

> **1.5 million**
customers

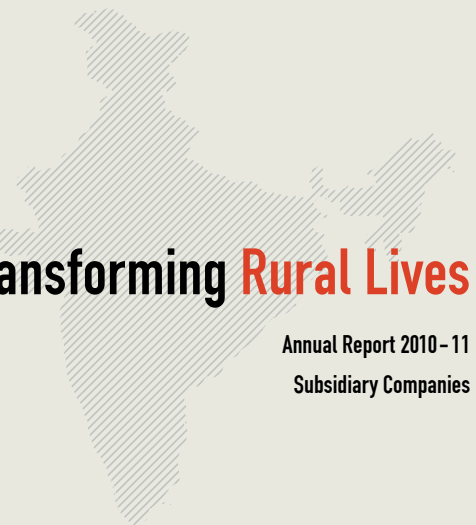
> **1,50,000**
villages

> **500**
offices



Transforming Rural Lives

Annual Report 2010-11
Subsidiary Companies



Rise MANIFESTO

Today is another perfect day, to defy the world's naysayers.

Today, we will think bigger than our size.

Today, we will refuse to accept limitations.

Today, we will not be held back by the past.

Today, we will focus on the future - and never, ever blink.

Today, we will break down another barrier...

Scoff at another convention...

And use alternative thinking...

To solve another previously unsolvable problem.

Today, we will accomplish something astounding...

And in the process, change someone's life for the better.

Today, Mahindra will set an example for the world.

With boldness.

With confidence.

With relentless optimism.

Good morning.

Today is another perfect day...

To ***Rise***.

Mahindra Insurance Brokers Limited

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Directors' Report

To

The Members

Your Directors have pleasure in presenting the 24th Annual Report along with the Audited Accounts of your Company for the year ended 31st March 2011.

FINANCIAL RESULTS

	2011	In Rupees 2010
Income	51,77,33,783	31,36,06,766
Profit before Interest, Depreciation & Taxation	33,06,74,782	16,96,16,596
Interest		
Depreciation	(15,96,871)	(11,28,241)
Profit before Taxation	32,89,34,585	16,84,88,355
Provision for Taxation		
- Provision for Current Tax	(11,02,00,000)	(5,83,00,000)
- Provision for Deferred Tax	35,943	5,34,579
	(11,01,64,057)	(5,77,65,421)
Profit after Taxation	21,87,70,528	11,07,22,934
Less: Income Tax Adjustment for earlier years	(10,14,402)	-
Net Profit	21,77,56,126	11,07,22,934
Balance of Profit for prior years	21,87,17,766	12,58,44,582
Amount available for Appropriation	43,64,73,892	23,65,67,516
Appropriations:		
Transfer to General Reserve	2,20,00,000	1,20,00,000
Dividend on Equity Shares (Proposed)	1,00,00,000	50,00,000
Tax on Dividend (Proposed)	16,61,000	8,49,750
Surplus carried to Balance Sheet	40,28,12,892	21,87,17,766
	43,64,73,892	23,65,67,516

BROKING LICENSE

The Direct Broking License of your Company was due for renewal on 18th May, 2010. The Directors are pleased to inform you that the Insurance Regulatory & Development Authority (IRDA) has renewed the Direct Broking license of your Company on 1st March, 2011 for a further period of 3 years starting from 18th May, 2010.

Your Directors are further pleased to inform you that your Company has applied for Composite Broking license on 22nd March, 2011 to undertake Reinsurance Broking business and are now awaiting grant of Composite Broking license.

DIVIDEND

Your Directors are pleased to recommend a dividend of 200% (Rs.20 per equity share) on the paid-up equity capital. The total equity dividend for the year under review inclusive of tax on distributed profits will absorb a sum of Rs.1.17 crores as against Rs.0.59 crores in the previous year.

OPERATIONS

The year under review represents the seventh year of your Company's insurance broking operations. During the year, your Company crossed the 5,00,000 mark in terms of policies serviced, with a total of 5,08,878 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 87.7% from 1,47,154 lives covered with a Sum Assured of Rs. 3,518.4 crores in the financial year 2009-10 to 2,76,198 lives covered with a Sum Assured of Rs.6,271.8 crores in the financial year 2010-11, with a substantial portion being covered in the rural markets.

Your Company achieved a growth of 55.2% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs. 186.3 crores (Gross Premium Rs. 202.7 crores) in the financial year 2009-10 to Rs.289.2 crores (Gross Premium Rs.318.6 crores) in the financial year 2010-11, crossing a milestone of Rs.300 crores of Gross Premium.

The Income increased by 65 % from Rs.31.4 crores in the financial year 2009-10 to Rs.51.8 crores in the financial year 2010-11. The Profit Before Tax increased by 95.8% from Rs. 16.8 crores to Rs.32.9 crores, and the Profit after Tax increased by 96.4% from Rs.11.1 crores to Rs.21.8 crores during the same period.

DIRECTORS

Mr. Rajeev Dubey and Mr. Hemant Sikka retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company comprises of Mr. Rajeev Dubey (Chairman of the Committee), Mr. Ramesh Iyer and Mr. V. Ravi.

During the year under review, four Audit Committee meetings were held. These were well attended.

REMUNERATION COMMITTEE

The Remuneration Committee constituted during the year presently comprises of Mr. Uday Y. Phadke, Mr. Rajeev Dubey and Mr. Ramesh Iyer. The Remuneration 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 2011 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., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the ultimate parent company, Mahindra & Mahindra Limited, are given in Annexure I to this Report.

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 & Employees enunciating the underlying principles governing the conduct of its business and seeking 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 Personnel & Employees of the Company affirming compliance with the respective Codes.

OUTLOOK FOR THE CURRENT YEAR

During the year under review, the Non-Life insurance industry is estimated to have grown by 22% and Life insurance industry by 15%. The Indian economy, and the Non-Life and Life insurance industries are expected to continue their growth trend. This augurs well for insurance intermediaries, including Brokers. Your Company will continue to explore opportunities for expanding its customer base in the Commercial and Retail segments in both Life and Non-Life insurance.

The Insurance Regulatory and Development Authority (IRDA) has been introducing several changes in regulations, and your Company is gearing up to meet the regulatory requirements in this new scenario.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & 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 II 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 p.a. during the year ended 31st March, 2011, or was employed for a part of financial year and was in receipt of remuneration of not less than Rs.5,00,000 p.m.

SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with the provisions of section 383A of the Companies Act, 1956, a Certificate from Mr. J. P. Fernandes, Company Secretary in Whole-time Practice, certifying that the Company has complied with all the provisions of the Companies Act, 1956 is given in the Annexure III and forms part of this Report.

ACKNOWLEDGEMENTS

The Directors thank the IRDA for their continuous support and guidance rendered to the Company. The Directors acknowledge the trust reposed by the customers, the support of the shareholders, the advice of the auditors and the noteworthy performance of the employees.

For and on behalf of the Board

Uday Y. Phadke
Chairman

Mumbai, 15th April, 2011

Annexure I to the Directors' Report

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

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

Name of the Company	Balance as on 31st March, 2011	In Rupees
		Maximum outstanding during the year
Mahindra & Mahindra Financial Services Limited	24,62,00,000	24,62,00,000
Mahindra Rural Housing Finance Limited	15,50,00,000	15,50,00,000

The Company has not made any loans and advances in the nature of loans to subsidiaries or associates and no loans and advances in the nature of loans has 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 section 372A of the Companies Act, 1956.

Annexure II to the Directors' Report

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, 2011

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 / 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 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 Research & Development 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 EARNING AND OUTGO

The total Foreign Exchange Earnings and Outflow during the year are as given below

Foreign Exchange earned	Nil
Foreign Exchange used	Rs. 4,09,320

For and on behalf of the Board

Uday Y. Phadke
Chairman

Mumbai, 15th April, 2011

Annexure III to the Directors' Report

Secretarial Compliance certificate
Registration No.- 11- 42609
Authorised Share Capital:- Rs. 2,50,00,000
Paid-up share Capital:- Rs. 50,00,000

To,

Members,

Mahindra Insurance Brokers Limited,
Sadhana House, 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 on 31st March, 2011. 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. 50 lakhs.
- 4) The Board of Directors duly met 4 (four) times on 15th April, 2010, 15th July, 2010, 14th October, 2010 and 19th January, 2011 in respect of which proper notices / circulars were issued / given and the proceedings thereof were properly recorded in the Minutes Book and signed. In addition, a resolution dated 1st March, 2011 was passed by the Board by circulation for holding an Extraordinary General Meeting of the Company on 3rd March, 2011 at shorter notice for alteration of Clause V of the Memorandum of Association of the Company.
- 5) The Company has not closed/was not required to close its Register of Members or Debenture-holders during the year.
- 6) The Annual General Meeting (AGM) for the financial year ended on 31st March, 2010 was held on 15th July, 2010, 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.
- 7) Two Extraordinary General Meetings of the Company were held -
 - i) on 15th September, 2010- for passing two Special Resolutions for making loans /placing Intercorporate Deposit(s) upto an amount not exceeding Rs.5,000 Lakhs in accordance with Section 372A and for adoption of new set of Articles of Association and
 - ii) on 3rd March, 2011 for passing a Special Resolution for Alteration of Capital Clause, viz. Clause V of the Memorandum of Association of the Company as desired by Insurance Regulatory and Development Authority (IRDA) This meeting was adjourned to 10th March, 2011 for want of quorum and was duly held on that day.
- 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 has made necessary 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 any duplicate share certificate.
- 13)
 - (i) The Company has delivered all the certificates on lodgment thereof for transfer and/or for other purposes in accordance with the provisions of the Act;
 - (ii) The Company at the AGM declared a Dividend of 100% i.e. Rs. 10/- per share on 5,00,000 Equity shares of the Company and the Company has duly complied with the provisions of Section 205 of the Act for payment of Dividend. The Company has not declared any interim dividend during the year;
 - (iii) 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;

Annexure III to the Directors' Report

- (iv) 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 sole selling agents during the year.
- 16) The Company has, wherever required, obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act.
- 17) 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.
- 18) The Company has not issued any shares / Debentures / other Securities during the year.
- 19) The Company has not bought back any shares during the year.
- 20) There was no redemption of preference shares or debentures during the year.
- 21) The Company did not have to keep in abeyance rights or bonus shares pending registration of transfer of shares in compliance with the provisions of the Act as the Company had not issued any rights or bonus shares during the year.
- The question of keeping in abeyance rights to dividend did not arise as there was no transfer of shares required to be kept pending for registration during the year.
- 22) 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.
- 23) The Company has not made any borrowings during the year ended.
- 24) 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.
- 25) The Company has, during the year, not altered the provisions of the Memorandum with respect to:
- situation of the Company's registered office from one State to another;
 - the objects of the Company; and
 - the name of the Company.
- 26) The Company has altered the provisions of the Memorandum with respect to replacing the Clause V, in line with the requirements of IRDA.
- 27) The Company has adopted a new set of Articles of Association during the year for bringing them in conformity with its Holding Company's Articles of Association.
- 28) 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.
- 29) The Company has not received any money as security from its employees during the year.
- 30) 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/-

J. P. Fernandes

Company Secretary

FCS no. 711, CP no. 2923

Mumbai, 15th April, 2011

Annexure 'A' to the Compliance Certificate dated April 15, 2011.

