

**Kailash Auto Finance Limited**  
**Year - 2010-2011**

**Auditors' Report**

To,  
The Members  
**Kailash Auto Finance Limited**  
Kanpur

Dear Sirs,

We have audited the accompanying Balance Sheet of Messer's **Kailash Auto Finance Limited, Kanpur** as at **31<sup>st</sup> March' 2011** and the Profit and Loss Account for the year ended on that date, annexed thereto and the cash flow statement for the period ended on that date. 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 audits.

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 also 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

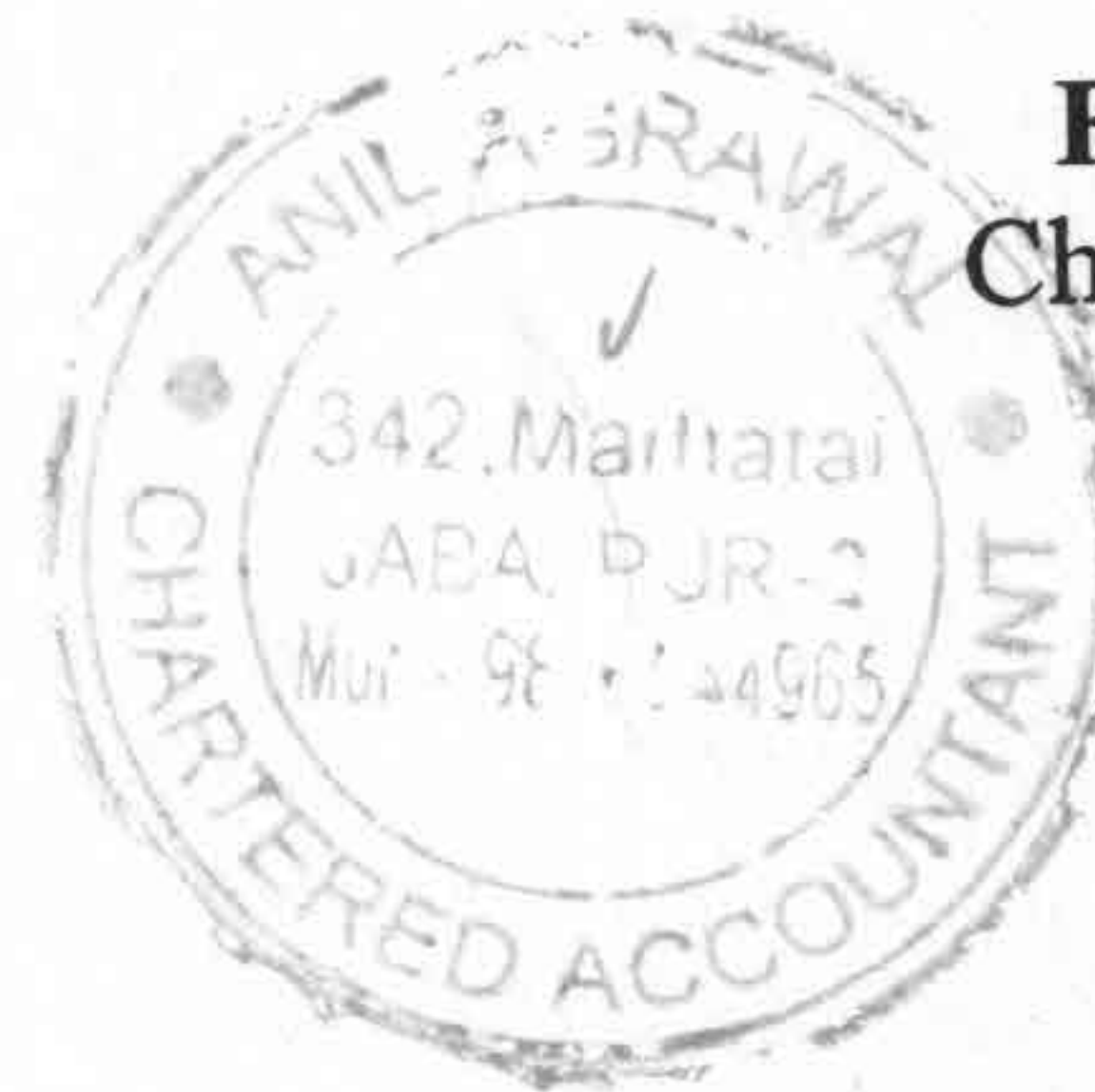
- 1) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section-227(4A) of the Companies Act, 1956. We annex hereto a statement on the matters specified in paragraph 4 of the said order, to the extent applicable to the company.
- 2) The Promoters of KAFL ['Promoters'] had vide a Share Purchase Agreement dated 12<sup>th</sup> May'2010 ['SPA'] agreed to sell their shares to Padma Impex Ltd. [Padma] due to certain disputes arising between the Promoters and Padma, the Promoters terminated the Share Purchase Agreement vide their termination notice. Pursuant thereto Padma filed arbitration petition No. 304 of 2011 before the high Court of Bombay [Arbitration Petition] seeking reliefs against the Promoters. Thereafter orders dated 2<sup>nd</sup> May'2011 and 26<sup>th</sup> July'2011 came to be passed in the said Arbitration Petition restraining the Promoters from alienating, encumbering, parting with possession of or creating any third party right, title and/or interest in respect of the shares held by them and referred to in the SPA.
- 3) The physical existence and the valuation of repossessed stock and documentation of repossessed stocks sold and/or refinanced during the year is based on the management certificate. We could not physically verify the same since located in far off places.
- 4) The provision for gratuity and leave encashment has been done on estimated basis and not as per Actuarial valuation required as per accounting standard 15 issued by ICAI. Therefore in light of the above, correctness of provision cannot be commented upon.
- 5) On account of expired lease asset and non availability of information regarding terms of lease and stock on lease, the compliance with accounting standard 19 on leases issued by ICAI could not be commented upon.
- 6) As we are not able to visit branches of the company as they are located at far off places, we have relied upon the information submitted by the branches and accounts maintained at H.O. at Jabalpur and certified by the management.
- 7) Subject to our comments in Para - 2 & 3 above :-
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
  - (c) The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.



- (d) In our opinion, the Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standard referred to in Sub-section-(3C) of Section-211 of the Companies Act, 1956.
- (e) On the basis of the written representation received from the Directors, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a director in terms of clause (g) of Sub Sec-(1) of Sec-274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and recording to the explanations given to us the said accounts read with the notes thereon given 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 ;
- (i) In the case of Balance Sheet of State of Affairs of the Company as at 31.03.2011.
- (ii) In the case of Profit & Loss Account of the '**LOSS**' for the year ended on that date; and
- (iii) In the case of cash flow statement of the cash flow for the year ended on that date.

Place : Jabalpur

Dated : 02-08-2011



**For Anil Agrawal**  
Chartered Accountants

(Anil Agrawal)  
Proprietor  
M No. 079054

**ANNEXURE TO THE AUDITORS 'REPORT REFERRED TO IN PARAGRAPH-1 OF OUR REPORT OF EVEN DATE.**

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets, except in respect of lease assets, however there exist Nil fixed assets as on 31-03-2011.
- (b) The fixed assets of the company other than lease assets are physically verified by the management at the end of the year. To the best of our knowledge no material discrepancies were noticed on such physical verification as compared with the book records, however there exist Nil fixed assets as on 31-03-2011.
- (c) During the year, the company has disposed no assets. According to the information and explanations given to us, management has planned to induct new directors who invest fresh funds to maintain the going concern status status of the company.
- (ii) (a) The repossessed stocks has been physically verified by the management at the end of the year. In our opinion, the frequency of verification is reasonable;
- (b) The procedures of physical verification of repossessed stock followed by the management are reasonable and adequate in relation to the size of the company and nature of its business;
- (c) The company is maintaining proper records of repossessed stocks. To the best of our knowledge no material discrepancies were noticed on such verification between the physical stocks and the book records ;
- (iii) (a) The company had granted no unsecured loans/advances during the year to companies, firm or other parties covered in the register maintained U/s-301 of the Companies Act, 1956,

- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to companies, firms or other parties listed in the register maintained U/s-301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) As per the information made available to us, the aforesaid loans granted by the company are repayable on demand and no such demand has been made during the year.
- (d) There is no overdue amount more than rupees one lacs in respect of the aforesaid loans (please refer to Point-iii) (c) above);
- (iv) (a) The company had taken unsecured loans/advances during the year from companies, firm or other parties covered in the register maintained U/s-301 of the Companies Act, 1956, the details required are given hereunder

Particulars	6
No. of Parties involved	217.37
Total Transactions (Rs. in Lacs)	29.41
Closing Balance (Rs. in Lacs)	

- (b) In our opinion the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained U/s-301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company ;
- (c) As per the information made available to us the aforesaid loans taken by the company are repayable on demand and no such demand has been made during the year ;
- (d) There is no overdue amount more than Rupees One Lac in respect of the aforesaid loans (Please refer to Point-iii) (g) above) ;



- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets, and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control ;
- (vi) (a) According to the information and explanations given to us by the company, we are of the opinion that the particulars of contracts or arrangements referred to in Sec-301 that need to be entered into the register maintained U/s-301 of the Companies Act, 1956 have been so entered ;
- (b) In our opinion and according to the information and explanations given to us, there are no transactions (excluding loans referred under Para-(iii) above) made in pursuance of contracts or arrangements entered in the register maintained U/s-301 of the Companies Act, 1956, exceeding the value of rupees five lacs in respect of any party during the year;
- (vii) In the case of public deposit received by the company the directives issued by the Reserve Bank of India and the provisions of Sections-58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 have been complied with except for delay in filing of returns and as per information made available to us no order has been passed by the Company law Board or National Company Law Tribunal or RBI or any court of any other Tribunal with regard to the deposits;
- (viii) The company has an Internal Audit System commensurate with the size and nature of its business which should be strengthened in respect of reporting and action thereon ;
- (ix) The company is in the business of financing and hence maintenance of cost records under Clause-(d) of sub-section-(1) of Section-209 of the Companies Act, 1956 is not applicable;
- (x) (a) According to the records, information and explanations given to us, the company is not regular in depositing with appropriate authorities undisputed amount of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31<sup>st</sup> March, 2011, for a period of more than six months from the date they become payable, except service tax of Rs. 1141065.50.
- (b) According to the records of the company, dues in respect of income tax, wealth tax, sales tax, custom duty and excise duty, cess, which have not been deposited on account of any dispute are as under

#### **1. INTEREST TAX:**

Assessment Year 1998-99, 1999-2000 and 2000-2001 cases are pending before Allahabad High Court by the Income tax Department against the order of ITAT where in it is held that the Finance Charges on Hire Purchase is not interest but a profit.

#### **2. INCOME TAX:**

- a. **Assessment Year 2001-2002 and 2002-2003** are pending before Allahabad High Court (by the Deptt.) against the order of the ITAT wherein depreciation is allowed at the rate of 40% on leased vehicles.
- b. **Assessment Year 1996-1997** is pending before Allahabad High Court against the penalty order passed by the ITAT.
- c. **Assessment Year 2004-05:** Case is pending before ITAT(u/s 254) and before High Court against the legal ground that case can not be opened u/s 148 before completion of 12 month time from the month in which return of income was originally filed.
- d. **Assessment Year 2006-07:** Case is pending before CIT (Appeals) kanpur against the order of the Assessing Officer.
- e. **Assessment Year 2007-08:** Case is pending for assessment before DCIT- 6 kanpur.
- f. **Assessment Year 1995-96:** We have filed a Writ Petition before Lucknow High Court under the KAR VIVAD SAMADHAN SCHEME and matter is pending before Lucknow High Court.
- g. **Assessment Year 1992-93:** Application is pending for appeal effect to be given before the Assessing Officer .
- The quantification of above liabilities has not been done on account of cases pending before the authority.

#### **3. LEGAL CASES**

- a. Disputed Case of Bhubaneswar Branch for recovery of Rs 4.45/-Lacs deposited in court
- b. Disputed Case of Citi Corp for recovery of Rs.3.04/-Lacs of Alwar Branch
- c. Disputed Case liabilities of Rs 3.08/-lacs repayable if claimed by the customer.



- (xi) The accumulated losses at the end of the year of the company are less than fifty percent of its net worth and the company has incurred no cash losses in the current financial year and there was no cash loss in immediately preceding financial year;
- (xii) The company has not defaulted in repayment of dues to Financial Institutions, Banks or Debenture holders.
- (xiii) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities ;
- (xiv) In our opinion, the company is not a chit fund, nidhi or mutual benefit fund / societies. Therefore, the provisions of the Clause-4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company;
- (xv) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. In respect of investment in shares, securities the same are held by the company in its own name except the shares of an Associate Company namely Kailash Vahan Udyog Limited;
- (xvi) 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 banks and financial institutions;
- (xvii) The company has not taken any term loan during the year accordingly the provisions of para 4 (xvi) of the Companies (Auditors' Report) Order 2003 are not applicable to the Company.
- (xviii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment, and vice-versa;
- (xix) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained U/s-301 of the Act during the year;
- (xx) The company has not issued any debentures, hence the provisions of Para-4 (xix) of Companies (Auditors' Report) Order, 2003 are not applicable ;
- (xxi) The company has not raised any money by public issue during the year;
- (xxii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year by the Company;

Place : Jabalpur

Dated : 02-08-2011



**For Anil Agrawal**  
Chartered Accountants

(Anil Agrawal)  
Proprietor  
M No. 079054

**KAILASH AUTO FINANCE LTD., KANPUR**  
BALANCE SHEET AS AT 31st March' 2011

<u>LIABILITIES</u>	Schedule No.	<u>As at 31 - 03 - 2011</u>		<u>As at 31 - 03 - 2010</u>	
		Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<b>SOURCES OF FUND</b>					
Shareholder's Fund					
Share Capital	1	38,916,033.00		38,916,033.00	
Reserve & Surplus	2	<u>11,377,508.85</u>	50,293,541.85	<u>11,377,508.85</u>	50,293,541.85
<b>LOAN FUND</b>					
Un Secured Loans	3	<u>2,940,762.13</u>	2,940,762.13	<u>24,678,234.97</u>	24,678,234.97
<b>Total</b>			<b><u>53,234,303.98</u></b>		<b><u>74,971,776.82</u></b>
<b>ASSETS</b>					
<b>APPLICATION OF FUNDS</b>					
INVESTMENT (At Cost)	4		132,730.00		280,430.00
DEFERRED TAX ASSET(NET)			550,857.00		3,270,620.00
<b>CURRENT ASSET, LOANS &amp; ADVANCES</b>					
Current Asset	5	3,537,684.65		6,415,539.44	
Loans & Advances	6	<u>13,745,225.77</u>		<u>14,671,749.77</u>	
		17,282,910.42		21,087,289.21	
Less : Current Liabilities & Provisions	7	<u>26,723,641.36</u>		<u>9,897,210.43</u>	
<b>NET CURRENT ASSET</b>			(9,440,730.94)		11,190,078.78
Debit Balance in Profit & Loss A/c		70,946,447.92		69,185,648.04	
Less : Balance in General Reserve		<u>8,955,000.00</u>	61,991,447.92	<u>8,955,000.00</u>	60,230,648.04
<b>Total</b>			<b><u>53,234,303.98</u></b>		<b><u>74,971,776.82</u></b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	13				

Place : Jabalpur

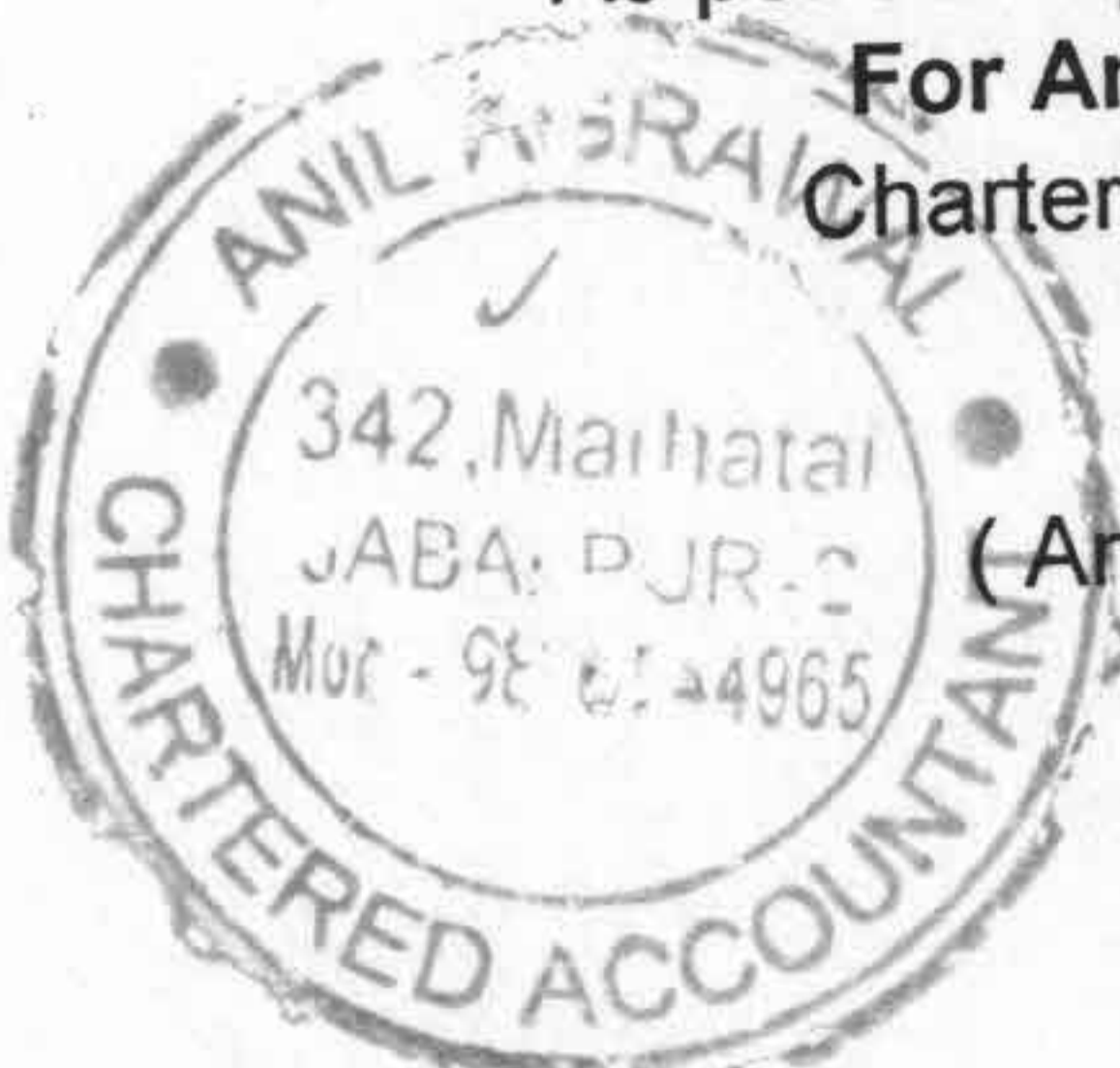
Dated : 02-08-2011

*Shalini Gupta*  
Shalini Gupta  
Director

*Kailash Gupta*  
Kailash Gupta  
Director

As per our report attached herewith  
For Anil Agrawal  
Chartered Accountants

(Anil Agrawal)  
Proprietor  
'079054



**KAILASH AUTO FINANCE LTD., KANPUR**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st March' 2011**

	Schedule No.	As at 31 - 03 - 2011		As at 31 - 03 - 2010	
		Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<b>INCOME</b>					
Income from Operations	8		3,431,591.94		22,577,351.54
Other Income	9		209,724.00		13,207,850.97
<b>Total</b>			<b>3,641,315.94</b>		<b>35,785,202.51</b>
<b>EXPENDITURE</b>					
Payment to & Provisions for Employees	10		866,642.00		11,263,373.28
Finance Charges	11		184,991.00		3,872,939.96
Administrative & Other Expenses	12		1,322,529.82		7,159,349.76
Depreciation for the year			-		250,655.44
<b>Total</b>			<b>2,374,162.82</b>		<b>22,546,318.44</b>
<b>Profit Before Tax</b>			1,267,153.12		13,238,884.07
Adjustment for Deferred Tax(Net)			(2,719,763.00)		1,240,000.00
FBT Adjustment (Earlier Year)			(68,760.00)		(26,318.00)
Expenses Relating to Earlier Year			(4,500.00)		-
Provision for Income Tax (MAT A.Y.2011-12)			(234,930.00)		(2,158,950.00)
<b>Profit After Tax</b>			<b>(1,760,799.88)</b>		<b>12,293,616.07</b>
Add : Balance B/F from earlier years			(69,185,648.04)		(81,479,264.11)
<b>Balance Available for Appropriation</b>			<b>(70,946,447.92)</b>		<b>(69,185,648.04)</b>
<b>Appropriations</b>					
Transfer to Statutory Reserve			(70,946,447.92)		(69,185,648.04)
Balance Carried forward to Balance sheet					
Significant Accounting Policies and Notes to Accounts	13				
Basic & diluted earning per share of Rs. 10/- each (in Rs.) refer note no. 11 of sch. 14			(0.46)		3.23

Place : Jabalpur

Dated : 02-08-2011

*Shalini Gupta*  
 Shalini Gupta  
 Director

*Kailash Gupta*  
 Kailash Gupta  
 Director

As per our report attached herewith  
**For Anil Agrawal**  
 Chartered Accountants  
 (Anil Agrawal)  
 Proprietor  
 079054

ANIL AGRAWAL  
 342, Marhata  
 JABA: P JR-2  
 Mor. - 9 11-4965  
 CHARTERED ACCOUNTANTS

## KAILASH AUTO FINANCE LTD., KANPUR

### SCHEDULE - "1" - SHARE CAPITAL

	As At 31-03-2011 (₹)	As At 31-03-2010 (₹)
<b>AUTHORISED SHARE CAPITAL</b>		
100,00,000 Equity Shares of Rs. 10/- each and	100,000,000.00	100,000,000.00
5,00,000 Preference Shares of Rs. 100/- each	50,000,000.00	50,000,000.00
	<u>150,000,000.00</u>	<u>150,000,000.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
38,05,900/- Equity Shares of Rs. 10/- each	38,059,000.00	38,059,000.00
Add : 94100 Forfeited Equity Shares ( Amount Originally Paid up )	857,033.00	857,033.00
<b>Total</b>	<u>38,916,033.00</u>	<u>38,916,033.00</u>

### SCHEDULE - "2" - RESERVE & SURPLUS

1. Share Premium		7,849,508.85	7,849,508.85
2. Statutory Reserves		3,528,000.00	3,528,000.00
3. General Resrve	8,955,000.00		8,955,000.00
Less : Adjust from Profit & Loss A/c Debit Balance	<u>8,955,000.00</u>	-	<u>8,955,000.00</u>
<b>Total</b>		<u>11,377,508.85</u>	<u>11,377,508.85</u>

### SCHEDULE - "3" - UNSECURED LOANS

Fixed Deposits from Public	272,000.00		275,000.00
Interest accrued and due on Fixed Deposit	<u>42,891.00</u>		<u>45,912.00</u>
	314,891.00		320,912.00
Less : Amount Deposited in SBI (Escrow A/c)	<u>314,891.00</u>	-	<u>320,912.00</u>
Inter Corporate Loan		<u>2,940,762.13</u>	<u>24,678,234.97</u>
<b>Total</b>		<u>2,940,762.13</u>	<u>24,678,234.97</u>

Place : Jabalpur

Dated : 02-08-2011



*Shalini Gupta*  
Shalini Gupta  
Director

*Kailash Gupta*  
Kailash Gupta  
Director



# KAILASH AUTO FINANCE LTD., KANPUR

SCHEDULE - "4" - INVESTMENT	As At 31-03-2011 (₹)	As At 31-03-2010 (₹)
<b>A - QUOTED (EQUITY SHARES)</b>		
Pearl Global Limited 4500 (4500) Shares Face Value Rs. 10/- each	-	54,000.00
Jay Rapid Roller 13300 (13300) Shares Face Value Rs. 10/- each	61,180.00	61,180.00
Pithampur Poly Products Limited 47700 (47700) Shares Face Value Rs. 10/- each	71,550.00	71,550.00
Tata Motors Limited 9 (9) Shares Face Value Rs. 10/- each	-	4,500.00
	<u>132,730.00</u>	<u>191,230.00</u>
<b>B - UNQUOTED</b>		
U S 64 (6.75%) Tax Free Bonds (Face Value of Rs. 89,200/-)	-	89,200.00
	<u>-</u>	<u>89,200.00</u>
<b>Total</b>	<u><b>132,730.00</b></u>	<u><b>280,430.00</b></u>

## SCHEDULE - "5" - CURRENT ASSETS

<b>A - STOCK IN HIRE REPOSSESSED</b> (Pending legal cases)		1,817,000.00	1,817,000.00
<b>D - STOCK IN TRADE</b>		-	2,678,134.00
a) Land & Building (Situating at Shivpur Varanasi being acquired against recovery of dues as per sale deed dated 21.08.1997 sold to M/s Commercial Infrastructure Equipments Pvt. Ltd. on 08-07-2010 for - Rs. 40 Lacs)			
<b>E - SUNDRY DEBTORS (Unsecured)</b>			
Outstanding for a period of six months	1,581,125.92	1,478,625.62	
Considered Good	58,557.08	800,844.28	
Considered Doubtful			
	<u>1,639,683.00</u>	<u>2,279,469.90</u>	
Less : Provision for Doubtful Debts	<u>58,557.08</u>	<u>800,844.28</u>	<u>1,478,625.62</u>
<b>F - CASH &amp; BANK BALANCES</b>			
(I) Cash in Hand	33,004.35	152,910.35	
(II) Cheques in Hand	-	1,470.00	
(III) Balances with Scheduled Banks in Current Accounts	<u>106,554.38</u>	<u>287,399.47</u>	<u>441,779.82</u>
	<u>139,558.73</u>		
<b>Total</b>	<u><b>3,537,684.65</b></u>	<u><b>6,415,539.44</b></u>	

Place : Jabalpur

Dated : 02-08-2011



*Shalini Gupta*  
Shalini Gupta  
Director

*Kailash Gupta*  
Kailash Gupta  
Director

# KAILASH AUTO FINANCE LTD., KANPUR

## SCHEDULE - "6" - LOANS & ADVANCES

As At 31-03-2011  
(₹)

As At 31-03-2010  
(₹)

### A - Advances Recoverable in Cash or in Kind for value to be received

Unsecured Considered Good (Case pending in Hon'ble Bhubneshwar H.C)	448,000.00		1,234,859.00	
	<u>448,000.00</u>		<u>1,234,859.00</u>	
Less : Provision on Doubtful Advances	<u>-</u>	448,000.00	<u>-</u>	1,234,859.00
<b>B - Income Tax Paid</b>	13,297,225.77		13,436,890.77	
Less : Provision for taxation per contra	<u>-</u>	13,297,225.77	<u>-</u>	13,436,890.77
<b>Total</b>		<u><b>13,745,225.77</b></u>		<u><b>14,671,749.77</b></u>

## SCHEDULE - "7" - CURRENT LIABILITIES & PROVISIONS

### 1. CURRENT LIABILITIES

a) Sundry Creditors	21,738,656.86		1,270,544.62	
b) Outstanding Liabilities	<u>1,386,975.50</u>		<u>2,564,621.50</u>	
	-	23,125,632.36	-	3,835,166.12

### 2. PROVISIONS

a) Salary Payable & Other Empl. Payable	55,473.00		1,174,201.65	
b) Bonus	23,863.00		197,658.00	
c) Gratuity	-		1,149,283.66	
d) Leave Encashment	5,483.00		262,641.00	
e) Provision for MAT (A.Y.2009-10)	1,119,310.00		1,119,310.00	
f) Provision for MAT (A.Y.2010-11)	2,158,950.00		2,158,950.00	
g) Provision for MAT (A.Y.2011-12)	<u>234,930.00</u>	3,598,009.00	<u>-</u>	6,062,044.31
<b>Total</b>		<u><b>26,723,641.36</b></u>		<u><b>9,897,210.43</b></u>

Place : Jabalpur

Dated : 02-08-2011



*Shalini Gupta*

Shalini Gupta  
Director

*Kailash Gupta*

Kailash Gupta  
Director

# KAILASH AUTO FINANCE LTD., KANPUR

SCHEDULE - "8" - INCOME FROM OPERATIONS	As At 31-03-2011 (₹)	As At 31-03-2010 (₹)
A - Profit on Hire (Stock) / Lease Rental	1,321,866.00	-
B - Income from Hire Purchase Participation & Collection Business (Business from CFIL)	-	-
C - Commission & Finance Charges(Net)	1,367,438.74	12,935,381.20
D - Financial Consultancy	-	2,192,830.00
E - Other Operating Income (NPA Written Back)	742,287.20	7,449,140.34
<b>Total</b>	<b>3,431,591.94</b>	<b>22,577,351.54</b>
<b>SCHEDULE - "9" - OTHER INCOME</b>		
Profit on Sale of Assets / Shares	152,513.00	13,182,296.97
Misc. Income	500.00	15,564.00
Interest	56,711.00	9,990.00
<b>Total</b>	<b>209,724.00</b>	<b>13,207,850.97</b>
<b>SCHEDULE - "10" - PAYMENT TO AND PROVISIONS FOR EMPLOYEES</b>		
Salary and Other Allowances	824,930.00	10,604,871.00
Staff Welfare	41,712.00	175,919.00
Contribution to P.F. & Others	-	359,231.00
Gratuity	-	123,352.00
<b>Total</b>	<b>866,642.00</b>	<b>11,263,373.00</b>
<b>SCHEDULE - "11" - FINANCE CHARGES</b>		
Interest to Others (Inc. interest to sister concerns of Rs. 184656/-)	184,991.00	3,872,939.96
<b>Total</b>	<b>184,991.00</b>	<b>3,872,939.96</b>

Place : Jabalpur

Dated : 02-08-2011



*Shalini Gupta*

Shalini Gupta  
Director

*Kailash Gupta*

Kailash Gupta  
Director

# KAILASH AUTO FINANCE LTD., KANPUR

## SCHEDULE - "12" - ADMINISTRATIVE & OTHERS

	As At 31-03-2011 (₹)	As At 31-03-2010 (₹)
Travelling & Conveyance	755,700.00	1,912,758.00
Postage, Telegram, & Telephone	68,181.00	502,813.00
Business Promotion	3,250.00	103,411.00
Publicity & Advertisement	-	8,012.00
Printing & Stationary	53,432.00	131,335.00
Vehicle in use Expenses (Four / Two Wheeler)	490.00	2,002,352.00
Bank Charges	11,173.82	38,666.15
Rent	-	405,350.00
Processing & Listing Fees	11,030.00	31,030.00
Insurance Charges	-	54,501.00
Audit Fees & Expenses	26,665.00	25,000.00
Professional Charges	182,550.00	140,425.00
Brokerage & Commission	-	2,500.00
Repairs & Maintenance	43,905.00	145,953.00
Repossession Expenses (Net)	-	50,768.00
Legal Expenses	58,555.00	431,638.00
Electricity Expenses	-	56,800.00
Miscellaneous Expenses	105,408.00	216,653.00
Books & Periodicals	2,190.00	4,791.00
Bad Debts (Citicorp)	-	156,242.06
Loss on Sale of Asset / Shares	-	738,351.53
<b>Total</b>	<b>1,322,529.82</b>	<b>7,159,349.74</b>

Place : Jabalpur

Dated : 02-08-2011



*Shalini Gupta*

Shalini Gupta  
Director

*Kailash Gupta*

Kailash Gupta  
Director

# KAILASH AUTO FINANCE LTD., KANPUR

## SCHEDULE - "13" - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### (A) SIGNIFICANT ACCOUNTING POLICIES

#### 1- ACCOUNTING METHODS

- (i) The Financial statements are prepared under the Historical Cost convention and on Accrual basis except as otherwise stated.
- (ii) There exist Nil assets as on 31-03-2011 on account of transfer of the company's business to its sister concern namely M/s Kailash Motors Finance Pvt. Ltd. during the year which has effected the going concern concept of the company. However, the management is planning to induct new directors under SEBI Takeover Code, so as to have fresh funds and operating start and capabilities. The Management of the view that the company by the above said change will perform better and fully comply with the statutory norms.

#### 2- REVENUE

- (i) The non banking business of the compnay under category" A" of Reserve bank of India has been converted to category "B" i.e.non public deposit acceptance company w.e.f.12th Jan 2009.
- (ii) Hire Purchase and Lease Income is accounted by using the internal rate of return (IRR) implicit in contracts to provide a constant periodic rate of return on the net investment outstanding on those contracts.
- (iii) Prompt payment rebate and overdue charge are determined and accounted for on termination of the contract.
- (iv) The company follows prudential norms for recognition of Income in respect of Non Performing Assets as per the directions prescribed by Reserve Bank of India for NBFC.

#### 3- RETIREMENT BENEFITS

The facility towards Gratuity, and Leave Encashment has been computed and provided for on the assumption of retirement of all the employees at the end of the year. In the absense of Acutuarial valuation we could not comment on the reasonbleness of the provision made. However provision related to Bonus & Gratuity has been transferred to, M/s Kailash Motors Finance Pvt. Ltd. on the premise that all the employees of the company are now the employees of M/s Kailash Motors Finance Pvt. Ltd.

#### 4- DEPRECIATION

Depreciation on the assets is provided at the rates and in the manner provided in schedule XIV of the companies Act, 1956:

- |                                |   |                      |
|--------------------------------|---|----------------------|
| (i) On assets held for own use | - | Written Down Method  |
| (ii) On leased asset           | - | Straight Line Method |

5- INVESTMENT - Investment are valued at cost.

6- STOCK - Stock in trade and Repossessed stock is valued at cost or market value whichever is lower.

### (B) CONTINGENT LIABILITY AND NOTES

1- Contingent Liability not provided for :

	As at 31.03.2011	As at 31.03.2010
(a) Income & Interest Tax demands distputed by the company (Amount already paid Rs. 57,98,,482/-)	5,837,482.00	5,837,482.00
(b) Claims against the company not acknowledged as debt	Nil	Nil
(c) Service Tax on Hire Purchase and Lease transaction not realized and paid in view of interim stay of hon'ble Madras High Court for the period up to	Amount not ascertained	Amount not ascertained
(d) Disputed penalty liabilities in legal cases (Amount already paid Rs. 3,55,000/-)	700,213.00	700,213.00
(e) Income Tax Demand for the F.Y. 2003-04 (Matter pending with ITAT)	445,727.00	9,496,651.00

2- Stock in hire repossessed include 14 cases amounting to Rs. 18,17,000/- which are legaly disputed and their recovery is pending before the legal authorities.

3- The Promoters of KAFL(Promoters) had vide a Share Purchase Agreement dated 12th May'2010 (SPA) agreed to sell their shares to Padma Impex Ltd.(Padma). Due to certain disputes arising between the Promoters and Padma, the Promoters terminated the Share Purchase agreement vide their termination notice. