purpose for which the loans were obtained.
17. On the basis of overall examination of the financial statements and other financial information furnished, we report that the company has not used short-term funds for long-term investments.
18. During the period, no preferential allotment of shares was made to any of the entities covered in the register maintained under section 301 of the Companies Act, 1956.
19. Company has not issued any secured debentures.
20. During the period, company has not made any public issue of its equity shares.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company were noticed or reported during the year.

For B. K. Khare & Co.
Chartered Accountants
(FRN : 105102W)

Devdatta Mainkar
Partner
Membership No. 109795

Mumbai, dated 15th April 2013

BALANCE SHEET AS AT MARCH 31ST, 2013

Particulars	Note No.	In Rupees March 2013	In Rupees March 2012
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share Capital.....	<u>1</u>	457,142,800	457,142,800
b) Reserves and Surplus.....	<u>2</u>	309,201,851	159,449,833
		<u>766,344,651</u>	<u>616,592,633</u>
2) Non-Current Liabilities			
a) Long Term Borrowings.....	<u>3</u>	5,686,475,501	3,513,628,670
b) Long Term Provisions	<u>4</u>	60,463,611	36,708,792
		<u>5,746,939,112</u>	<u>3,550,337,462</u>
3) Current Liabilities			
a) Short Term Borrowings	<u>5</u>	352,500,000	320,000,000
b) Trade Payables.....	<u>6</u>	124,575,227	80,309,987
c) Other Current Liabilities	<u>7</u>	1,831,791,253	896,440,565
d) Short Term Provisions.....	<u>8</u>	128,510,067	75,852,403
		<u>2,437,376,546</u>	<u>1,372,602,956</u>
TOTAL.....		<u>8,950,660,309</u>	<u>5,539,533,051</u>
II. ASSETS			
1) Non-Current Assets			
a) Fixed Assets	<u>9</u>		
i) Tangible Assets.....		47,713,887	21,569,157
ii) Capital work-in-progress.....		1,794,051	-
b) Deferred Tax Assets (Net).....	<u>10</u>	32,611,281	16,453,274
c) Long Term Loans and Advances	<u>11</u>	6,762,031,645	4,274,733,425
		<u>6,844,150,864</u>	<u>4,312,755,856</u>
2) Current Assets			
a) Cash and Cash Equivalents	<u>12</u>	51,728,443	134,435,759
b) Short Term Loans and Advances.....	<u>13</u>	2,054,781,002	1,092,341,436
		<u>2,106,509,445</u>	<u>1,226,777,195</u>
TOTAL.....		<u>8,950,660,309</u>	<u>5,539,533,051</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS I & II			

The schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred in our report of even date.

For B K Khare & Co.
Chartered Accountants
(FRN: 105102W)

Devdatta Mainkar
Partner
Membership No. 109795

Mumbai, 15th April 2013

Dharmesh Vakharia
Chief Financial Officer

Harshada Pathak
Company Secretary

Ramesh Iyer

Chairman

Anuj Mehra

Managing Director

Uday Y. Phadke
V. Ravi
V. Rajan
K. Chandrasekar

} Director

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31ST, 2013

Particulars	Note No.	In Rupees	In Rupees
		March 2013	March 2012
I. Revenue from Operations	<u>15</u>	1,403,636,413	856,955,496
II. Other Income	<u>16</u>	365,568	476,617
III. Total Revenue (I + II)		1,404,001,981	857,432,113
IV. Expenses:			
Employee Benefit Expenses	<u>17</u>	243,845,364	174,930,680
Finance Costs	<u>18</u>	555,585,455	327,323,879
Depreciation and Amortization Expense	<u>19</u>	10,826,038	4,730,443
Provisions & Write Offs	<u>20</u>	47,863,128	29,663,114
Other Expenses	<u>21</u>	271,828,017	159,435,454
Total Expenses		1,129,948,002	696,083,570
V Profit Before Tax (III - IV)		274,053,979	161,348,543
VI Tax expense:			
(1) Current Tax		87,033,930	52,602,340
(2) Deferred Tax		(16,158,007)	(10,363,523)
VII Profit / (Loss) for the period from Continuing Operations (V - VI)		203,178,056	119,109,726
VIII Profit / (Loss) for the period		203,178,056	119,109,726
IX Earnings per Equity Share (Rupees) :			
(1) Basic		4.44	2.95
(2) Diluted		4.44	2.61
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	I & II		

The schedules referred to above form an integral part of the Statement of Profit & Loss. This is the Statement of Profit & Loss referred in our report of even date.

For B K Khare & Co.
Chartered Accountants
(FRN: 105102W)

Devdatta Mainkar
Partner
Membership No. 109795

Mumbai, 15th April 2013

Dharmesh Vakharia
Chief Financial Officer

Harshada Pathak
Company Secretary

Ramesh Iyer

Chairman

Anuj Mehra

Managing Director

Uday Y. Phadke
V. Ravi
V. Rajan
K. Chandrasekar

} Director

CASH FLOW STATEMENT AS AT MARCH 31ST, 2013

	In Rupees March 2013	In Rupees March 2012
Cash flow from operating activities		
Profit before tax from continuing operations	274,053,979	161,348,543
Profit before tax	274,053,979	161,348,543
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization on continuing operation	10,826,038	4,730,443
Loss/(profit) on sale of fixed assets	71,729	146,072
Interest expense	550,167,321	303,757,381
Provision for Non Performing Assets	32,590,259	16,324,667
General Provision on Standard Assets	13,340,000	13,259,732
Operating profit before working capital changes	881,049,326	499,566,838
Movements in working capital:		
Increase/(decrease) in trade payables	44,265,239	513,330
Increase/(decrease) in long-term provisions	43,622	4,379,506
Increase/(decrease) in short-term provisions	7,992,994	(853,814)
Increase/(decrease) in other current liabilities	670,655,562	621,916,865
Decrease/(increase) in long-term loans and advances	(2,493,658,213)	(2,219,649,585)
Decrease/(increase) in short-term loans and advances	(962,439,565)	(507,636,722)
Cash generated from/(used in) operations	(1,852,091,036)	(1,601,763,582)
Direct taxes paid (net of refunds)	(80,823,165)	(56,874,119)
Net cash flow from/(used in) operating activities (A)	(1,932,914,201)	(1,658,637,700)
Cash flows from investing activities		
Purchase of fixed assets, including CWIP and capital advances	(32,828,589)	(22,618,462)
Proceeds from sale of fixed assets	352,035	914,512
Net cash flow from/(used in) investing activities (B)	(32,476,554)	(21,703,950)
Cash flows from financing activities		
Proceeds from issuance of equity share capital	–	159,999,980
Increase/(Decrease) in long-term borrowings (net)	2,172,846,831	1,263,070,167
Increase/(Decrease) in short-term borrowings (net)	32,500,000	165,000,000
Increase/(Decrease) in current maturities of long term loans (net)	241,266,036	524,798,035
Interest paid	(526,738,231)	(303,757,381)
Dividend paid on equity shares	(31,999,996)	(14,857,142)
Tax on equity dividend paid	(5,191,199)	(2,410,203)
Net cash flow from/(used in) in financing activities (C)	1,882,683,440	1,791,843,456

CASH FLOW STATEMENT AS AT MARCH 31ST, 2013 (CONTD.)

	In Rupees March 2013	In Rupees March 2012
Net increase/(decrease) in cash and cash equivalents (A + B + C)	(82,707,316)	111,501,806
Cash and cash equivalents at the beginning of the year	134,435,759	22,933,953
Cash and cash equivalents at the end of the year	51,728,443	134,435,759
Components of cash and cash equivalents		
Cash on hand	10,897,197	5,357,715
Cheques/ drafts on hand	328,930	-
With banks – on current account	40,502,316	29,077,044
– on deposit account	-	100,001,000
Total cash and cash equivalents (note 12)	51,728,443	134,435,759

For B K Khare & Co.
Chartered Accountants
(FRN: 105102W)

Devdatta Mainkar
Partner
Membership No. 109795

Mumbai, 15th April 2013

Dharmesh Vakharia
Chief Financial Officer

Harshada Pathak
Company Secretary

Ramesh Iyer

Chairman

Anuj Mehra

Managing Director

Uday Y. Phadke
V. Ravi
V. Rajan
K. Chandrasekar

} Director

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31ST, 2013.

Note I

SIGNIFICANT ACCOUNTING POLICIES (SAP):

1.1 BASIS FOR PREPARATION OF ACCOUNTS:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and the Accounting Standards notified under the said Act.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of services and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – noncurrent classification of assets & liabilities.

Further, the Company follows prudential norms for Income Recognition, Assets classification and provisioning for Non-performing Assets as prescribed by The National Housing Bank for Housing Finance Companies.

1.2 USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

1.3 INFLATION

Assets and liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

1.4 REVENUE RECOGNITION

a. Interest and other income from Housing Loans:

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, service charges and fee based income which on account of uncertainty of ultimate collection are accounted on receipt basis. In accordance with the guidelines issued by The National Housing Bank for Housing Finance Companies, income on business assets classified as Non-Performing Assets, is recognized on receipt basis.

b. Income From Investments:

- i. Dividend from investments is accounted for as income when the right to receive dividend is established.
- ii. Interest income is accounted on accrual basis.

1.5 FIXED ASSETS

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.

1.6 INVESTMENTS

Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any. Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

Provision for diminution in value of investments is made if management perceives that there is permanent diminution in value of investments or in accordance with the norms prescribed by National Housing Bank and Accounting Standard on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

1.7 DEPRECIATION

Depreciation on fixed assets is charged using Straight Line Method at rates specified in Schedule XIV to The Companies Act, 1956 except for:

- a. Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.

- b. Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase and
- c. Vehicles used by employees are depreciated over the maximum period of 48 months based on the useful life of vehicle for the Company.

1.8 TAX ON INCOME

The accounting treatment for Income-tax in respect of the Company's income is based on Accounting Standard 22 (AS-22) "Accounting for Taxes on Income" notified by Companies (Accounting Standards) Rules, 2006. The provision made for Income-tax made in the Accounts shall comprise of Tax on current income and Deferred Tax. Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods. Deferred Tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. The major components of the respective balances of Deferred Tax assets and liabilities are disclosed in the accounts.

1.9 MISCELLANEOUS EXPENDITURE

Preliminary Expenses: Preliminary and pre-operative expenses are charged to Profit and Loss Account in the year of incurrence.

1.10 EMPLOYEE BENEFITS

a. Defined Contribution Plans –

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognized in the Statement of Profit and Loss.

b. Defined Benefit Plan –

Company's liabilities towards gratuity is determined using the Projected Unit Credit Method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- c. Liability on account of encashment of Privilege Leave & Sick Leave to employees is considered as short term & long term compensated expense provided as unfunded benefit and recognized on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.

1.11 BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortized over the tenure of the respective borrowings. On early repayment of borrowings, any unamortized expenditure is fully written off in that year.

1.12 INTANGIBLE ASSETS

All intangible assets are initially measured at cost and amortized so as to reflect the pattern in which the assets economic benefits are consumed.

Software expenses are treated as intangible assets and amortized over the useful life of the asset. The maximum period for such amortization is 36 months.

1.13 IMPAIRMENT OF ASSETS

Management periodically assesses using external and internal sources where there is an indication that an asset may be impaired. Impairment

occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

1.14 PROVISIONS FOR NON PERFORMING ASSETS (NPA)

All Loans where the installments are overdue for 90 days and more are classified as nonperforming assets. Provision is made in respect of NPA in accordance with the Prudential Norms as per Housing Finance Companies (NHB) Directions, 2010 as amended.

1.15 PROVISIONS & CONTINGENT LIABILITIES

Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company.

Note 1

Share Capital:

Particulars	In Rupees	In Rupees
	March 2013	March 2012
Authorised Capital :		
100,000,000 Equity shares of Rs.10/- each (Previous year 100,000,000 shares of Rs. 10/- each)	1,000,000,000	1,000,000,000
Issued Capital :		
45,714,280 Equity shares of Rs.10/- each (Previous year 45,714,280 shares of Rs.10/- each)	457,142,800	457,142,800
Subscribed and Paid-up Capital :		
45,714,280 Equity shares of Rs.10/- each fully paid up (Previous year 45,714,280 shares of Rs.10/- each fully paid up)	457,142,800	457,142,800
Total	457,142,800	457,142,800

Other quantitative information :

Particulars	March 2013	March 2012
a) Reconciliation of Number of Equity Shares -		
Number of equity shares outstanding at the beginning of the period	45,714,280	45,714,280
Add : Fresh allotment of shares during the year :	-	-
Less : Shares bought back during the year	-	-
Number of equity shares outstanding at the end of the period	45,714,280	45,714,280
b) Reconciliation of Equity Shares - in Value		
Amount of equity shares outstanding at the beginning of the period	457,142,800	297,142,820
Add : Fresh allotment of shares during the period :	-	-
Call made for partly paid up shares	-	159,999,980
Amount of equity shares outstanding at the end of the period	457,142,800	457,142,800

Particulars	March 2013	March 2012
c) Number of Equity Shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates -		
Holding Company: Mahindra & Mahindra Financial Services Limited (Equity Shares of Rs.10/- each) (including 6 shares held jointly with nominees)	40,000,000	40,000,000
Percentage of Holding (%)	87.50%	87.50%
d) Shareholders Holding more than 5% Shares :		
Mahindra & Mahindra Financial Services Limited	40,000,000	40,000,000
Percentage of holding (%)	87.50%	87.50%
National Housing Bank	5,714,280	5,714,280
Percentage of holding (%)	12.50%	12.50%

Note 2

Reserves and Surplus:

Particulars	In Rupees	In Rupees
	March 2013	March 2012
Special Reserve		
Opening Balance as per last Balance Sheet	69,492,822	33,356,638
Add : Transfer during the Year	55,500,000	36,136,184
Closing Balance	124,992,822	69,492,822
Additional Special Reserve (u/s 29C of NHB Act)		
Opening Balance as per last Balance Sheet	-	-
Add : Transfer during the Year	500,000	-
Closing Balance	500,000	-
Surplus :		
Balance Profit (for earlier years) as per last Balance Sheet	89,957,011	44,174,664
Add : Profit for the current year transferred from Statement of Profit & Loss	203,178,056	119,109,726
	293,135,067	163,284,390
Less : Allocations & Appropriations :		
Special Reserve	55,500,000	36,136,184
Additional Special Reserve	500,000	-
Proposed Dividend On Equity Shares	45,714,280	31,999,996
Corporate Dividend Tax on Equity Shares	7,769,142	5,191,199
Excess Provision for Dividend Tax on Equity shares for previous years	(57,384)	-
	109,426,038	73,327,379
Balance Profit carried to Balance Sheet	183,709,029	89,957,011
Total	309,201,851	159,449,833

Note 3

Long Term Borrowings :

Particulars	In Rupees	In Rupees
	March 2013	March 2012
a) Secured -		
- Term Loan from Banks {refer note no 22 (i)}	3,725,175,439	1,786,052,632
- National Housing Bank {refer note no 22 (ii)}	1,877,449,000	1,387,924,000
Total	5,602,624,439	3,173,976,632

Particulars	In Rupees	In Rupees
	March 2013	March 2012
b) Unsecured -		
Unsecured Bonds (Subordinate Debt) {refer note no 23 (i)}	70,000,000	-
Loans and Advances from Related Parties (ICDs) {refer note no 23 (ii)}	13,851,062	339,652,038
Total	83,851,062	339,652,038
Total (a+b)	5,686,475,501	3,513,628,670

Note 4

Long Term Provisions :

Provision for employee benefits	4,423,128	4,379,506
Provision for Non Performing Assets	29,544,185	15,553,874
Provision for Standard Assets	26,496,298	16,775,412
Total	60,463,611	36,708,792

Note 5

Short Term Borrowings :

a) **Secured -**

Loans from Bank repayable on maturity {refer note 24}	150,000,000	100,000,000
Total	150,000,000	100,000,000

b) **Unsecured -**

Loans and Advances from Related Parties (ICDs) {refer note no 23 (ii)}	202,500,000	220,000,000
Total	202,500,000	220,000,000
Total	352,500,000	320,000,000

Note 9

Fixed Assets :

In Rupees

Asset Description	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BLOCK	
	Balance as at 1/04/2012	Additions for purchase / transfer	Deductions for Sale / transfer	Balance as at 31/03/2013	Balance as at 1/04/2012	Depreciation for the year / transfer	Deductions for Sale / transfer	Balance as at 31/03/2013	Balance as at 1/04/2012	Balance as at 31/03/2013
i) Tangible Assets :										
Computers	9,403,474	7,060,691	282,921	16,181,244	1,775,515	2,180,466	148,586	3,807,395	7,627,959	12,373,849
Furniture and Fixtures	4,353,534	4,322,721	295,811	8,380,444	1,248,738	2,792,606	61,861	3,979,483	3,104,796	4,400,961
Vehicles	5,666,990	13,107,537	400,000	18,374,527	1,928,133	3,157,331	344,521	4,740,943	3,738,857	13,633,584
Office Equipment	8,864,669	12,903,582	-	21,768,251	1,767,123	2,695,634	-	4,462,758	7,097,545	17,305,493
Total	28,288,667	37,394,531	978,732	64,704,466	6,719,510	10,826,038	554,968	16,990,579	21,569,157	47,713,887
As on 31-03-2012	13,355,025	16,721,584	1,787,942	28,288,667	2,716,425	4,730,443	727,358	6,719,510	10,638,600	21,569,157

Note 6

Trade Payables :

Trade Payables for Finance	78,214,983	42,972,444
Trade Payables for Expenses	46,360,244	37,337,543
Total	124,575,227	80,309,987

Note 7

Other Current Liabilities :

Current Maturities of Long Term Debt

Secured -

Loans Repayable		
- Term Loan from Banks {refer note no 22 (i)}	544,561,404	451,447,368
- National Housing Bank {refer note no 22 (ii)}	448,768,000	300,616,000
	993,329,404	752,063,368
Interest Accrued but not Due on Borrowings	82,027,564	58,598,474
Credit balances in Current Accounts with Banks	747,589,091	76,606,639
Statutory & Other Liabilities	8,845,194	9,172,084
Total	1,831,791,253	896,440,565

Note 8

Short-term provisions :

Provision for Employee Benefits	33,485,754	25,492,760
Provision for Non Performing Assets	27,438,711	8,838,763
Provisions against Standard Assets	7,872,702	4,253,588
Proposed Dividend*	45,714,280	31,999,996
Corporate Dividend Tax*	7,769,142	5,248,583
Provision for Taxation (net of taxes paid)	6,229,478	18,713
Total	128,510,067	75,852,403

* The Board of Directors have recommended a dividend of Rs. 1.00 per share on Equity Share of Rs. 10/- each for the current financial year. The dividend payout will absorb a sum of Rs. 53,483,422/- (including dividend distribution tax).

Note : 10
Deferred Tax Assets:

Deferred Tax Assets/Liabilities recognised in the current accounting year in view of certainty of profits and accounted for in accordance with Accounting Standard on "Accounting for Taxes on Income" (AS-22).

Particulars	In Rupees	In Rupees
	March 2013	March 2012
Provision for Non Performing Assets	19,368,486	7,914,191
Provision on Standard Assets	11,682,023	6,768,341
Depreciation	(959,125)	(695,722)
Other Disallowances	2,519,897	2,466,463
Total	32,611,281	16,453,274

Note 11
Long Term Loans and Advances :

(a) Capital Advances	382,032	6,742,025
(b) Deposits for Office Premises & Others	2,988,973	1,227,520
(c) Other Loans and Advances (Employee Loans)	610,506	794,639
(d) Loans against Assets - Housing Loans (Secured)		
- Loans against Assets - Housing Loans (Secured - Considered good)	6,623,091,415	4,192,862,659
- Loans against Assets - Housing Loans (Secured - Non Performing Assets)	134,958,719	73,106,582
Total	6,762,031,645	4,274,733,425

Note 12
Cash and Cash Equivalents :

Balance with Scheduled Banks in Current Accounts	40,502,316	29,077,044
Cheques, drafts on hand	328,930	-
Cash on Hand	10,897,197	5,357,715
Term Deposits with Scheduled Banks		
- Free of Lien	-	100,001,000
(Of the above, Rs. NIL(Previous Year : Rs. NIL) represents deposits with maturity more than 12 months)		
Total	51,728,443	134,435,759

Note 13
Short Term Loans & Advances :

Particulars	In Rupees	In Rupees
	March 2013	March 2012
Loans against Assets - Housing Loans (Secured)		
- Loans against Assets - Housing Loans (Secured - Considered good)	1,966,448,919	1,062,182,864
- Loans against Assets - Housing Loans (Secured - Non Performing Assets)	70,159,219	24,179,346
Other Loans and Advances (Employee Loans)	1,574,002	1,126,543
Deposits for Others	3,195,310	2,038,910
Other Short Term Advances	13,403,552	2,813,773
Total	2,054,781,002	1,092,341,436

Note 14
Contingent Liabilities, Commitments (to the extent not provided for) and Changes in Provisions:

I Contingent Liabilities		
(a) Legal suits filed by customers in Consumer Forums and Civil courts claiming compensation from the company	452,335	1,561,233
Total	452,335	1,561,233
II Commitments :		
(a) Estimated amount of contracts remaining to be executed on capital account	1,335,263	-
Total	1,335,263	-

Note 15
Revenue from Operations :

a) Interest		
Income from Loans	1,254,399,349	783,832,342
Interest on Term Deposits & Advances	2,769,886	339,044
Others (Employee Loans, etc)	181,484	253,418
	1,257,350,719	784,424,804
b) Other Financial Services		
Service Charges & Other Fees	146,285,695	72,530,692
	146,285,695	72,530,692
Total (a + b)	1,403,636,413	856,955,496

Note 16
Other Income :

Particulars	In Rupees	In Rupees
	March 2013	March 2012
Other non-operating income	365,568	476,617
Total	365,568	476,617

Note 17
Employee Benefit Expenses :

Salary, Bonus & Incentives	216,623,282	160,558,393
Company's Contribution to Provident Funds & other funds	17,543,073	11,318,704
Employee Compensation Expense on account of ESOPs	2,944,355	-
Staff Welfare Expenses	6,734,654	3,053,583
Total	243,845,364	174,930,680

Note 18
Finance Cost :

Interest Expense	550,167,321	322,140,149
Other Borrowing Costs	5,418,134	5,183,730
Total	555,585,455	327,323,879

Note 19			Note 21		
Depreciation and Amortization Expense:			Other Expenses:		
Depreciation on Tangible Assets	10,826,038	4,730,443	Electricity Charges	1,031,601	326,347
Total	10,826,038	4,730,443	Rent	6,764,853	4,170,970
Note 20			Repairs & Maintenance -		
Provision and Write Offs :			- Buildings	1,091,082	460,864
	In Rupees	In Rupees	- Others	184,010	4,500
Particulars	March 2013	March 2012	Insurance	11,938,322	5,571,329
Provision for Non Performing Assets	32,590,259	16,324,667	Rates & Taxes	832,514	182,613
General Provision on Standard Assets	13,340,000	13,259,732	Legal & Professional Charges	111,328,628	50,752,569
Loss on Termination	1,932,869	78,715	Travelling & Conveyance Expenses	45,340,639	31,782,998
Total	47,863,128	29,663,114	Administration Support Charges	37,587,720	26,822,923
			Loss on Sale / Disposal of Owned Assets	71,729	146,072
			Payments to the Auditor -		
			(a) as auditor	212,360	212,360
			(b) for other services	483,469	184,013
			General & Administrative Expenses	54,961,090	38,817,896
			Total	271,828,017	159,435,454

SECURED - LONG TERM BORROWINGS
Note : 22 (i)
Secured Term Loans from Banks (Secured against Loan receivable & Book debts)
As on 31st March, 2013

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	10.20% - 10.25%	2,150,000,000	-	2,150,000,000
b) Maturing between 1 year to 3 years	10.20% - 10.25%	-	-	-
c) Maturing within 1 year	-	-	-	-
Total repayable on maturity		2,150,000,000	-	2,150,000,000
2) Repayable in installments :				
i) Quarterly :				
a) Maturity beyond 3 years	9.70% - 10.45%	271,052,632	-	271,052,632
b) Maturing between 1 year to 3 years	9.70% - 10.45%	724,122,807	-	724,122,807
c) Maturing within 1 year	9.70% - 10.45%	-	424,561,403	424,561,403
Total		995,175,439	424,561,403	1,419,736,842
ii) Half-Yearly :				
a) Maturity beyond 3 years	-	273,333,333	-	273,333,333
b) Maturing between 1 year to 3 years	10.25%	306,666,667	-	306,666,667
c) Maturing within 1 year	-	-	120,000,000	120,000,000
Total		580,000,000	120,000,000	700,000,000
iii) Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total		-	-	-
Total repayable on installments		1,575,175,439	544,561,403	2,119,736,842
Total (1+2)		3,725,175,439	544,561,403	4,269,736,842

As on 31st March, 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total repayable on maturity		-	-	-
2) Repayable in installments :				
i) Quarterly :				
a) Maturity beyond 3 years	10.41% - 10.70%	460,526,316	-	460,526,316
b) Maturing between 1 year to 3 years	10.41% - 10.70%	885,526,316	-	885,526,316
c) Maturing within 1 year	10.41% - 12.75%	-	391,447,368	391,447,368
Total		1,346,052,632	391,447,368	1,737,500,000
ii) Half-Yearly :				
a) Maturity beyond 3 years	-	80,000,000	-	80,000,000
b) Maturing between 1 year to 3 years	-	360,000,000	-	360,000,000
c) Maturing within 1 year	10.70%	-	60,000,000	60,000,000
Total		440,000,000	60,000,000	500,000,000

As on 31st March, 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
iii) Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total		-	-	-
Total repayable on installments		1,786,052,632	451,447,368	2,237,500,000
Total (1+2)		1,786,052,632	451,447,368	2,237,500,000

Note : 22 (ii)
Secured Term Loans from NHB (Secured against Loan receivable and Book debts)
As on 31st March, 2013

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total repayable on maturity		-	-	-
2) Repayable in installments :				
i) Quarterly :				
a) Maturity beyond 3 years	6% - 10.30%	988,126,000	-	988,126,000
b) Maturing between 1 year to 3 years	6% - 10.30%	889,323,000	-	889,323,000
c) Maturing within 1 year	6% - 10.30%	-	448,768,000	448,768,000
Total		1,877,449,000	448,768,000	2,326,217,000
ii) Half-Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total		-	-	-
iii) Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total		-	-	-
Total repayable on installments		1,877,449,000	448,768,000	2,326,217,000
Total (1+2)		1,877,449,000	448,768,000	2,326,217,000

As on 31st March, 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total repayable on maturity		-	-	-
2) Repayable in installments :				
i) Quarterly :				
a) Maturity beyond 3 years	6% - 10.30%	494,289,000	-	494,289,000
b) Maturing between 1 year to 3 years	6% - 10.30%	893,635,000	-	893,635,000
c) Maturing within 1 year	6% - 10.30%	-	300,616,000	300,616,000
Total		1,387,924,000	300,616,000	1,688,540,000

As on 31st March, 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
ii) Half-Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total				
iii) Yearly :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total				
Total repayable on installments		1,387,924,000	300,616,000	1,688,540,000
Total (1+2)		1,387,924,000	300,616,000	1,688,540,000

UNSECURED BORROWINGS

Note : 23 (i)

i) Subordinated Debts (Long Term)

As on 31st March, 2013

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	11%	70,000,000	-	70,000,000
b) Maturing between 1 years to 3 years	-	-	-	-
c) Maturing within 1 year	-	-	-	-
Total repayable on maturity		70,000,000	-	70,000,000

Note II

NOTES TO THE ACCOUNTS:

2.1 The Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognizing Non-performing Assets in preparation of accounts. The Company has made adequate provision on Non-performing Assets as prescribed by under Housing Finance Companies (NHB) Directions, 2010.

In line with notification no. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, the company has made a provision @ 0.40% on outstanding Standard Assets.

Classification of loans are given below:

Amount in Rs.

Particulars	Standard Assets	Sub Standard Assets	Bad & Doubtful Assets	Total
As at March 31, 2013				
Housing Loans	8,589,540,334	113,102,048	92,015,890	8,794,658,272
Other Loans	2,184,509	-	-	2,184,509
Percentage to Total Loans	97.67%	1.29%	1.05%	100.00%
As at March 31, 2012				
Housing Loans	5,255,045,524	63,089,444	34,196,483	5,352,331,451
Other Loans	1,921,182	-	-	1,921,182
Percentage to Total Loans	98.18%	1.18%	0.64%	100.00%

As on 31st March, 2012 : Rs. Nil

Note : 23 (ii)

ii) Inter - Corporate Deposits (ICD)

As on 31st March 2013

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 years to 3 years	9.50% - 10.75%	13,851,062	-	13,851,062
c) Maturing within 1 year	9.35% - 9.60%	-	202,500,000	202,500,000
Total repayable on maturity		13,851,062	202,500,000	216,351,062

As on 31st March 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturity beyond 3 years	-	-	-	-
b) Maturing between 1 years to 3 years	10.75%	339,652,038	-	339,652,038
c) Maturing within 1 year	9.75% - 9.80%	-	220,000,000	220,000,000
Total repayable on maturity		339,652,038	220,000,000	559,652,038

SHORT TERM BORROWINGS

Note : 24

Secured Term Loans from Banks

As on 31st March, 2013

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturing within 1 year	10.25%	-	150,000,000	150,000,000
Total		-	150,000,000	150,000,000

As on 31st March, 2012

Particulars	Rate Range	(a) Non-Current	(b) Current	Amount in Rs
1) Repayable on maturity :				
a) Maturing within 1 year	11.50%	-	100,000,000	100,000,000
Total		-	100,000,000	100,000,000

2.2 The total provision carried by the company in terms of the Housing Finance Companies (NHB) Directions, 2010 in respect of Loans is as follows:

Amount in Rs.

Particulars	Standard	Sub Standard	Doubtful	Loss
Provisions made :				
As at March 31, 2013				
Housing Loans	34,360,000	17,140,657	19,488,320	20,353,918
Other Loans	9,000	-	-	-
As at March 31, 2012				
Housing Loans	21,021,000	9,463,417	7,682,758	7,246,462
Other Loans	8,000	-	-	-

2.3 In accordance with Accounting Standard 29 (AS-29) "Provisions, Contingent Liabilities & Contingent Assets", the following are the details of the movement in provisions for the year ending March 31st, 2013:

Amount in Rs.

Particulars	As at March 31, 2012	Additional Provision	Utilizations / Reversals	As at March 31, 2013
Provision on Standard Assets	21,029,000	13,340,000	0	34,369,000
Provision for Non Performing Assets	24,392,637	36,630,021	4,039,762	56,982,896

2.4 Loan receivable includes Rs. 234,234,932/- outstanding towards financing of insurance as of March 31st, 2013 and Rs. 148,557,106/- as of March 31st, 2012.

2.5 As per section 29C (i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the company under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The company has

transferred an amount of Rs. 55,500,000/- (Previous year Rs. 36,136,184/-) to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the National Housing Bank Act, 1987, as amended. The company does not anticipate any withdrawal from Special Reserve in foreseeable future.

- 2.6 The company has transferred an amount of Rs. 500,000/- (Previous Year Rs. NIL) to Additional Reserve u/s 29C of the National Housing Bank Act, 1987.
- 2.7 The company is not required to make provision for diminution in value of investments, as per NHB norms, as the company does not hold any investment.
- 2.8 Write offs includes loss on termination which mainly represents shortfall on settlement of certain contracts due to lower realization from such loan assets on account of poor financial position of such customers.
- 2.9 In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated, if realized, in the ordinary course of business.
- 2.10 Employee Benefits:

Defined Benefit Plans -As per Actuarial valuation on 31st March, 2013

Amount in Rs.

	Gratuity (Funded)		Sick leave (Non-funded)		Privilage leave (Non-funded)
	Mar-13	Mar-12	Mar-13	Mar-12	Mar-13
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March					
1 Current service cost	3,889,115	2,443,422	765,946	622,944	1,777,562
2 Interest cost	238,847	131,667	37,858	20,677	-
3 Expected return on plan assets	(279,372)	(215,692)	-	-	-
4 Actuarial (Gains)/ Losses	(2,318,469)	(1,585,225)	(740,267)	(420,355)	2,467,987
5 Total expense	1,530,121	774,172	63,537	223,266	4,245,549
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March					
1 Present Value of Defined Benefit obligation as at 31st March	3,960,504	2,285,175	532,223	468,786	4,120,252
2 Fair value of plan assets as at 31st March	3,588,219	3,233,639	-	-	-
3 Funded status (surplus/(deficit))	(372,285)	948,464	(532,223)	(468,477)	(4,120,252)
4 Net asset/(liability) as at 31st March	(372,285)	948,464	(532,223)	(468,477)	(4,120,252)
III. Change in the obligations during the year ended 31st March					
1 Present Value of Defined Benefit obligation at the beginning of the year	2,285,175	1,295,311	468,786	245,520	-
2 Current service cost	3,889,115	2,443,422	765,946	622,944	1,777,562
3 Interest cost	238,847	131,667	37,858	20,677	-
4 Actuarial (Gains)/ Losses	(2,318,469)	(1,585,225)	(740,267)	(420,355)	2,467,987
5 Benefits paid	(134,164)	-	-	-	(125,297)
6 Present Value of Defined Benefit obligation at the end of the year	3,960,504	2,285,175	532,323	468,786	4,120,252

Amount in Rs.

	Gratuity (Funded)		Sick leave (Non-funded)		Privilage leave (Non-funded)
	Mar-13	Mar-12	Mar-13	Mar-12	Mar-13
IV. Change in the fair value of plan assets during the year ended 31st March					
1 Fair value of plan assets at the beginning of the year	3,233,639	1,459,229	-	-	-
2 Expected return on plan assets	279,372	215,692	-	-	-
3 Contributions by employer	209,372	1,558,718	-	-	-
4 Actuarial (Gains)/ Losses	-	-	-	-	-
5 Actual Benefits paid	(134,164)	-	-	-	-
6 Fair value of plan assets at the end of the year	3,588,219	3,233,639	-	-	-
V. Major category of plan assets as a percentage of total plan					
Funded with LIC	100%	100%	-	-	-
Others	-	-	-	-	-
VI. Actuarial Assumptions					
1 Discount Rate	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
2 Expected Rate of return on plan assets	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
3 Rate of Salary increase	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.
4 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE			

Experience Adjustments:

		Period Ending			
		31/3/2010	31/3/2011	31/3/2012	31/3/2013
1	Defined Benefit obligation at end of the period	736,223	1,295,311	2,285,175	3,960,504
2	Plan assets at the end of period	646,848	1,459,229	3,233,639	3,588,219
3	Funded Status Surplus/ (Deficit)	(89,375)	163,918	948,464	(372,285)
4	Experience adjustments on plan liabilities (gain)/loss	142,327	(370,053)	(602,565)	(676,907)
5	Experience adjustments on plan assets gain/(loss)	-----	-----	-----	-----

MAHINDRA RURAL HOUSING FINANCE LIMITED

2.11 The Company has only one reportable segment of business viz. Housing Finance business – Financial Services for the purpose of Accounting Standard 17 (AS-17) “Segment Reporting” and all other activities are incidental to the main business activity.

2.12 In accordance with Accounting Standard 20 (AS-20) “Earnings per Share” issued by The Institute of Chartered Accountants of India, the EPS is calculated as follows:

Particulars	March 2013	March 2012
Net Profit/(Loss) attributable to Equity Share Holders	203,178,056	119,124,662
Weighted Average Number of Shares (Basic)	45,714,280	40,337,231
Weighted Average Number of Shares (Diluted)	45,714,280	45,714,280
EPS – (Basic) (Rs.)	4.44	2.95
EPS – (Diluted) (Rs.)	4.44	2.61

2.13 The company has incurred a cost of Rs. 2,941,456/- (previous year Rs. 4,560,390/- borne by Mahindra & Mahindra Financial Services Limited (MMFSL) towards ESOP grant by the holding company Mahindra & Mahindra Financial Services Limited (MMFSL) and Rs. 2,899/- (previous year Rs. 26,083/- borne by Mahindra & Mahindra Limited) towards ESOP grant by Mahindra & Mahindra Limited.

2.14 The company has incurred an expenditure in Foreign Currency towards:

- Foreign Business Travel Rs. 59,484/- (previous year Rs.159,129/-)
- Conference Registration Charges Rs. 156,410/- (previous year Rs. NIL)

2.15 Related Party Disclosure as per Accounting Standard 18:

List of the related parties which have transactions with our Company during the year:

Holding Company / Companies :	Mahindra & Mahindra Limited * Mahindra & Mahindra Financial Services Limited
Fellow subsidiary Companies :	Mahindra Insurance Brokers Limited Mahindra Business & Consulting Services Pvt. Ltd.
Key Management Personnel :	Mr. Anuj Mehra (Managing Director)

Related Parties transactions are as under:				In Rupees
Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
1	Income			
	Interest	304,107	-	-
2	Expenses			
	Interest	80,870,734	27,974,552	-
		(127,359,403)	(16,518,315)	-
	Other Expenses	45,683,490	101,541,365	-
		(31,872,080)	(43,286,899)	-
	Employee Cost	2,944,355	-	8,070,499
		-	-	(7,895,525)
3	Issue of equity shares (Call money recd)	-	-	-
		(140,000,000)	-	-
4	Finance			
	Unsecured Subordinate Debts placed (incl int accd)	70,075,946	-	-
		-	-	-
	Dividend paid – for previous year (FY11-12)	28,000,000	-	-
		(13,000,000)	-	-
	Proposed Dividend for the current year	40,000,000	-	-
		(28,000,000)	-	-
	Inter Corporate Deposits outstanding (including interest accrued but not due)	3,855,145	218,866,284	-
		(339,921,126)	(226,875,197)	-
5	Purchase of Fixed Assets (including CWIP)	3,963,690	-	-
		(6,977,000)	-	-
6	Sale of Fixed Assets	328,930	-	-
		-	-	-
7	Outstandings			
	Payables	449,290	13,771,094	-
		(3,607,046)	(7,257,619)	-

* Mahindra Rural Housing Finance Limited is a Subsidiary of Mahindra & Mahindra Financial Services Limited, which in turn is a Subsidiary of Mahindra & Mahindra Limited.

2.16 The Company has sent letters to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 seeking information for which replies are awaited. In view of this, information required under Schedule VI of The Companies Act, 1956 is not given.

2.17 Previous year's figures have been regrouped wherever necessary.

Signatures to Notes 1 to 24

For B K Khare & Co.
Chartered Accountants
(FRN: 105102W)

Devdatta Mainkar
Partner
Membership No. 109795

Mumbai, 15th April 2013

Dharmesh Vakharia
Chief Financial Officer

Harshada Pathak
Company Secretary

Ramesh Iyer Chairman
Anuj Mehra Managing Director

Uday Y. Phadke
V. Ravi
V. Rajan
K. Chandrasekar } Director

Disclosure in the Balance Sheet

(as on : 31st March 2013)

I. Capital to Risk Assets Ratio (CRAR)

	Items	Current Year	Previous Year
i)	CRAR (%)	16.0%	19.4%
ii)	CRAR – Tier I capital (%)	14.0%	18.8%
iii)	CRAR – Tier II Capital (%)	2.0%	0.7%

II. Exposure to Real Estate Sector

(Rs in Crore)

	Category	Current Year	Previous Year
a)	Direct exposure		
	(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented Of the above Individual housing loan upto Rs. 15 lakh	879.47 878.54	535.23 534.68
	(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	Nil	Nil
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	Nil	Nil
	b. Commercial Real Estate	Nil	Nil
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

III. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(Rs in Crore)

	1 day to 30-31 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years	Total
Liabilities											
Borrowings from banks	33.02	0	7.82	27.83	65.92	193.40	336.95	38.30	0	0	703.23
Market Borrowings	0	0	0	0	0	0	0	0	0	0	0
Assets											
Advances	30.05	9.81	10.45	40.83	91.28	329.43	245.40	92.89	27.63	1.70	879.47
Investments	0	0	0	0	0	0	0	0	0	0	0

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Fifth Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2013.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Income	14198.38	10061.46
Profit/(Loss) before Interest and Taxation	429.21	98.41
Interest	174.26	90.89
Profit/(Loss) before Taxation	254.95	7.52
Provision for Taxation for the year		
– Current Tax	95.46	28.52
– Deferred Tax	(14.30)	(28.06)
Profit/(Loss) for the year after Taxation	173.79	7.06
Balance of Profit/(Loss) from earlier years	74.62	67.56
Amount available for Appropriation	248.41	74.62
Proposed Dividend on equity shares	0.10	–
Income-tax on proposed dividend	0.02	–
Surplus Carried to Balance Sheet	248.29	74.62

OPERATIONS

Your Company started commercial operations on 1st April, 2009.

Your Company provides staffing services mainly for Mahindra & Mahindra Financial Services Limited, the parent company, Mahindra Insurance Brokers Limited and Mahindra Rural Housing Finance Limited, subsidiaries of the parent company and Mahindra & Mahindra Limited, the ultimate parent company. As at 31st March, 2013, your Company had on rolls 8,098 employees who were deputed to these companies to provide services under ongoing contracts. The Company earns its income in the form of fees towards staffing services. The Company registered a Profit after Tax of Rs. 173.79 Lacs for the year ended 31st March, 2013 as compared to Rs. 7.06 Lacs in the previous year.

DIVIDEND

Your Directors recommend a dividend of Re. 1.00 per Equity Share on 10,000 Equity Shares of Rs. 10 each, aggregating Rs. 10,000/-. The above dividend, if approved, will be paid to those Members whose names appear in the Register of Members as on the Record Date fixed for this purpose. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 11,700/-.

DIRECTORS

Mr. Ramesh Iyer, Mr. V. Ravi and Dr. Jaideep Devare retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken 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) the annual accounts have been prepared on a going concern basis.

AUDITORS

Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The Shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

PUBLIC DEPOSITS AND LOANS/ADVANCES

The Company has not accepted any deposits from the public or its employees during the year under review.

The Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement of the parent Company – Mahindra & Mahindra Financial Services Limited and the ultimate parent company – Mahindra & Mahindra Limited, with the Stock Exchanges.

CODE OF CONDUCT FOR CORPORATE GOVERNANCE

The Company had adopted Codes of Conduct for Corporate Governance (“the Codes”) for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company’s business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company’s ethos.

The Company has for the year under review, received declarations under the Codes from the Board Members and the Employees of the Company affirming compliance with the respective Codes.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES FRAMED THEREUNDER

The Company had no employee, who was employed throughout the Financial Year and was in receipt of remuneration of not less than Rs. 60,00,000 per annum during the year ended 31st March, 2013 or was employed for a part of the Financial Year and was in receipt of remuneration of not less than Rs. 5,00,000 per month during any part of the year.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2013

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

A. Conservation Of Energy

- a) Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: These measures are expected to reduce the energy consumption.
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable

B. Technology Absorption

Research & Development (R & D)

1. Areas in which R & D is carried out : None
2. Benefits derived as a result of the above efforts : Not applicable
3. Future plan of action : None
4. Expenditure on R & D : Nil
5. Technology absorption, adaptation and innovation : None
6. Imported Technology for the last 5 years : None

C. Foreign Exchange Earnings and Outgo

There were no foreign exchange earnings or outgo during the year under review.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra Business & Consulting Services Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Mahindra Business & Consulting Services Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and loss, profit for the year ended on that date; and;
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003, as amended by the 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 Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company 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 Order.
8. As required by section 227(3) of the Act, 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 proper books of account as required by law have been kept by the Company so far as appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from branches not visited by us];
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from branches not visited by us];
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 44784

Place: Mumbai
Dated: 15th April, 2013

ANNEXURE TO THE AUDITOR'S REPORT REFERRED TO IN OUR REPORT OF EVEN DATE:

1. i. The company does not have any fixed assets and therefore clause 4(i) is not applicable to the company.
2. The company is not engaged in any manufacturing activity and therefore Clause 4(ii) of Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
3. i. In our opinion and according to the information and explanations provided to us, during the period, Company has not granted any loans to parties covered under section 301 of the Companies Act, 1956.
- ii. During the period, Company has taken unsecured loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956, the terms of which are, prima facie, not prejudicial to the company.
4. In our opinion and according to the information and explanations given to us the company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the company do not involve purchase of inventory and sale of goods. No major weaknesses in internal control system were noticed in the course of our audit.
5. i. In our opinion and according to the information and explanations given to us all the particulars of contracts and arrangements referred in section 301 of the Act have been entered in the register required to be maintained under that section.
- ii. In our opinion and according to the information and explanations given to us each of these transactions in respect of any such parties during the financial year have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, provisions of sections 58A, 58AA and any other relevant provisions of the Act and the rules framed there under, in respect of deposits accepted from the public are not applicable to the company as the company has not accepted any deposits from the public.
7. In our opinion and according to the information and explanations provided to us the company has an internal audit system, which is commensurate with its size and nature of its business.
8. In respect of the activities of the company, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
9. i. On the basis of our examination of books of accounts and according to the information and explanations given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax and Service Tax, cess and other applicable statutory dues with the appropriate authorities.
- ii. There are no disputed tax dues remaining to be deposited with the relevant authority.
10. The Company does not have accumulated losses at the end of the current year. The company has not incurred cash losses in such financial year and in the immediately preceding financial year.
11. On the basis of our examination of books of accounts and documents and according to the information and explanations given to us the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. From the examination of books of accounts and according to the information and explanations provided to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit fund, nidhi, mutual benefit fund or a society.
14. The company is not dealing or trading in shares, securities, debentures or any other investments.
15. In our opinion and according to the information and explanations given to us the company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us, during the year, the Company has not taken any term loans.
17. On the basis of overall examination of the financial statements and other financial information furnished, we report that the company has not used short-term funds for long-term investments.
18. During the year, no preferential allotment of shares was made to any of the entities covered in the register maintained under section 301 of the Companies Act, 1956.
19. Company has not issued any secured debentures.
20. During the year, the Company has not made any public issue of its equity shares.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company were noticed or reported during the year.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 44784

Place: Mumbai
Dated: 15th April, 2013

BALANCE SHEET AS AT MARCH 31, 2013

Particulars	Note	March 2013	In Rupees
			March 2012
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share Capital.....	1	100000	100000
b) Reserves and Surplus.....	2	24829717	7461766
		<u>24929717</u>	<u>7561766</u>
2) Non-current liabilities			
a) Long-term borrowings.....	3	99672745	88074715
b) Long term provisions.....	4	0	5089355
		<u>99672745</u>	<u>93164070</u>
3) Current liabilities			
a) Trade payables.....	5	51331318	40076188
b) Other current liabilities.....	6	95591344	61773617
c) Short term provisions.....	7	29979325	23777206
		<u>176901987</u>	<u>125627011</u>
TOTAL.....		<u><u>301504449</u></u>	<u><u>226352847</u></u>
II. ASSETS			
1) Non-current assets			
a) Deferred tax assets (Net).....	8	5676806	4247241
		<u>5676806</u>	<u>4247241</u>
2) Current assets			
a) Trade receivables.....	9	63654704	44320864
b) Cash and bank balance.....	10	14206278	3602033
c) Short-term loans and advances.....	11	217966661	174182709
		<u>295827643</u>	<u>222105606</u>
TOTAL.....		<u><u>301504449</u></u>	<u><u>226352847</u></u>
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred in our report of even date.

For B K KHARE & CO.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 44784

Ramesh Iyer Chairman

V Ravi
Vinay Deshpande
Rajesh Vasudevan
Anuj Mehra
Dr. Jaideep Devare
R Balaji
Rajnish Agarwal } Director

Mumbai, April 15, 2013

Mumbai, April 15, 2013

PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED MARCH 31, 2013

Particulars	Note	In Rupees	
		March 2013	March 2012
I. Revenue from operations.....	12	1415079575	1004957262
II. Other income.....	13	4758553	1189017
III. Total Revenue (I + II).....		1419838128	1006146279
IV. Expenses:			
Employee benefits expense.....	14	1089532646	783615517
Finance costs.....	15	17425538	9089373
Other expenses.....	16	287384025	212690136
Total expenses.....		1394342209	1005395026
V. Profit before exceptional and extraordinary items and tax (III - IV).....		25495919	751253
VI. Exceptional items.....		0	0
VII. Profit before extraordinary items and tax (V - VI).....		25495919	751253
VIII. Extraordinary Items.....		0	0
IX. Profit before tax (VII - VIII).....		25495919	751253
X. Tax expense:			
(1) Current tax.....		9545833	2851486
(2) Deferred tax.....		(1429565)	(2806254)
XI. Profit/(Loss) for the period from continuing operations (IX - X)		17379651	706021
XII. Profit/(loss) from discontinuing operations.....		0	0
XIII. Tax expense of discontinuing operations.....		0	0
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII - XIII)...		0	0
XV. Profit/(Loss) for the period (XI + XIV).....		17379651	706021
XVI. Earnings per equity share (Rupees):			
(1) Basic.....	19	1737.97	70.60
(2) Diluted.....	19	1737.97	70.60
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss

This is the Statement of Profit and Loss referred in our report of even date.

For B K KHARE & CO.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 44784

Ramesh Iyer Chairman

V Ravi
Vinay Deshpande
Rajesh Vasudevan
Anuj Mehra
Dr. Jaideep Devare
R Balaji
Rajnish Agarwal } Director

Mumbai, April 15, 2013

Mumbai, April 15, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		In Rupees March 2013	In Rupees March 2012
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies		25495919	751253
Add: Items considered separately:			
Interest expense		17425538	9089373
		<u>17425538</u>	<u>9089373</u>
Operating profit before working capital changes.....	(I)	42921457	9840626
Add/Less:			
(Increase)/Decrease in Trade receivables		(19333840)	39495339
(Increase)/Decrease in Loans & Advances		(826540)	(2277616)
		<u>(20160380)</u>	<u>37217723</u>
Add: Increase in Current Liabilities.....		43766753	32176885
	(II)	<u>23606373</u>	<u>69394608</u>
Cash generated from operations.....	(I+II)	66527830	79235234
Advance taxes paid		(52503245)	(92640056)
NET CASH FROM OPERATING ACTIVITIES (A)		<u><u>14024585</u></u>	<u><u>(13404822)</u></u>
B. CASH FLOW FROM INVESTING ACTIVITIES			
NET CASH FROM INVESTING ACTIVITIES (B)		<u><u>0</u></u>	<u><u>0</u></u>
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Long Term Borrowings (net)		11598030	88074715
Increase/(Decrease) in Short Term Borrowings (net)		0	(67373921)
Interest paid		(15018370)	(5212629)
NET CASH FROM FINANCING ACTIVITIES (C)		<u><u>(3420340)</u></u>	<u><u>15488165</u></u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)		<u><u>10604245</u></u>	<u><u>2083343</u></u>
CASH AND CASH EQUIVALENTS AS AT:			
Beginning of the year		<u><u>3602033</u></u>	<u><u>1518690</u></u>
End of the year		<u><u>14206278</u></u>	<u><u>3602033</u></u>

Examined and found correct.

For B K KHARE & CO.

Chartered Accountants

Firm Registration No. 105102W

Padmini Khare Kaicker

Partner

Membership No. 44784

Ramesh Iyer

Chairman

V Ravi**Vinay Deshpande****Rajesh Vasudevan****Anuj Mehra****Dr. Jaideep Devare****R Balaji****Rajnish Agarwal**

Director

Mumbai, April 15, 2013

Mumbai, April 15, 2013

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF PREPARATION OF ACCOUNTS

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and the Accounting Standards notified under the said Act.

All assets & liabilities have been classified as current & non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of services and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current-non current classification of assets & liabilities.

2) USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

3) REVENUE RECOGNITION

The Company adopts the accrual method for recognizing all income and expenses.

Dividend from investments is accounted for as income when the right to receive dividend is established.

4) TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

5) Miscellaneous Expenditure

a) Share Issue Expenses:

Expenses incurred in connection with fresh issue of share capital are charged to the Profit & Loss Account in the year in which they are incurred.

6) EMPLOYEE BENEFITS

a) Provident Fund Contributions:

Contributions to the Government Provident Fund under a defined contribution plan are charged to the Profit & Loss Account on accrual basis.

b) Other Employee Benefits:

Privilege leave or other compensated balances is considered as long term unfunded benefit & is recognized on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.

7) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more certain future events not wholly within the control of the company.

II. NOTES TO THE FINANCIAL STATEMENTS:

1) Share Capital:

Particulars	In Rupees	
	March 2013	March 2012
Authorised Capital:		
1,00,000 Equity shares of Rs. 10/- each (March 2012 : 1,00,000 shares)	1000000	1000000
Issued Capital :		
10,000 Equity shares of Rs. 10/- each (March 2012 : 10,000 shares)	100000	100000
Subscribed and Paid-up Capital :		
10,000 Equity shares of Rs. 10/- each (March 2012 : 10,000 shares)	100000	100000
Total	100000	100000

Particulars	March 2013		March 2012	
	Number of Shares	Rupees	Number of Shares	Rupees
a) Reconciliation of the number of shares -				
Number of equity shares outstanding at the beginning of the year	10000	100000	10000	100000
Add : Fresh allotment of shares during the year:	0	0	0	0
	10000	100000	10000	100000
Less : Shares bought back during the year	0	0	0	0
Number of equity shares outstanding at the end of the year	10000	100000	10000	100000
b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries/ associates -				
Holding company : Mahindra & Mahindra Financial Services Limited (Equity shares of Rs. 10/- each)	10000	100000	10000	100000
Percentage of holding (%)	100.00	100.00	100.00	100.00
c) Shareholders holding more than 5 percent shares :				
Mahindra & Mahindra Financial Services Limited	10000	100000	10000	100000
2) Reserves & Surplus:				
Particulars	March 2013	In Rupees		March 2012
Surplus:				
Balance Profit (for earlier years) as per last Balance Sheet	7461766			6755745
Add : Profit for the current year transferred from Statement of Profit & Loss	17379651			706021
Balance Profit carried to Balance Sheet	24841417			7461766
Less : Allocations & Appropriations :				
Proposed Dividend On Equity Shares	10000			0
Corporate Dividend Tax on Equity Shares	1700			0
Total	24829717			7461766

3) Long-term Borrowings:

Particulars	In Rupees	
	March 2013	March 2012
Unsecured -		
Inter Corporate Deposits	99672745	88074715
Total	99672745	88074715

4) Long-term provisions:

Particulars	In Rupees	
	March 2013	March 2012
Provision for employee benefits.	0	5089355
Total	0	5089355

Gratuity (Funded)

	March 2013	March 2012
I. Expense recognised in the Statement of Profit & Loss for the year ended 31st March		
1. Current service cost	14127717	5782905
2. Interest cost	492684	93241
3. Expected return on plan assets	(526761)	0
4. Actuarial (Gains)/Losses	(10555524)	(786791)
5. Total expense	3538116	5089355
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1. Present Value of Defined Benefit obligation as at 31st March	8598216	5089355
2. Fair value of plan assets as at 31st March	8779370	0
3. Funded status (surplus/(deficit))	181154	(5089355)
4. Net asset/(liability) as at 31st March	181154	(5089355)
III. Change in the obligations during the year ended 31st March		
1. Present Value of Defined Benefit obligation at the beginning of the year	5089355	0
2. Current service cost	14127717	5782905
3. Interest cost	492684	93241
4. Actuarial (Gains)/Losses	(11111540)	(786791)
5. Benefits paid	0	0
6. Present Value of Defined Benefit obligation at the end of the period	8598216	5089355
IV. Change in the fair value of plan assets during the year ended 31st March		
1. Fair value of plan assets at the beginning of the year	0	0.00
2. Expected return on plan assets	526761	0.00
3. Contributions by employer	8779370	0.00
4. Actuarial (Gains)/Losses	(526761)	0.00
5. Actual Benefits paid	0	0.00
6. Fair value of plan assets at the end of the year	8779370	0.00

Gratuity (Funded)

	March 2013	March 2012
V. Major category of plan assets as a percentage of total plan		
Funded with LIC	100%	
Others		
VI. Actuarial Assumptions		
1. Discount Rate	8% p.a.	8% p.a.
2. Rate of Salary increase	5% p.a.	5% p.a.
3. In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

Experience Adjustments

	Period Ending 31/3/2012	Period Ending 31/3/2013
1. Defined Benefit obligation at end of the period	5089355	8598216
2. Plan assets at the end of period	-	8779370
3. Funded Status Surplus/ (Deficit)	(5089355)	181154
4. Experience adjustments on plan liabilities (gain)/loss	(2631717)	(3275416)
5. Experience adjustments on plan assets gain/(loss)	-	(175587)

5) Trade Payables:

	In Rupees	
Particulars	March 2013	March 2012
Trade payables for expenses	51331318	40076188
Total	51331318	40076188

6) Other Current Liabilities:

	In Rupees	
Particulars	March 2013	March 2012
Current maturities of long-term debt		
- Inter-corporate Deposits	70139856	43672346
Interest accrued but not due on borrowings	8209194	5802026
Other Current Liabilities	17242294	12299245
Total	95591344	18101271

7) Short-term provisions :

	In Rupees	
Particulars	March 2013	March 2012
Provision for employee benefits.	29967625	23777206
Proposed Dividend	10000	0
Corporate Dividend Tax	1700	0
Total	29979325	23777206

Leave Benefits

	Mar-13	Mar-12
I. Expense recognised in the Statement of Profit & Loss for the year ended 31st March		
1. Current service cost	31413883	22270500
2. Interest cost	1180369	536430
3. Expected return on plan assets	0	0
4. Actuarial (Gains)/Losses	(27356654)	(14157664)
5. Total expense	5237598	8649266

Leave Benefits

	Mar-13	Mar-12
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1. Present Value of Defined Benefit obligation as at 31st March	17496705	13090588
2. Fair value of plan assets as at 31st March	0	0
3. Funded status (surplus/(deficit))	(17496705)	(13090588)
4. Net asset/(liability) as at 31st March	<u>(17496705)</u>	<u>(13090588)</u>
III. Change in the obligations during the year ended 31st March		
1. Present Value of Defined Benefit obligation at the beginning of the year	13090588	4441322
2. Current service cost	31413883	22270500
3. Interest cost	1180369	536430
4. Actuarial (Gains)/Losses	(27356654)	(14157664)
5. Benefits paid	(831481)	0
6. Present Value of Defined Benefit obligation at the end of the period	<u>17496705</u>	<u>13090588</u>
IV. Change in the fair value of plan assets during the year ended 31st March		
1. Fair value of plan assets at the beginning of the year	0	0
2. Expected return on plan assets	0	0
3. Contributions by employer	0	0
4. Actuarial (Gains)/Losses	0	0
5. Actual Benefits paid	0	0
6. Fair value of plan assets at the end of the year	<u>0</u>	<u>0</u>
V. Major category of plan assets as a percentage of total plan		
Funded with LIC		
Others		
VI. Actuarial Assumptions		
1. Discount Rate	8% p.a.	8% p.a.
2. Rate of Salary increase	5% p.a.	5% p.a.
3. In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

8) Deferred tax assets (net):

Particulars	In Rupees	
	March 2013	March 2012
Deferred Tax Assets:		
Employee Benefits	5676806	4241241
Net deferred tax assets	5676806	4241241

9) Trade Receivables:

Particulars	In Rupees	
	March 2013	March 2012
Sundry Debtors:		
a) Debts Outstanding for a period exceeding six months	0	0
b) Other Debts	63654704	44320864
Total	<u>63654704</u>	<u>44320864</u>

10) Cash and bank balance:

Particulars	In Rupees	
	March 2013	March 2012
Balance with Scheduled Banks in Current Accounts	14206278	3602033
Total	<u>14206278</u>	<u>3602033</u>

11) Short-term loans and advances :

Particulars	In Rupees	
	March 2013	March 2012
Other Loans & Advances		
– To Employees	3640902	2415649
– To Others	194132	592845
Advance payment of tax (net of provisions)	214131627	171174215
Total	<u>217966661</u>	<u>174182709</u>

12) Revenue from operations:

Particulars	In Rupees	
	March 2013	March 2012
a) Income from Sale of services	1375596575	981031962
b) Income from Service charges	39483000	23925300
Total	<u>1415079575</u>	<u>1004957262</u>

13) Other Income:

Particulars	In Rupees	
	March 2013	March 2012
Interest Income	4758553	1189017
Total	<u>4758553</u>	<u>1189017</u>

14) Employee benefits expense:

Particulars	In Rupees	
	March 2013	March 2012
Salary, Bonus & Incentives	1008258794	722007657
Company's Contribution to Provident Funds. & other funds	81214819	61581129
Staff Welfare Expenses	59033	26731
Total	<u>1089532646</u>	<u>783615517</u>

15) Finance Costs:

Particulars	In Rupees	
	March 2013	March 2012
Interest on		
– Inter Corporate Deposits	17425538	9089373
Total	<u>17425538</u>	<u>9089373</u>

16) Other Expenses:

Particulars	In Rupees	
	March 2013	March 2012
Insurance	6612546	4586914
Rates & Taxes, excluding taxes on income	708548	176298
Legal & Professional Charges	147775	1012075
Conveyance	250636205	182721993
Travelling Expenses	17462864	14430058
Bank Charges	22043	40013
Payments to the auditor –		
(a) as auditor	50000	50000
(b) for other services	55000	80000
General & Administrative Expenses	11689044	9592785
Total	287384025	212690136

17) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated, if realized, in the ordinary course of business.

18) The company has only one reportable segment of business viz. Manpower Supply business for the purpose of AS 17 Segment Reporting and all other activities revolve around the main business of Manpower Supply.

19) In Accordance with the Accounting Standard on "Earning Per Share" (AS 20) issued by the Institute of Chartered Accountants of India, the EPS are as follows:

Particulars	In Rupees	
	FY 2012-13	FY 2011-12
Net Profit/(Loss) attributable to Equity Share Holders	1,73,79,651	7,06,021
Weighted Average Numbers of Shares	10,000	10,000
EPS – (Basic)	1,737.97	70.60
EPS – (Diluted)	1,737.97	70.60

20) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.

21) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 have not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this and legal opinion obtained by the Company, information required under Schedule VI of the Companies Act, 1956 to that extent is not given.

22) Related Party Disclosure as per Accounting Standard 18:
A) List of the related parties and nature of relationship which have transactions with our Company during the year:

Holding Company/Companies : Mahindra & Mahindra Limited
 Mahindra & Mahindra Financial Services Limited
 Fellow subsidiary Companies : Mahindra Insurance Brokers Limited
 Mahindra Rural Housing Finance Ltd.

B) Related party transactions are as under:

Sr. No.	Nature of transactions	In Rupees	
		Holding Companies	Fellow Subsidiary Companies
1.	Income		
	Manpower supply	1470262246 (1069329444)	119721165 (59840536)
2.	Expenses		
	Interest	17425538 (9089373)	–
	Other Expenses	1348320 (1323600)	–
3.	Finance		
	Inter Corporate Deposits outstanding (including interest accrued but not due)	169812601 (137549087)	–
4.	Outstandings		
	Receivables	49767020 (37719072)	13887684 (6601792)
	Payables	– (501500)	–

Figures in bracket represent corresponding figures of previous year.

23) Previous year figures have been regrouped wherever found necessary.

Signatures to Significant accounting policies and Notes to the financial statements – I and II
For B K KHARE & CO.

 Chartered Accountants
 Firm Registration No. 105102W

Padmini Khare Kaicker

Partner

Membership No. 44784

Mumbai, April 15, 2013

Ramesh Iyer

Chairman

V Ravi
Vinay Deshpande
Rajesh Vasudevan
Anuj Mehra
Dr. Jaideep Devare
R Balaji
Rajnish Agarwal

Director

Mumbai, April 15, 2013