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 Accounts 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.
- 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 Debenture-holders 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.

OTHER REGISTERS:-

- 1) Transfer Register.
- 2) Register of Directors' Attendance.
- 7) Register of Destruction of Records/Documents as required under the Companies (Preservation & Disposals of Records) Rules, 1966.
- 8) Register of Directors' Shareholdings under section 307 of the Act.
- 9) Register of Contracts under section 301 of the Act.

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

Annexure ' B' to the Compliance Certificate dated April 15, 2011.

Forms and returns as filed by the Company with the Registrar of Companies/ Central Government, during the year ended on 31st March 2011.

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)	Compliance Certificate Form No.66	383A	Compliance Certificate issued by J.P. Fernandes, Company Secretary in Practice.	29/07/2010	Yes	Not Applicable
2)	Annual Accounts Form No.23AC and Form No.23ACA	220	The Annual Accounts for the year ended on 31 st March, 2010 adopted at the Annual General Meeting of the Company held on 15 th July, 2010	29/07/2010	Yes	Not Applicable
3)	Annual Return Form No.20B	159	Annual Return as at 15 th July, 2010	03/08/2010	Yes	Not Applicable
4)	Form No. 23	372A 31	Inter corporate loans & investments in excess of prescribed limits. Adoption of new set of Articles of Association (Special Resolutions passed at the Extraordinary General Meeting held on 15 th September, 2010)	15/10/2010	Yes	Not Applicable
5)	Form No. 23	16 & 31	Alteration of Memorandum of Association (Special Resolution passed at the Adjourned Extraordinary General Meeting held on 10 th March, 2011)	30/03/2011	Yes	Not Applicable

To

The Members of

MAHINDRA INSURANCE BROKERS LIMITED

We have audited the attached Balance Sheet of M/s. **MAHINDRA INSURANCE BROKERS LIMITED**, as at 31st March 2011 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) 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 the branches not visited by us;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Companies Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, 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 31st March, 2011, and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. KHARE AND COMPANY**
Chartered Accountants

H.P. Mahajani
Partner

Place : Mumbai
Dated : April 15, 2011

Membership NO. 30168
Firm Regn No.105102W

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
- 2 The Company has no inventory and hence the requirements of Para (ii) (a), (b) and (c) of the Order are not applicable.
- 3 Based on the records examined by us and according to the information and explanations given to us, in our opinion, 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, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. We have not come across any major weaknesses in internal control.
- 5 (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements 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, the Company has not accepted deposits from the public and therefore the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules thereunder are not applicable to 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 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 has been regular in depositing undisputed statutory dues with the appropriate authorities during the year.
(b) According to the records of the Company and information and explanations given to us, as on 31st March 2011, there were no disputed dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess.
- 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 no dues to any financial institution or bank or debenture holders.

Annexure to the Auditors' Report

- 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 special statute applicable to the Chit Funds, Nidhi or Mutual Benefit Fund / Society are not applicable to the Company.
- 14 Based on the records examined by us and according to the information and explanations given to us, 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, the Company has not obtained any term loans.
- 17 Based on the records examined by us and according to the information and explanations given to us, funds raised on short-term basis have, prima facie not been used during the year for long-term investment.
- 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 The Company has not issued debentures and hence the requirement of this clause is not applicable;
- 20 The Company has not raised money by any public issues and hence the question of disclosure and verification of end use of such money does not arise.
- 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 was noticed or reported during the year, although there have been few instances of misappropriations by some employees, the amounts whereof are not material in the context of its business and which have been provided for.

For **B. K. KHARE AND COMPANY**
Chartered Accountants

H.P. Mahajani
Partner

Place : Mumbai
Dated : April 15, 2011

Membership NO. 30168
Firm Regn No.105102W

Balance Sheet

as at March 31, 2011

Schedule	In Rupees	
	MARCH 2011	MARCH 2010
SOURCES OF FUNDS:		
SHAREHOLDERS' FUNDS :		
Share Capital I	5,000,000	5,000,000
Reserves and Surplus II	455,056,351	248,961,224
TOTAL	460,056,351	253,961,224
APPLICATION OF FUNDS:		
FIXED ASSETS: III		
Gross Block	15,184,876	9,179,601
Less: Accumulated Depreciation	4,614,813	3,030,641
Net Block	10,570,063	6,148,960
CURRENT ASSETS, LOANS AND ADVANCES: IV		
Sundry Debtors	55,638,951	34,947,880
Cash and Bank balances	10,792,976	15,149,894
Other Current Assets	13,513,555	4,579,090
Loans and Advances	421,113,058	231,409,069
	501,058,540	286,085,933
LESS: CURRENT LIABILITIES AND PROVISIONS: V		
Current Liabilities	12,707,284	8,047,954
Provisions	39,612,701	30,937,505
	52,319,985	38,985,459
Net Current Assets	448,738,554	247,100,474
Deferred Tax Asset (net)	747,733	711,790
TOTAL	460,056,351	253,961,224

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

For B. K. Khare and Co.
Chartered Accountants

For and on behalf of the Board

H.P. Mahajani
Partner
Membership No. 30168
Firm Regn No. 105102W

Uday Y. Phadke
Chairman
Dr. Jaideep Devare
Managing Director

V. Ravi
Director

Ramesh Iyer
Director

Place : Mumbai
Dated : April 15, 2011

Profit and Loss Account

for the year ended March 31, 2011

	Schedule	MARCH 2011	In Rupees MARCH 2010
INCOME:			
Income from Operations (Gross, inclusive of TDS of Rs 4,75,32,680/- ; P.Y. Rs.3,97,37,390/-)	VI	492,825,052	300,883,629
Interest (Gross, inclusive of TDS of Rs.22,63,891/-; Previous Year Rs.11,91,602)		24,855,411	12,605,750
Other Income		53,320	117,387
TOTAL INCOME		517,733,783	313,606,766
EXPENDITURE:			
Financial Expenses		143,328	155,194
Employee Cost	VII	132,408,471	109,307,421
Other Expenses	VIII	54,650,528	34,527,555
Depreciation & Amortisation		1,596,870	1,128,241
TOTAL EXPENDITURE		188,799,197	145,118,411
PROFIT BEFORE TAXATION		328,934,586	168,488,355
Less: Provision for Current Tax		110,200,000	58,300,000
(Add) / Less: Provision for Deferred Tax (including for previous year/s)		35,943	53,459
		110,164,057	57,765,421
PROFIT AFTER TAXATION		218,770,529	110,722,934
Less: Income tax adjustment for earlier years (net)		(1,014,402)	0
Add: Balance brought forward from earlier years		218,717,766	125,844,582
AMOUNT AVAILABLE FOR APPROPRIATION		436,473,893	236,567,516
APPROPRIATION:			
General Reserve		22,000,000	12,000,000
Proposed Dividend (Final)		10,000,000	5,000,000
Corporate Dividend Tax (Final)		1,661,000	849,750
Balance carried forward to Balance Sheet		402,812,893	218,717,766
		436,473,893	236,567,516
EARNINGS PER SHARE (Face Value Rs.10/- per share)			
(Rupees)			
Basic		435.51	221.45
Diluted		435.51	221.45
Notes To The Accounts	IX		

The Schedules referred to above form an integral part of the Profit & Loss Account. Examined and found correct

This is the Profit & Loss Account referred to in our report of even date.

For B. K. Khare and Co.
Chartered Accountants

For and on behalf of the Board

H.P. Mahajani
Partner
Membership No. 30168
Firm Regn No. 105102W

Uday Y. Phadke
Chairman

V. Ravi
Director

Ramesh Iyer
Director

Dr. Jaideep Devare
Managing Director

Place : Mumbai
Dated : April 15, 2011

Schedules

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE I		
SHARE CAPITAL		
Authorised :		
2,500,000 (Previous Year: 2,500,000) Equity Shares of Rs.10 each	2,500,000	2,500,000
Issued, Subscribed and Paid up :		
500,000 (Previous Year: 500,000) Equity Shares of Rs.10 each	5,000,000	5,000,000
TOTAL	5,000,000	5,000,000

Note: Mahindra & Mahindra Financial Services Limited, the Holding Company holds 500,000 (Previous Year: 500,000) shares as on 31st March 2011 (including 6 shares held jointly with nominees)

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE II		
RESERVES & SURPLUS		
General Reserve:		
As per last Balance Sheet	30,243,458	18,243,458
Add: Transfer during the period	22,000,000	12,000,000
	52,243,458	30,243,458
Balance in Profit & Loss Account	402,812,893	218,717,766
TOTAL	455,056,351	248,961,224

Schedules

SCHEDULE III FIXED ASSETS

In Rupees

DESCRIPTION OF ASSETS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
	As at April 1, 2010	Additions for Purch. / Transfer	Deductions for Sale/ Transfer	As at March 31, 2011	Upto 1-April 2010	Additions / Tfr	Deductions / Transfer	Upto March 31, 2011	As at April 1, 2010	As at 31-Mar-11
Vehicles	3,908,289	2,032,274	-	5,940,563	702,175	445,315	-	1,147,490	3,206,114	4,793,073
Furniture	702,161	179,524	126,875	754,810	94,847	44,752	6,733	132,866	607,314	621,944
Office Equipment	922,223	519,154	16,150	1,425,227	322,782	183,381	179	505,984	599,441	919,243
Computers	3,646,928	3,460,348	43,000	7,064,276	1,910,837	923,422	5,786	2,828,473	1,736,091	4,235,803
TOTAL	9,179,601	6,191,300	186,025	15,184,876	3,030,641	1,596,870	12,698	4,614,813	6,148,960	10,570,063
As at 31-03-2010	7449,238	1,789,543	59,180	9,179,601	1,924,763	1,128,241	22,363	3,030,641	5,524,475	6,148,960

Schedules

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE IV		
CURRENT ASSETS, LOANS & ADVANCES		
(A) Current Assets		
Interest accrued but not due - Others	13,513,555	4,579,090
Sundry Debtors (Unsecured):		
- Debts outstanding for a period exceeding six months	749,653	67,449
- Other Debts	55,889,298	35,130,431
	56,638,951	35,197,880
- Less: Provision for Doubtful Debts	1,000,000	250,000
Sundry Debtors (considered good)	55,638,951	34,947,880
Cash & Bank Balances:		
- Cash and Cheques on hand	697,699	234,781
- Balance with Scheduled Banks in Current Account	9,095,277	13,915,113
- Term Deposit with Scheduled Banks [earmarked as IRDA Deposit]	1,000,000	1,000,000
TOTAL (A)	79,945,482	54,676,864
(B) Loans and advances (unsecured, considered good):		
Inter Corporate Deposits Given	401,200,000	215,200,000
Other Advances recoverable in cash or kind or for value to be received	15,786,993	11,327,121
Advance Payment of Tax (net of provision)	4,126,065	4,881,948
TOTAL (B)	421,113,058	231,409,069
TOTAL (A + B)	501,058,540	286,085,933

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE V		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Sundry Creditors	7,119,631	4,332,732
TDS Payable	966,138	1,314,754
Other Liabilities	4,621,515	2,400,468
TOTAL (A)	12,707,284	8,047,954
Provisions:		
Proposed Dividend	10,000,000	5,000,000
Corporate Dividend Tax	1,661,000	849,750
Provision for Employee Benefits	27,951,701	25,087,755
TOTAL (B)	39,612,701	30,937,505
TOTAL (A + B)	52,319,985	38,985,459

Schedules

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE VI		
INCOME FROM OPERATIONS		
Brokerage	186,295,883	141,567,650
Handling Charges	306,529,169	159,315,979
TOTAL	492,825,052	300,883,629

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE VII		
EMPLOYEE COST		
Salary, Bonus & Incentives	122,898,476	102,925,239
Company's Contribution to PF& Other Funds	7,850,085	5,421,557
Staff Welfare	1,659,910	960,625
TOTAL	132,408,471	109,307,421

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE VIII		
OTHER EXPENSES		
Rent	2,239,831	2,206,724
Administration Support Charges	6,135,993	4,831,823
Insurance	4,104,578	3,748,017
Rates and Taxes	190,794	298,088
Legal & Professional Charges	2,891,101	1,163,405
Loss on Sale / Retirement of Owned Assets	173,327	13,118
Travelling Expenses	11,295,319	7,811,028
Manpower Outsourcing Charges	7,893,545	940,602
Provision for Doubtful Debts (net)	750,000	0
Auditors Remuneration		
- Audit Fees	300,000	200,000
- Other Services	15,000	90,000
Donations	1,000,000	250,000
General & Administrative Expenses	17,661,040	12,974,750
TOTAL	54,650,528	34,527,555

SCHEDULE IX

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) 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.

2) Revenue Recognition:

i. General:

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

ii. Brokerage Income:

Brokerage Income is recognised on accrual basis when services are rendered and is net of Service Tax.

iii. Handling Charges Income:

Handling Charges income is recognised on accrual basis when services are rendered and is net of Service Tax.

3) 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.

4) Fixed Assets:

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

5) 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 costing less than Rs.5000/- are written off in the year of purchase.

6) Employee Benefits:

a. Contributions during the year to the Government administered Provident Fund, Family Pension Fund, ESIC and Labour Welfare Fund under defined contribution plans are charged to the Profit & Loss Account on accrual basis. Contributions during the year towards Superannuation to the

Mahindra & Mahindra Financial Services Limited Employees' Superannuation Trust administered by Life Insurance Corporation of India are recognised in the Profit & Loss Account as incurred.

b. The Company has a defined benefit gratuity plan which is funded with LIC under a Group Gratuity cum Life Assurance (Cash Accumulation) Policy. Every employee who has completed five years or more of service is entitled to post-employment gratuity at specified rates. Gratuity liability is measured by actuarial valuation and is recognised on accrual basis. Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

c. The amount of employee benefit in the form of compensated absences being in the nature of short-term benefits in view of past trend of settlement thereof, is accounted for on accrual basis at undiscounted value.

7) Segment Reporting:

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

8) 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 income 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.

9) 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.

Schedules

NOTES TO THE ACCOUNTS:

- 1) The Direct Broking license which expired on 18th May 2010 has been renewed by the Insurance Regulatory & Development Authority (IRDA) for a further period of three years.
- 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 First Choice Services Limited

As per list given below

Mahindra Business & Consulting Services Private Limited

Key Management Personnel

Managing Director

: Dr. Jaideep Devare

Schedules

NOTES TO THE ACCOUNTS (Contd.):

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)	1,50,65,832	75,70,511	-
		(94,38,096)	(11,06,401)	-
	Handling Charges (Net of Service Tax)	29,78,33,792	86,95,377	-
		(15,79,28,047)	(13,43,156)	-
2	EXPENSE			
	Other Expenses (Net of Service Tax)	66,75,495	79,05,214	40,26,176
		(53,35,665)	(8,21,524)	(29,34,465)
3	DEPUTATION CHARGES PAID			
	To Related Parties (Net of Service Tax)	1,86,357	-	-
		(6,48,067)	-	-
4	FINANCE			
	Inter Corporate Deposits given	24,62,00,000	15,50,00,000	-
		(16,52,00,000)	(5,00,00,000)	-
	Dividends Paid (for current year)	-	-	-
		-	-	-
5	OTHER TRANSACTIONS			
	Purchase of Fixed Assets	-	-	-
		-	-	-
	Sale of Fixed Assets	-	-	-
		-	-	-
6	OUTSTANDINGS			
	Receivables	3,15,81,872	57,40,003	-
		(2,49,08,246)	(15,76,294)	-
	Payables	6,87,864	25,10,658	-
		(9,25,111)	(4,16,676)	-

Amounts in brackets represent amounts pertaining to previous financial year

* Mahindra Insurance Brokers Limited is a 100% subsidiary of Mahindra & Mahindra Financial Services Limited, which in turn is a subsidiary of Mahindra & Mahindra Limited.

5) Expenditure incurred in Foreign Currency – Rs. 4,09,320/- (Previous Year Rs. 1,08,896/-)

Schedules

NOTES TO THE ACCOUNTS (Contd.):

6) 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 2011 is Rs. 27,92,653/- (Previous Year Rs. 20,06,893/-) and has been recognised in the Profit & Loss Account as such. The Present Value of obligation on account of such compensated absences is Rs. 41,11,074/- (Previous Year Rs. 42,18,747/-) as on 31st March 2011.

7) Defined Employee Benefits:

	(In Rupees)	
	MARCH 2011	MARCH 2010
GRATUITY - Fully Funded		
I Change in Obligation during the year ended 31st March 2011		
1 Present value of obligation as the beginning of the year	2,308,369	1,569,335
2 Interest Cost	223,896	150,864
3 Current Service Cost	2,845,901	2,094,294
4 Actuarial (Gain)/Loss on Obligations	(1,988,955)	(1,506,124)
5 Benefits Paid	0	0
6 Present value of Defined Benefit Obligation at the end of the year.	3,389,211	2,308,369
II Change in Assets during the Year ended 31st March 2011		
1 Plan Assets at the beginning of the year	3,004,595	2,354,595
2 Expected return on plan assets.	242,808	187,580
3 Contributions by Employer	800,000	650,000
4 Actual benefits paid	0	0
5 Actual Gain/(Losses)	(242,808)	(187,580)
6 Plan Assets at the end of the year	3,804,595	3,004,595
III Net Asset/(Liability) recognised in the Balance Sheet as at 31st March 2011		
1 Present Value of Defined Obligation as at 31st March 2011	3,389,211	2,308,369
2 Fair Value of plan assets as at 31st March 2011	3,804,595	3,004,595
3 Fund status (Surplus/(Deficit)	415,384	696,226
4 Net Assets/ (Liability) as at 31st March 2011	415,384	696,226
IV Expenses recognised in the statement of Profit and Loss for the year ended 31st March 2011		
1 Current Service cost	2,845,901	2,094,294
2 Interest Cost	223,896	150,864
3 Expected return on Plan Assets	(242,808)	(187,580)
4 Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	(1,746,147)	(1,318,544)
5 Expenses recognised in statement of Profit & Loss	1,080,842	739,034
V The Major Categories in Plan Assets as a percentage of total plan		
1 Insurer Managed Funds	100%	100%

Schedules

NOTES TO THE ACCOUNTS (Contd.):

	(In Rupees)	
	MARCH 2011	MARCH 2010
Gratuity - Fully Funded		
VI Method of Valuation :-	Projected Unit Credit Method	
VII Actuarial Assumption		
1 Discount Rate	8%	8%
2 Expected rate of return on plan assets	8%	8%
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Salary Increment Rate	5%	5%
5 Retirement Age	60 Years	60 Years
6 Withdrawal	Attrition rate of 1% up to the age of 30 Years	

8) The holding company, Mahindra & Mahindra Financial Services Limited (MMFSL), has incurred cost of Rs. 14,13,399/- (Previous Year Rs. 1,19,010/-) when issuing Employee Stock Options (ESOS) to employees of the Company.

9) Earnings per share:

	MARCH 2011	MARCH 2010
Amount used as numerator – Balance of Profit after Tax available for shareholders (Rs.)	21,77,56,127	11,07,22,934
Weighted average number of equity shares used in computing basic earnings per share	500,000	500,000
Weighted average number of equity shares used in computing diluted earnings per share	500,000	500,000
Basic earnings per share (Rs.) (Face value of Rs.10 per share)	435.51	221.45
Diluted earnings per share (Rs.)	435.51	221.45

10) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Tax Asset of Rs. 7,47,733/- (Previous Year Rs.7,11,790/-) as at 31st March 2011. The break up of the Deferred Tax Asset as at 31st March 2011 is as under:

	(In Rupees)	
Particulars	Deferred Tax Asset / (Liability) – March 2011	Deferred Tax Asset / (Liability) – March 2010
Provision for Doubtful Debts	3,32,200	84,975
Depreciation	(9,19,510)	(6,04,480)
Gratuity	(1,37,991)	(2,36,647)
Leave Encashment	13,40,154	14,33,952
Bonus and Incentive	1,32,880	33,990
TOTAL	7,47,733	7,11,790

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

12) 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 Section 22 of the said Act is not given.

Schedules

NOTES TO THE ACCOUNTS (Contd.):

13) Managerial Remuneration for Managing Director:

	(In Rupees)	
	MARCH 2011	MARCH 2010
(a) Salaries (Including Company's Contribution to Provident Fund)	48,58,083	41,34,703
(b) Perquisites	1,08,627	78,587
	49,66,710	42,13,290

Note: The above figures do not include contribution to Gratuity Fund as separate figures are not available for the whole time Director.

Computation of Net Profit in Accordance with Section 309(5) of the Companies Act, 1956:

	(In Rupees)	
	MARCH 2011	MARCH 2010
Profit before Taxation as per Profit and Loss Account	32,89,34,586	16,84,88,355
Add:		
(i) Depreciation charged in the Accounts	15,96,871	11,28,241
(ii) Directors' Remuneration	49,66,710	42,13,290
(iii) Loss of Capital Nature (including sale of fixed assets / write-off of capital advances) debited to Profit & Loss Account (Net)	1,73,327	13,118
(iv) Donations debited to Profit & Loss Account	10,00,000	2,50,000
	77,36,908	56,04,649
	336,671,494	17,40,93,004
Less:		
(i) Depreciation u/s 350 of the Companies Act, 1956	14,70,125	10,33,188
(ii) Lower of Donations permissible u/s 293(1)(e) and amount actually donated	10,00,000	2,50,000
	24,70,125	12,83,188
Net Profit as per Section 309(5)	33,42,01,369	17,28,09,816

14) Previous year's figures have been regrouped wherever necessary.

Signatures to Schedule I to IX

For B. K. Khare and Co.

Chartered Accountants
FRN : 105102W

H.P. Mahajani

Partner
Membership No. 30168
Firm Regn No. 105102W
Place : Mumbai
Dated : April 15, 2011

Uday Y. Phadke
Chairman

Dr. Jaideep Devare
Managing Director

V. Ravi
Director

Ramesh Iyer
Director

For and on behalf of the Board

Cash Flow Statement

for the year ended March 31, 2011

	March 2011	In Rupees March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies	328,934,586	168,488,355
Add / (Less):		
Depreciation & Amortisation	1,596,870	1,128,241
Interest Income	(24,855,411)	(12,605,750)
Provision for Doubtful Debts / Advances Written-off (net)	750,000	-
(Profit) / Loss on sale / retirement of assets	173,327	13,118
Operating profit before working capital changes (I)	306,599,372	157,023,964
Less:		
(Increase)/Decrease in Trade receivables	(21,441,071)	(10,858,513)
(Increase)/Decrease in Loans & Advances	(4,459,872)	(4,028,381)
	(25,900,943)	(14,886,895)
Add: Increase/(Decrease) in Current liabilities	7,523,276	2,359,999
	(II) (18,377,667)	(12,526,896)
Cash generated from operations (I + II)	288,221,705	144,497,068
Income Taxes paid	(110,458,519)	(42,484,457)
NET CASH FROM OPERATING ACTIVITIES (A)	177,763,186	102,012,612
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,191,300)	(1,789,543)
Sale of fixed assets	0	23,700
Interest received	15,920,946	11,071,009
Intercompany Deposits Placed	(186,000,000)	(117,500,000)
NET CASH FROM INVESTING ACTIVITIES (B)	(176,270,354)	(108,194,834)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(5,849,750)	(849,750)
NET CASH FROM FINANCING ACTIVITIES (C)	(5,849,750)	(849,750)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A + B + C)	(4,356,918)	(7,031,973)
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the period *	14,149,894	21,181,867
End of the period *	9,792,976	14,149,894

* Cash and Cash Equivalents does not include "Term Deposit under lien" kept with a Scheduled Bank as required by the Insurance Regulatory & Development Authority (IRDA)

Examined and found correct

For B. K. Khare and Co.
Chartered Accountants

For and on behalf of the Board

H.P. Mahajani
Partner
Membership No. 30168
Firm Regn No. 105102W

Uday Y. Phadke
Chairman

V. Ravi
Director

Ramesh Iyer
Director

Dr. Jaideep Devare
Managing Director

Place : Mumbai
Dated : April 15, 2011

Balance Sheet Abstract

and Company's General Business Profile

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I Registration details:

Registration no. 1 1 - 4 2 6 0 9

State code 1 1

Balance sheet date 3 1 0 3 2 0 1 1
date month year

II Capital raised during the year (amount in Rs.thousands)

Public issue
NIL

Rights issue
NIL

Bonus issue
NIL

Private placement
NIL

III Position of mobilisation and deployment of funds (amount in Rs.thousands)

Total liabilities
4 6 0 0 5 6

Total assets
4 6 0 0 5 6

Sources of funds

Paid-up capital
5 0 0 0

Reserves and surplus
4 5 5 0 5 6

Secured loans
NIL

Unsecured loans
NIL

Application of funds

Net Fixed Assets
1 0 5 7 0

Intangible Assets
NIL

Investments
NIL

Net current assets
4 4 8 7 3 9

Miscellaneous Expenditure
NIL

Accumulated Losses
NIL

Deferred Tax Asset (Net)
7 4 8

IV Performance of company (amount in Rs. thousands)

Turnover
5 1 7 7 3 4

Total Expenditure
1 8 8 7 9 9

+ - Profit/ (Loss) before tax
+ 3 2 8 9 3 5

+ - Profit/ (Loss) after tax
+ 2 1 7 7 5 6

Earning per share in Rs.
Basic 4 3 5 . 5 1
Diluted 4 3 5 . 5 1

Dividend rate %
2 0 0

V Generic name of three principal products /services of company (as per monetary terms)

Item Code No. (ITC Code)
NIL

Product description : I N S U R A N C E A U X I L A R Y S E R V I C E

For and on behalf of the Board

Uday Y. Phadke
Chairman

V. Ravi
Director

Ramesh Iyer
Director

Dr. Jaideep Devare
Managing Director

Place : Mumbai
Dated : April 15, 2011

Mahindra Rural Housing Finance Limited

Mahindra Rural Housing Finance Limited

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Directors' Report

Your Directors have pleasure in presenting their Fourth Report together with the audited accounts of your Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

	MARCH 2011	MARCH 2010
		In Rupees
Total Income	493368349	163020546
Less: Finance Costs	132446755	52103108
Expenditure	237135865	85095874
Depreciation	1991998	615057
Total Expenses	371574618	137814039
Profit Before Tax	121793731	25206507
Less : Provision for tax		
Current Tax	37900000	4800000
Deferred Tax	(4683087)	(1406664)
Profit After Tax for the year	88576818	21813171
Add/(Less): Profit/(Loss) brought forward from previous years	757575	(13929454)
Amount available for Appropriation	89334393	7883717
Appropriations		
Statutory Reserve	27835000	5521638
Proposed dividend on equity shares	14857142	1371429
Income-tax on proposed dividend	2467587	233075
Surplus carried to Balance Sheet	44174664	757575
	89334393	7883717

OPERATIONS

During the year ended 31st March, 2011, the fourth year of its Operations your Company disbursed loans aggregating Rs. 203.63 crores (previous year Rs. 90.64 crores), covering over 21000 families. The profit after tax for the year ended 31st March, 2011 was Rs. 8.86 crores (previous year Rs. 2.18 crores). The outstanding loan portfolio as at 31st March, 2011 stood at Rs. 315.26 crores.

The housing loans sanctioned during the year ended 31st March, 2011 were to the extent of Rs.263.05 crores as against Rs. 107.21 crores sanctioned during the previous year. The cumulative loans sanctioned by your Company as at the end of financial year 2010-11 was Rs.426.28 crores as compared to Rs. 163.23 crores in the previous year. The cumulative loan disbursement at the end of the year stood at Rs.340.61 crores as compared to Rs. 136.99 crores in the previous year.

Your Company has been successful in establishing its presence leveraging the branch network of its parent

Company, Mahindra & Mahindra Financial Services Limited, especially 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 and Madhya Pradesh.

DIVIDEND

Your Directors recommend a dividend of Re.0.50 per fully paid-up equity share on 5714285 fully paid-up equity shares of Rs.10 each, and on a pro-rata basis on 39999995 partly paid-up equity shares of the face value of Rs.10 each, Rs.6 per equity share paid-up, aggregating Rs.1.49 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 tax, will absorb a sum of Rs. 1.73 crores (as against Rs. 0.16 crores on account of dividend of Re. 0.10 per equity share, paid for the previous year).

FINANCE

During the year under review, your Company has availed of a total sanction of Refinance Assistance from National

Housing Bank (NHB) of Rs. 75.00 crores. As on 31st March, 2011 refinance assistance sanctions from NHB cumulatively amounted to Rs.150.00 crores.

As part of its Liability Management, your Company endeavours to achieve an appropriate maturity structure. During the year under review, Term loans of Rs.66.81 crores were availed from bank(s).

During the year under review, CRISIL has assigned 'A+/ Stable(Assigned)' rating to your Company. Credit Analysis & Research Limited (CARE) has upgraded the Issuers rating assigned to your Company from 'CARE BBB+(Is)' (Triple B Plus (Issuer)) to 'CARE A+(Is)' (Single A Plus (Issuer)). Issuers with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such issuers carry low credit risk.

CAPITAL ADEQUACY

As at 31st March, 2011, the Capital to Risk Asset Ratio (CRAR) of your Company was 18.0% as against the minimum requirement of 12.0% stipulated by the National Housing Bank (NHB).

NON PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

Your Company scrupulously adhered to the prudential guidelines for Non Performing Assets (NPAs), issued by the National Housing Bank (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 more than 90 days and on other assets, as required. During the year under review your Company as a prudent practice has voluntarily provided additional provision of 0.25 % on its standard housing assets as on 31st March, 2011.

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 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 your 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. Constant endeavours are being made to offer professional growth opportunities and recognition, apart from imparting training to employees. Focused development programmes were initiated to build

managerial and functional skills across various levels of your Company, with a focus particularly on Branch personnel. Your Company also conducted various training programmes for the employees across all the branches in order to develop their skills. Your Company also sponsored its employees to attend programmes conducted by various organizations and institutions, including National Housing Bank so as to update their knowledge and to keep them abreast of all the developments in their respective fields.

KNOW YOUR CUSTOMER (KYC) GUIDELINES, ANTI MONEY LAUNDERING (AML) STANDARDS AND FAIR PRACTICES CODE

The National Housing Bank (NHB) has issued comprehensive KYC and AML guidelines in the context of recommendations made by the Financial Action Task Force on Anti Money Laundering Standards and on Combating Financing of Terrorism Standards. During the year, the Company has adhered to the KYC and AML guidelines and has complied with the requirements of monitoring and reporting cash/suspicious transactions.

The Fair Practices Code framed by NHB seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency for customers to have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationship between customers and the housing finance company and foster confidence in the housing finance system. During the year, your Company has adhered to the Fair Practices Code as approved by the Board of Directors.

NATIONAL HOUSING BANK GUIDELINES

Your Company is in compliance with the various Guidelines issued by the National Housing Bank (NHB) from time to time. The Circulars and the Notifications issued by NHB are also placed before the Board at regular intervals.

DIRECTORS

Mr. K. Muralidharan, Nominee of National Housing Bank (NHB) resigned as the Nominee Director of the Company with effect from 2nd August, 2010. The Board has placed on record its sincere appreciation for the valuable services rendered and the guidance received from Mr. Muralidharan during his tenure as a Nominee Director of the Company.

Mr. V. Rajan was appointed as a Nominee Director of NHB in place of Mr. K. Muralidharan, not liable to retire by rotation, at the Meeting of the Board of Directors held on 14th October, 2010

Mr. V. Ravi retires by rotation 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, 2011 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. Uday Y. Phadke (Chairman of the Committee), Mr. Ramesh Iyer and Mr. V. Ravi. The Audit Committee met twice during the year under review.

REMUNERATION / COMPENSATION COMMITTEE

The Remuneration/ Compensation Committee of the Board comprises of Mr. Uday Y. Phadke, Mr. Ramesh Iyer and Mr. V. Ravi. The Remuneration / Compensation Committee met once during the year under review.

ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) of the Board comprises of Mr. Uday Y. Phadke, Mr. Ramesh Iyer and Mr. V. Ravi. The ALCO Committee met once during the year under review.

AUDITORS

M/s. 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 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 M/s. 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 Company has not made any loans/advances in the nature of loans which are otherwise 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.

CODES OF CONDUCT

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 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 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, 2011 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

Uday Y. Phadke
Chairman

Mumbai, 15th April, 2011

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, 2011.

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

Total Foreign Exchange earned and used

	MARCH 2011	MARCH 2010
Total Foreign Exchange earned	Nil	Nil
Total Foreign Exchange used	Nil	Nil

For and on behalf of the Board

Uday Y. Phadke
Chairman

Mumbai, 15th April, 2011

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 2011.

Name of Employee	Designation /Nature of Duties	Gross Remuneration (subject to income tax)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Mr. Anuj Mehra	Chief Executive Officer	6,733,567	Bachelor in Economics PG.D.M., I.I.M. (Ahmedabad)	27	50	1 st March, 2009	Vice President – Marketing Mahindra Lifespace Developers Limited

Notes:

1. Nature of employment is contractual, subject to termination on one month's notice on either side.
2. The above employee is not a relative of any Director of the Company.
3. 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.
4. Terms and conditions of employment are as per Company's Rules/contract.
5. 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

Uday Y. Phadke

Chairman

Mumbai, 15th April, 2011

Auditors' Report

To
The Members

MAHINDRA RURAL HOUSING FINANCE LIMITED

We have audited the attached Balance Sheet of **M/S. MAHINDRA RURAL HOUSING FINANCE LIMITED**, as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, as amended from time to time, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that

- (i) 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;
- (ii) 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;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, 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 31st March, 2011, and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended as on that date.

For **B. K. KHARE & CO.**
Chartered Accountants
(FRN : 105102W)

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Dated : April 15, 2011

Annexure to the Auditors' Report

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. No fixed assets were disposed off during the year.
2. 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.
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. 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.
11. 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.
12. The company is not a Chit fund, nidhi, mutual benefit fund or a society.
13. The company is not dealing or trading in shares, securities, debentures or any other investments.
14. 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.
15. 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.
16. 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.
17. 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.
18. Company has not issued any secured debentures.
19. During the period, company has not made any public issue of its equity shares.
20. 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)

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Dated : April 15, 2011

Balance Sheet

as at March 31, 2011

	Schedule	MARCH 2011	In Rupees MARCH 2010
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS :			
Capital	I	297142820	137142840
Reserves & Surplus	II	77531302	6279213
		374674122	143422053
LOAN FUNDS :			
Secured Loans	III	1342312667	837500000
Unsecured Loans	IV	1290511169	287900000
		2632823836	1125400000
TOTAL		3007497958	1268822053
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross Block	V	13355025	4458845
Less : Depreciation		2716425	740969
Net Block		10638600	3717876
Add: Capital Work-in-progress		845147	0
		11483747	3717876
DEFERRED TAX ASSET (Notes to the Accounts - 8)		6089751	1406664
CURRENT ASSETS AND LOANS AND ADVANCES :			
(a) Cash & Bank Balances		22933953	6191194
(b) Other Current Assets		2669662	2645364
(c) Loans & Advances		3155174902	1301133233
	VI	3180778517	1309969792
LESS : CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	VII	127055024	25453375
(b) Provisions	VIII	63799033	20818903
		190854057	46272278
NET CURRENT ASSETS		2989924460	1263697514
TOTAL		3007497958	1268822053

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 and Co.

Chartered Accountants
(FRN: 105102W)

Padmini Khare Kaicker

Partner

Membership No. 44784

Place : Mumbai

Dated : April 15, 2011

Anuj Mehra

Chief Executive Officer

Binal Thakker

Company Secretary

Uday Y. Phadke

Chairman

Ramesh Iyer

V. Ravi

V. Rajan

Directors

Profit and Loss Account

for the year ended March 31, 2011

	Schedule	MARCH 2011	MARCH 2010
In Rupees			
INCOME :			
Income from Operations	IX	493286860	162988450
Other Income	X	81489	32096
TOTAL INCOME		493368349	163020546
EXPENDITURE :			
Financial Expenses	XI	132446755	52103108
Employee cost	XII	124266973	52522941
Other Expenses	XIII	99380512	29775670
Depreciation	XIV	1991998	615057
Provisions & write off's	XV	13488380	2797263
TOTAL EXPENDITURE		371574618	137814039
PROFIT BEFORE TAX		121793731	25206507
Less : Current tax		37900000	5000000
Less : MAT credit entitlement		0	(200000)
		37900000	4800000
Add/(Less) : Deferred tax (Notes to the Accounts - 8)		(4683087)	(1406664)
PROFIT AFTER TAX		88576818	21813171
Add : Balance brought forward		757575	(13929454)
AMOUNT AVAILABLE FOR APPROPRIATION		89334393	7883717
APPROPRIATION :			
Statutory Reserve		27835000	5521638
Proposed Dividend on Equity Shares (Final)		14857142	1371429
Corporate Dividend Tax on Equity Shares (Final)		2467587	233075
Balance Profit carried to Balance Sheet		44174664	757575
		89334393	7883717
EARNING PER SHARE (Refer Notes to the Accounts - 7)			
(Face Value of Rs. 10 per share)			
Basic		2.98	1.59
Diluted		2.98	1.59
Notes to the Accounts	XVI		

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

This is the Profit & Loss Account referred in our report of even date

For B. K. Khare and Co.

Chartered Accountants
(FRN: 105102W)

Padmini Khare Kaicker

Partner

Membership No. 44784

Place : Mumbai

Dated : April 15, 2011

Anuj Mehra

Chief Executive Officer

Binal Thakker

Company Secretary

Uday Y. Phadke

Chairman

Ramesh Iyer

V. Ravi

V. Rajan

Directors

Schedules

	MARCH 2011	MARCH 2010
		In Rupees
SCHEDULE I		
SHARE CAPITAL		
Authorised :		
50000000 Equity shares of Rs.10/- each (Previous year : 50000000 shares of Rs. 10/- each)	500000000	500000000
Issued :		
45714280 Equity shares of Rs.10/- each (Previous year : 45714280 shares of Rs. 10/- each)	457142800	457142800
Subscribed and Paid-up :		
5714285 Equity shares of Rs.10/- each fully paid up and 39999995 Shares are partly paid of Rs 6 /- (Previous year : 5714285 shares of Rs. 10/- each fully paid up and 39999995 Shares are partly paid of Rs 2 /-) (Notes to the Accounts -1)	297142820	137142840
TOTAL	297142820	137142840

NOTE :-

Mahindra & Mahindra Financial Services Ltd. the Holding Company holds 40000000 shares (Previous year : 40000000 shares) as on 31st March, 2011 (including 6 shares held jointly with nominees).

	MARCH 2011	MARCH 2010
		In Rupees
SCHEDULE II		
RESERVES & SURPLUS		
Statutory Reserve :		
As per last Balance Sheet	5521638	-
Add : Transfer during the period	27835000	5521638
	33356638	5521638
Balance in Profit & Loss Account	44174664	757575
TOTAL	77531302	6279213

	MARCH 2011	MARCH 2010
		In Rupees
SCHEDULE III		
SECURED LOANS		
National Housing Bank (Repayable within a year Rs. 156432000; Previous year : Rs 86653056) (Secured by hypothecation of the Company's current assets covered by Loan agreements and related book debts)	1000646000	625000000
Term Loans from Banks (Repayable within a year Rs. : 70833333; Previous year : Rs. 70800000) (Secured by hypothecation of the Company's current assets covered by Loan agreements and related book debts)	341666667	212500000
TOTAL	1342312667	837500000

	MARCH 2011	MARCH 2010
		In Rupees
SCHEDULE IV		
UNSECURED LOANS		
Inter Corporate Deposits (Repayable within 18 months, Previous period within a year)	1290511169	287900000
TOTAL	1290511169	287900000

Schedules

SCHEDULE V FIXED ASSETS

In Rupees

DESCRIPTION OF ASSET	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION			NET BLOCK		
	As at April 1, 2010	Additions for Purch./Trf.	Deductions for Sale./Trf.	As at March 31, 2011	Upto April 1, 2010	For the year/Trf.	Deductions /Trf.	As at April 1, 2010	As at March 31, 2011
Computers	410649	3977130	-	4387779	84870	484070	-	325779	3818839
Office Equipment	807462	3440880	-	4248342	2293556	426274	-	578106	3592712
Furniture	508268	499892	-	1008160	31057	252129	-	477211	724974
Vehicles	2732466	1349430	371152	3710744	3956686	829525	16543	2336780	2502076
Grand Total	4458845	9267332	371152	13355025	740969	1991998	16543	3717876	10638600
As At March 31, 2010	797344	3661501	-	4458845	125913	615057	-	671431	3717876



Schedules

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE VI			
CURRENT ASSETS, LOANS & ADVANCES			
[A] Current Assets :			
Other Current Assets :		2,669,662	2645364
Cash & Bank balances :			
- Cash & Cheques on hand		4545412	1877546
- Balance with Scheduled Banks in Current Account		18388541	4313648
Total	(A)	25603615	8836558
[B] Loans & Advances (Unsecured unless otherwise stated)			
Deposits others		2125575	2254225
Housing Loans (Secured) (including overdue loans) *		3151898936	1297599492
Loans considered good		3151898936	1297599492
Loans and Advances (Unsecured)		1150391	1079516
MAT credit entitlement		-	200000
Total	(B)	3155174902	1301133233
TOTAL	(A+B)	3180778517	1309969792

* Includes Non-performing Assets of Rs. 51015864 (Previous year : Rs.12991893)

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE VII			
CURRENT LIABILITIES			
Sundry Creditors		79796657	19825661
Other Current Liabilities		6297116	2473118
Credit balance in Current Accounts with Banks		745545	1139824
Interest accrued but not due - Loans		40215706	2,014,772
TOTAL		127055024	25453375

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE VIII			
PROVISIONS			
Provision for Taxation (net of taxes paid)		4290492	860652
Provision on Standard Assets		7769268	-
Provision for NPA and doubtful debts		8067970	2797263
Proposed Dividend		14857142	1371429
Corporate Dividend Tax		2467587	233075
Provision for Employee Benefits (Refer Notes to the Accounts - 5)		26346574	15556484
TOTAL		63799033	20818903

Schedules

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE IX		
INCOME FROM OPERATIONS		
Income from Loan	493286860	162394422
Profit on pre-termination	-	594029
TOTAL	493286860	162988450

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE X		
OTHER INCOME		
Other interest	81489	32096
TOTAL	81489	32096

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE XI		
FINANCIAL EXPENSES		
Interest on		
- Fixed loans	72240545	18640369
- Others	58194466	32201215
Bank Charges	2011744	1261524
TOTAL	132446755	52103108

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE XII		
EMPLOYEE COST		
Salary, Bonus & Incentives	116065408	49232697
Company's Contribution to P.F. & other funds	6757104	2682610
Staff Welfare	1444461	607634
TOTAL	124266973	52522941

Schedules

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE XIII		
OTHER EXPENSES		
Rent	256585	155365
Rates and Taxes	8033357	2705113
Legal and Professional Charges	28643741	4676058
Auditor's Remuneration		
-Audit Fees	100000	100000
-Other Services	200000	55000
Insurance	4487324	1373561
Printing and Stationery	5791641	1858127
Travelling Expenses	2447478	1760097
Conveyance Expenses	13516668	4490940
Recruitment Expenses	1659341	1499659
Administration Support Charges	13232784	2400866
Advertisement and Publicity	5213666	531897
General and Administrative Expenses	15797927	8168987
TOTAL	99380512	29775670

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE XIV		
DEPRECIATION & AMORTISATION		
Depreciation	1991998	615057
TOTAL	1991998	615057

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE XV		
PROVISIONS & WRITE OFF'S		
Provision on Standard Assets	7769268	-
Provision for Non-performing Assets (Refer Notes to the Accounts - 9)	5270707	2797263
Loss on pre-termination	448405	-
TOTAL	13488380	2797263

SCHEDULE XVI

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

SIGNIFICANT ACCOUNTING POLICIES (SAP) :

1) Accounting Convention :

The accounts have been prepared to comply in all the material aspects with (a) applicable Accounting Principles in India, (b) the Accounting Standards issued by The Institute of Chartered Accountants of India and (c) relevant provisions of The Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The National Housing Bank.

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 period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

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.

4) Revenue Recognition :

i. General :

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges and service charges, 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 recognised on receipt basis.

ii. Interest and other income from Housing Loans :

Repayment of housing loans is generally by way of Equated Monthly/Quarterly/Half yearly Installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is accounted every month.

iii. Income From Investments :

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

5) Fixed Assets :

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

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.

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

8) Income-Tax :

The accounting treatment for Income-tax in respect of the Company's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS - 22) issued by The Institute of Chartered Accountants of India. The provision for Income-tax made in the Accounts shall comprise of tax on current income and deferred tax. Deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

9) Miscellaneous Expenditure :

Preliminary Expenses :

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

10) Employee Benefits :

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

(a) Defined Contribution Plans-

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

(b) Defined Benefit Plan-

Company's liabilities towards gratuity & sick leave 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.

(c) Liability on account of encashment of leave to employees is considered as short term compensated expense provided at actuals.

11) Borrowing Cost :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised 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. The expenditure incurred in raising long-term borrowings is amortised over the period of borrowings. On early repayment of borrowings, any unamortized expenditure is fully written off in that year.

NOTES TO THE ACCOUNTS :

- 1) During the year, the Company has made a further call of Rs. 4 per equity share on 3,99,99,995 Equity shares of Rs. 10 each (3,50,00,000 shares to Mahindra & Mahindra Financial Services Ltd. and 49,99,995 shares to National Housing Bank).
- 2) In terms of Section 29C(i) of The National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits 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. During the year, the Company has transferred an amount of Rs.2,78,35,000/- (Previous year Rs. 55,21,638/-) to Special Reserve in terms of Section 36(1)(viii) of The Income Tax Act, 1961. The Company does not anticipate any withdrawal from such Special Reserve in the foreseeable future.
- 3) During the year under audit, due to change in basis of accounting of income from completed month basis to days basis, there is one time impact of Rs. 152 lacs (net of tax Rs. 110.55 lacs) which has been credited to income from operations.
- 4) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated, if realised, in the ordinary course of business.

Schedules

5) Employee Benefits :

Defined Benefit Plans -As per actuarial valuation on 31st March, 2011

	Gratuity (Funded) March 2011	Gratuity (Funded) March 2010	Leave Benefits (Sick leave) March 2011	Leave Benefits (Sick leave) March 2010
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March				
1 Current service cost	1376191	549913	468922	67435
2 Interest cost	78996	19534	13012	0
3 Expected return on plan assets	(97101)	(27685)	0	0
4 Actuarial (Gains)/Losses	(896099)	(164171)	(352862)	49013
5 Total expense	461987	377591	129072	116448
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March				
1 Present Value of Defined Benefit obligation as at 31st March	1295311	736223	245520	116448
2 Fair value of plan assets as at 31st March	1459229	646848	0	0
3 Funded status (surplus/(deficit))	163918	(89375)	(245520)	(116448)
4 Net asset/(liability) as at 31st March	163918	(89375)	(245520)	(116448)
III. Change in the obligations during the year ended 31st March				
1 Present Value of Defined Benefit obligation at the beginning of the year	736223	330947	116448	0
2 Current service cost	1376191	549913	468922	67435
3 Interest cost	78996	19534	13012	0
4 Actuarial (Gains)/Losses	(896099)	(164171)	(352862)	49013
5 Benefits paid	0	0	0	0
6 Present Value of Defined Benefit obligation at the end of the year	1295311	736223	245520	116448
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	646848	92140	0	0
2 Expected return on plan assets	97101	27685	0	0
3 Contributions by employer	715280	527023	0	0
4 Actuarial (Gains)/Losses	0	0	0	0
5 Actual Benefits paid	0	0	0	0
6 Fair value of plan assets at the end of the year	1459229	646848	0	0
V. Major category of plan assets as a percentage of total plan				
Funded with LIC	100.00%	100.00%		
Others				
VI. Actuarial Assumptions				
1 Discount Rate	8.00% pa.	8.00% pa.	8.00% pa.	8.00% pa.
2 Rate of Salary increase	5.00% pa.	5.00% pa.	5.00% pa.	5.00% pa.
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE		

Schedules

- 6) The Company has only one reportable segment of business viz. Housing Finance business for the purpose of AS-17 "Segment Reporting" and all other activities are incidental to the main business activity.
- 7) In accordance with the Accounting Standard on "Earning Per Share" (AS-20) issued by The Institute of Chartered Accountants of India, the EPS is calculated as follows :

Particulars	MARCH 2011	MARCH 2010
Net Profit/(Loss) attributable to Equity Share Holders	88576818	21813171
Weighted Average Numbers of Shares (Basic)	29714277	13714279
Weighted Average Numbers of Shares (Diluted)	29714277	13714279
EPS – (Basic) (Rs.)	2.98	1.59
EPS – (Diluted) (Rs.)	2.98	1.59

- 8) Deferred Tax Asset/Liability has been recognised in the current accounting year in view of certainty of profits and accounted for in accordance with AS-22 on "Accounting for Taxes on Income". The break up of the Deferred Tax Asset as on 31st March, 2011 of Rs. 60,89,751/- (Previous year : Rs. 1406664/-) is as under :

Particulars	MARCH 2011	MARCH 2010
Provision for Non-performing Assets	2617653	929181
Depreciation	(367128)	(23689)
Other Disallowances	3839226	501172
TOTAL	6089751	1406664

- 9) The Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2001 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, 2001.

During the year, the Company, for the first time has voluntarily made an additional provision on standard assets as on 31st March 2011 at the rate of 0.25% amounting to Rs.77,69,268/- .

- 10) The Holding Company, Mahindra & Mahindra Financial Services Limited (MMFSL), has incurred cost of Rs. 9,13,877 (Previous year : Rs. 77,700) and Mahindra and Mahindra Limited has incurred cost of Rs. 26,083 (Previous year : Rs. 49,269) on account of issuance of Employee Stock Options (ESOS) to employees of the Company.
- 11) 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.

Schedules

12) Related Party Disclosure as per Accounting Standard 18 :

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

Holding Company	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 (Chief Executive Officer)

Related Parties transactions are as under :

In Rupees

Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
1	Expenses			
	Interest	50237468 (29729684)	7570511 (2463834)	- -
	Other Expenses	13323505 (2400866)	21289310 (1800503)	6733567 (4163352)
2	Issue of equity shares (Call money recd.)	140000000 -	- -	- -
3	Finance			
	Inter Corporate Deposits taken (including interest accrued but not due)	1154980262 (238902070)	158937003 (50824795)	- -
4	Purchase of Fixed Assets	- (541232)	- -	- -
5	Outstandings			
	Payables	6946405 (1472502)	4793737 (780184)	- -

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

Schedules

13) Computation of Net Profit in accordance with Section 198 and 309(5) of The Companies Act, 1956 for the year ended on 31st March, 2011.

	Financial Year 2010-2011	In Rupees Financial Year 2009-2010
Profit before Tax as per Profit and Loss Account	121793731.00	25206507.34
Add : Depreciation charged in the Account	1991998.00	615057.00
Directors' Remuneration including Directors' fees	6733567.00	4163352
Provision on Standard Assets	7769268.00	0.00
Provision for non-performing assets (Net)	5270707.00	2797263.00
	21765540.00	7575672.00
	143559271.00	32782179.00
Less : Depreciation u/s 350 of the Companies Act, 1956	1991998.00	615057.00
	1991998.00	615057.00
TOTAL	141567273.00	32167122.34
Manager's Remuneration (Approved by Special Resolution in EGM held on 18th February, 2009 and prior approval of Central Government obtained in terms of Section 198(4) of the Companies Act, 1956)	6733567.00	4163352.00
TOTAL	6733567.00	4163352.00

14) Previous year's figures have been regrouped wherever necessary.

Signatures to Schedules I to XVI

For B. K. Khare and Co.

Chartered Accountants
(FRN: 105102W)

Padmini Khare Kaicker

Partner
Membership No. 44784
Place : Mumbai
Dated : April 15, 2011

Anuj Mehra
Chief Executive Officer

Binal Thakker
Company Secretary

Uday Y. Phadke

Chairman

Ramesh Iyer

V. Ravi
V. Rajan

Directors

Schedules

I. Capital to Risk Assets Ratio (CRAR)

Items	MARCH 2011	MARCH 2010
i) CRAR	18.02%	17.60%
ii) CRAR - Tier I Capital	18.02%	17.60%
iii) CRAR - Tier II Capital	0.00%	0.00%

II. Exposure to Real Estate Sector

Category	MARCH 2011	MARCH 2010
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	315.19	129.76
Of the above Individual housing loan upto Rs.15 lakh	314.60	129.22
(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		
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										
	1day 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	320	0	0.94	5.09	13.50	179.32	43.14	13.55	4.55	0	263.28
Market Borrowings	0	0	0	0	0	0	0	0	0	0	0
Assets											
Advances	1302	3.27	3.18	10.53	22.43	106.12	105.54	39.36	10.94	0.81	315.19
Investments	0	0	0	0	0	0	0	0	0	0	0

Cash Flow Statement

for the year ended March 31, 2011

		In Rupees
	MARCH 2011	MARCH 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies	121793731	25206507
Add/(Less):		
Non Cash Expenses :		
Depreciation	1991998	615057
Provision for Non-performing Assets (net)	5270707	2797263
General Provision for Standard Assets	7769268	-
	15031973	3412320
Add/(Less):		
Income/Expense considered separately :		
Income on investing activities	(81489)	(32096)
(Profit)/Loss on sale of assets	27275	-
	(54214)	(32096)
Operating profit before working capital changes (I)	136771490	28586731
Less:		
(Increase)/Decrease in interest accrued others	(24298)	(2,031,049)
(Increase)/Decrease in Loans & Advances	(1854241669)	(847743841)
	(1854265966)	(849774890)
Add: Increase in Current liabilities	112391739	30785108
	(1741874227)	(818989782)
Cash generated from operations (II)	(1605102737)	(790403052)
Advance taxes paid (I+II)	(34270160)	(3744467)
	(1639372897)	(794147519)
NET CASH FROM OPERATING ACTIVITIES (A)	(1639372897)	(794147519)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(10112479)	(3661501)
Sale of fixed assets	327334	-
Income received on investments	81489	32096
NET CASH FROM INVESTING ACTIVITIES (B)	(9703656)	(3629405)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares (net of issue expenses)	159999980	-
Increase/(Decrease) in Bank Borrowings (net)	129166667	62500000
Increase/(Decrease) in Long Term Borrowings (net)	375646000	625000000
Increase/(Decrease) in Short Term Borrowings (net)	1002611169	109800000
Dividend paid	(1604504)	-
NET CASH FROM FINANCING ACTIVITIES (C)	1665819312	797300000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	16742759	(476924)
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the year	6191194	6668118
End of the year	22933953	6191194

Examined and found correct

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

Padmini Khare Kaicker
Partner
Membership No. 44784
Place : Mumbai
Dated : April 15, 2011

Anuj Mehra Chief Executive Officer
Binal Thakker Company Secretary

Uday Y. Phadke Chairman
Ramesh Iyer
V. Ravi Directors
V. Rajan

Balance Sheet Abstract

and Company's General Business Profile

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I Registration details

Registration no. 0 0 1 6 9 7 9 1

State code 1 1

Balance sheet date 3 1 0 3 2 0 1 1
date month year

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

Public issue
N I L

Rights issue
N I L

Bonus issue
N I L

Private placement
N I L

III Position of mobilisation and deployment of funds (amount in Rs. Thousands)

Total liabilities
3 0 0 7 4 9 8

Total assets
3 0 0 7 4 9 8

Sources of funds :

Paid-up capital
2 9 7 1 4 3

Reserves and surplus
7 7 5 3 1

Secured loans
1 3 4 2 3 1 3

Unsecured loans
1 2 9 0 5 1 1

Application of funds :

Intangible Assets
N I L

Net Fixed Assets
1 1 4 8 4

Investments
N I L

Net current assets
2 9 8 9 9 2 4

Miscellaneous Expenditure
N I L

Accumulated Losses
N I L

Deferred Tax Asset (Net)
6 0 9 0

IV Performance of company (amount in Rs. Thousands)

Turnover
4 9 3 3 6 8

Total Expenditure
3 7 1 5 7 4

+ - Profit/ (Loss) before tax
1 2 1 7 9 4

+ - Profit/ (Loss) after tax
8 8 5 7 7

Earning per share in Rs.

Basic 2 . 9 8 Diluted 2 . 9 8

Dividend rate %
5

V Generic name of Principal Product/Service of Company (as per monetary items)

Item Code No. (ITC Code) N I L

Product description : H O U S I N G L O A N S

Uday Y. Phadke Chairman

Ramesh Iyer
V. Ravi Directors
V. Rajan

Place : Mumbai

Dated : April 15, 2011

Anuj Mehra
Chief Executive Officer

Binal Thakker
Company Secretary

Mahindra Business & Consulting Services Private Limited

Mahindra Business & Consulting Services Private Limited

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Directors' Report

Your Directors present their Third Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2011.

FINANCIAL RESULTS

	Rs. in lakhs	
	For the year ended 31 st March, 2011	For the year ended 31 st March, 2010
Income	5994.54	1840.61
Profit / (Loss) before Interest and Taxation	114.48	24.88
Interest	32.47	4.58
Profit / (Loss) before Taxation	82.01	20.30
Provision for Taxation for the year		
- Current Tax	39.23	9.74
- Deferred Tax	(11.65)	(2.76)
Profit / (Loss) for the year after Taxation	54.43	13.32
Balance of Profit/(Loss) from earlier years	13.13	(0.19)
Balance carried forward	67.56	13.13

OPERATIONS

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

Your Company has 4,739 number of employees as on 31st March, 2011, mainly sourced for Mahindra & Mahindra Financial Services Limited, the parent company and Mahindra Insurance Brokers Limited and Mahindra Rural Housing Finance Limited, subsidiaries of the parent company. The Company earns its income in the form of fees towards staffing services. The Company registered a Profit after Tax of Rs. 54.43 lakhs for the year ended 31st March, 2011 as compared to Rs.13.32 lakhs in the previous year.

DIVIDEND

With a view to conserve the cash resources of the Company, your Directors deem it prudent not to recommend a dividend for the year.

DIRECTORS

Mr. Apurv Verma resigned as Director of the Company with effect from 15th July, 2010. The Board has placed on record its sincere appreciation for the services rendered by Mr. Verma as Director of the Company.

Mr. Rajnish Agarwal was appointed as an Additional Director of the Company at the Meeting of the Board of Directors held on 15th April, 2011. Mr. Agarwal holds office up to the date of the forthcoming Annual General Meeting.

The Company has received a notice from a Member under section 257 of the Companies Act, 1956, signifying his

intention to propose Mr. Rajnish Agarwal as Director of the Company at the forthcoming Annual General Meeting.

Mr. Vinay Deshpande 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, 2011 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 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 (IB) 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 Company has not made any loans/advances in the nature of loans which are otherwise 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, 2011, 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, 2011

Annexure to the Directors' Report for the financial year ended 31st March, 2011

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, 2011.

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

Total Foreign Exchange earned and used

	MARCH 2011	MARCH 2010
Total Foreign Exchange earned	Nil	Nil
Total Foreign Exchange used	Nil	Nil

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 15th April, 2011

Auditors' Report

To

The Members of
**MAHINDRA BUSINESS & CONSULTING SERVICES
PRIVATE LIMITED**

We have audited the attached Balance Sheet of **M/S. MAHINDRA BUSINESS & CONSULTING SERVICES PRIVATE LIMITED**, as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, as amended from time to time, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) 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;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, 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 31st March, 2011, and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended as on that date.

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

Padmini Khare Kaicker
Partner
Membership no. 44784

Place : Mumbai
Dated : April 15, 2011

Annexure to the Auditors' Report

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. No fixed assets were disposed off during the year.
2. 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 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.
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. 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.
11. 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.
12. The company is not a Chit fund, nidhi, mutual benefit fund or a society.
13. The company is not dealing or trading in shares, securities, debentures or any other investments.
14. 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.
15. In our opinion and according to the information and explanations given to us, during the year, the Company has not taken any term loans.
16. 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.
17. 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.
18. Company has not issued any secured debentures.
19. During the year, the Company has not made any public issue of its equity shares.
20. 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 : April 15, 2011

Balance Sheet

as at March 31, 2011

		In Rupees	
Schedule	MARCH 2011	MARCH 2010	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Capital	I	100000	100000
Reserves & Surplus	II	6755745	1313414
		6855745	1413414
LOAN FUNDS :			
Unsecured Loans	III	67373921	17454406
		67373921	17454406
TOTAL		74229666	18867820
APPLICATION OF FUNDS			
DEFERRED TAX ASSET		1440987	276183
(Refer Notes to the Accounts - 7)			
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Sundry Debtors		83816203	15925317
(b) Cash & Bank Balances		1518690	2191709
(c) Other Current Assets		5150	3605
(d) Loans & Advances		82111373	20077281
	IV	167451416	38197912
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	V	81483904	13783284
(b) Provisions	VI	13178833	5822991
		94662737	19606275
NET CURRENT ASSETS		72788679	18591637
TOTAL		74229666	18867820

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 and Co.

Chartered Accountants
FRN : 105102W

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Ramesh Iyer
Chairman

Dr. Jaideep Devare
Director

V. Ravi
Director

Rajnish Agarwal
Director

Vinay Deshpande
Director

Rajesh Vasudevan
Director

Anuj Mehra
Director

Place : Mumbai
Dated : April 15, 2011

Profit and Loss Account

for the year ended March 31, 2011

		In Rupees	
Schedule	MARCH 2011	MARCH 2010	
INCOME :			
Income from Operations	VII	599454427	184060616
TOTAL INCOME		599454427	184060616
EXPENDITURE :			
Financial Expenses	VIII	3247227	458239
Employee Cost	IX	468106564	151741442
Other Expenses	X	119899924	29830467
TOTAL EXPENDITURE		591253715	182030148
PROFIT BEFORE TAX		8200712	2030468
Less : Current Tax		3923185	974577
Add/(Less) : Deferred Tax		(1164804)	(276183)
PROFIT AFTER TAX		5442331	1332074
Add : Balance brought forward		1313414	(18660)
AMOUNT AVAILABLE FOR APPROPRIATION		6755745	1313414
APPROPRIATION :			
Balance Profit carried to Balance Sheet		6755745	1313414
		6755745	1313414
EARNINGS PER SHARE (Refer Notes to the Accounts - 4)			
(Face Value of Rs.10/- per share) (Rupees)			
Basic		544.23	133.21
Diluted		544.23	133.21
Notes to the Accounts	XI		

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

This is the Profit & Loss Account referred in our report of even date.

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

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Ramesh Iyer
Chairman

Dr. Jaideep Devare
Director

V. Ravi
Director

Rajnish Agarwal
Director

Vinay Deshpande
Director

Rajesh Vasudevan
Director

Anuj Mehra
Director

Place : Mumbai
Dated : April 15, 2011

Schedules

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE I			
SHARE CAPITAL			
Authorised :			
1,00,000	Equity shares of Rs.10/- each (Previous year : 10,000 shares)	1000000	100000
Issued :			
10,000	Equity shares of Rs.10/- each (Previous year : 10,000 shares)	100000	100000
Subscribed and Paid-up :			
	10,000 Equity shares of Rs.10/- each fully paid up (Previous year : 10,000 shares)	100000	100000
TOTAL		100000	100000

NOTE :-

Mahindra & Mahindra Financial Services Ltd, the Holding Company holds 10,000 shares as on 31st March, 2011.
(Previous year : 10,000 shares)

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE II			
RESERVES & SURPLUS			
	Balance in Profit & Loss Account	6755745	1313414
TOTAL		6755745	1313414

		In Rupees	
		MARCH 2011	MARCH 2010
SCHEDULE III			
UNSECURED LOANS			
	Inter Corporate Deposits (Repayable fully within a year)	67373921	17454406
TOTAL		67373921	17454406

Schedules

		MARCH 2011	MARCH 2010
			In Rupees
SCHEDULE IV			
CURRENT ASSETS, LOANS & ADVANCES			
[A] Current Assets :			
Sundry Debtors :			
a) Debts Outstanding for a period exceeding six months		0	0
b) Other Debts		83816203	15925317
Debtors considered good		83816203	15925317
Cash & Bank balances :			
- Balance with Scheduled Banks in Current Account		1518690	2191709
Other Current Assets		5150	3605
Total	(A)	85340043	18120631
[B] Loans & Advances (Unsecured unless otherwise stated) :			
Loans and advances :			
considered good		725728	325110
considered doubtful		0	0
		725728	325110
Advance payment of Tax (net of provisions)		81385645	19752171
Total	(B)	82111373	20077281
TOTAL	(A+B)	167451416	38197912

		MARCH 2011	MARCH 2010
			In Rupees
SCHEDULE V			
CURRENT LIABILITIES			
Sundry Creditors		69680977	9257613
Other Current Liabilities		9877645	4180492
Interest accrued but not due		1925282	345179
TOTAL		81483904	13783284

		MARCH 2011	MARCH 2010
			In Rupees
SCHEDULE VI			
PROVISIONS			
Provision for Employee Benefits (Refer Notes to the Accounts - 2)		13178833	5822991
TOTAL		13178833	5822991

Schedules

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE VII		
INCOME FROM OPERATIONS		
Income from Services rendered	582390527	180392416
Income from Service charges	17063900	3668200
TOTAL	599454427	184060616

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE VIII		
FINANCIAL EXPENSES		
Interest on ICD	3247227	458239
TOTAL	3247227	458239

	In Rupees	
	MARCH 2011	MARCH 2010
SCHEDULE IX		
EMPLOYEE COST		
Salary, Bonus & Incentives	431511384	139758439
Company's Contribution to P. F. & other funds	36595180	11960313
Staff Welfare	0	22690
TOTAL	468106564	151741442

Schedules

	MARCH 2011	In Rupees MARCH 2010
SCHEDULE X		
OTHER EXPENSES		
Insurance	3095662	517789
Rates & Taxes	212075	35700
Legal & Professional Charges	43775	11155
Conveyance	102245786	26202158
Travelling Expenses	8649979	1864276
Bank Charges	19500	20615
Auditors Remuneration - Audit Fees	25000	25000
- Other Services	0	10000
General & Administrative Expenses	5608147	1143774
TOTAL	119899924	29830467

SCHEDULE XI

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

SIGNIFICANT ACCOUNTING POLICIES (SAP)

1) Basis of Preparation of Accounts :

These accounts are prepared in accordance with historical cost convention and they conform in all material respects with (a) Generally Accepted Accounting Principles in India, (b) applicable Accounting Standards issued by The Institute of Chartered Accountants of India and (c) relevant provisions of The Companies Act, 1956.

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 income 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) Segment Reporting :

The Company has single reportable segment namely Manpower Supply Services for the purpose of Accounting Standard 17 on Segment Reporting.

8) Provisions & 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.

Notes to the Accounts :

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

Schedules

2) Employee Benefits : Defined Benefit Plans -As per Actuarial valuation on 31st March, 2011

	MARCH 2011	In Rupees MARCH 2010
Leave Benefits		
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March		
1 Current service cost	9814735	831438
2 Interest cost	155660	0
3 Expected return on plan assets	0	0
4 Actuarial (Gains)/Losses	(6360511)	0
5 Total expense	3609884	831438
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Benefit obligation as at 31st March	4441322	831438
2 Fair value of plan assets as at 31st March	0	0
3 Funded status (surplus/(deficit))	(4441322)	(831438)
4 Net asset/(liability) as at 31st March	(4441322)	(831438)
III. Change in the obligations during the year ended 31st March		
1 Present Value of Defined Benefit obligation at the beginning of the year	831438	0
2 Current service cost	9814735	831438
3 Interest cost	155660	0
4 Actuarial (Gains)/Losses	(6360511)	0
5 Benefits paid	0	0
6 Present Value of Defined Benefit obligation at the end of the period	4441322	831438
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	0	0
V. Major category of plan assets as a percentage of total plan		
Funded with LIC	100.00%	100.00%
Others		
VI. Actuarial Assumptions		
1 Discount Rate	8.00% p.a.	8.00% p.a.
2 Rate of Salary increase	5.00% p.a.	5.00% p.a.
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

3) 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.

4) 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	MARCH 2011	In Rupees MARCH 2010
Net Profit/(Loss) attributable to Equity Share Holders	5442331	1332074
Weighted Average Numbers of Shares	10000	10000
EPS – (Basic)	544.23	133.21
EPS – (Diluted)	544.23	133.21

Schedules

- 5) There are no dues outstanding from suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.
- 6) Related Party Disclosure as per Accounting Standard 18 :

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

Related Parties transactions are as under :

In Rupees

Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies
1	Income		
	Manpower supply	578966949 (182833015)	20487478 (1227601)
2	Expenses		
	Interest	3247227 (458239)	- -
	Other Expenses	1200000 -	- -
3	Finance		
	Inter Corporate Deposits taken (including interest accrued but not due)	69299203 (17799585)	- -
4	Outstandings		
	Receivables	78134509 (15404807)	5681695 (520510)
	Payables	99270 -	- -

Figures in bracket represent corresponding figures of previous year.

- 7) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Tax Asset/Liability. The break up of the Deferred Tax Asset as on 31st March, 2011 of Rs. 1440987/- (Previous year: Rs. 276183/-) is as under:

Particulars	In Rupees	
	MARCH 2011	MARCH 2010
Leave Benefits	1440987	276183
TOTAL	1440987	276183

- 8) Previous year figures have been regrouped wherever found necessary.

Signatures to Schedules I to XI

For B. K. Khare and Co.

Chartered Accountants

FRN : 105102W

Padmini Khare Kaicker

Partner

(Membership No. 44784)

Place : Mumbai

Dated : April 15, 2011

Ramesh Iyer

Chairman

Dr. Jaideep Devare

Director

V. Ravi

Director

Rajnish Agarwal

Director

Vinay Deshpande

Director

Rajesh Vasudevan

Director

Anuj Mehra

Director

Cash Flow Statement

for the year ended March 31, 2011

		In Rupees	
	MARCH 2011	MARCH 2010	
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies	8200712	2030468	
Add:			
Expense considered separately :			
Interest expense	3247227	458239	
	3247227	458239	
Operating profit before working capital changes (I)	11447939	2488707	
Add / Less:			
(Increase)/Decrease in Trade receivables	(67892431)	(15928922)	
(Increase)/Decrease in Loans & Advances	(400618)	(325110)	
	(68293049)	(16254032)	
Add: Increase in Current Liabilities	73476359	19242436	
	(II) 5183310	2988404	
Cash generated from operations (I+II)	16631249	5477111	
Advance taxes paid	(65556659)	(20726748)	
NET CASH FROM OPERATING ACTIVITIES (A)	(48925410)	(15249637)	
B. CASH FLOW FROM INVESTING ACTIVITIES			
NET CASH FROM INVESTING ACTIVITIES (B)	0	0	
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Short Term Borrowings (net)	49919515	17454406	
Interest paid	(1667124)	(113060)	
NET CASH FROM FINANCING ACTIVITIES (C)	48252391	17341346	
NET INCREASE / (DECREASE) IN			
CASH AND CASH EQUIVALENT (A+B+C)	(673019)	2091709	
CASH AND CASH EQUIVALENTS AS AT:			
Beginning of the year	2191709	100000	
End of the year	1518690	2191709	

Examined and found correct

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

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Ramesh Iyer
Chairman

Dr. Jaideep Devare
Director

V. Ravi
Director

Rajnish Agarwal
Director

Vinay Deshpande
Director

Rajesh Vasudevan
Director

Anuj Mehra
Director

Place : Mumbai
Dated : April 15, 2011

Balance Sheet Abstract

and Company's General Business Profile

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT,1956

I. Registration details

Registration no. State code

Balance sheet date
date month year

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

Public issue

Bonus issue

Rights issue

Private placement

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

Total liabilities

Sources of funds :

Paid-up capital

Secured loans

Application of funds :

Intangible Assets

Investments

Miscellaneous Expenditure

Deferred Tax Asset (Net)

Total assets

Reserves and surplus

Unsecured loans

Net Fixed Assets

Net current assets

Accumulated Losses

IV. Performance of company (amount in Rs. Thousands)

Turnover

+ - Profit/ (Loss) before tax

Earning per share in Rs.
Basic

Diluted

Total Expenditure

+ - Profit/ (Loss) after tax

Dividend rate %

V. Generic name of Principal Product/Service of Company (as per monetary items)

Item Code No. (ITC Code)
Product description

Ramesh Iyer
Chairman

V. Ravi
Director

Vinay Deshpande
Director

Anuj Mehra
Director

Place : Mumbai
Dated : April 15, 2011

Dr. Jaideep Devare
Director

Rajnish Agarwal
Director

Rajesh Vasudevan
Director



Driving Positive
Change...



Mahindra & Mahindra Financial Services Limited

Mahindra Towers, 4th Floor, Dr. G. M. Bhosale Marg,
P. K. Kurne Chowk, Worli, Mumbai – 400 018.

www.mahindrafinance.com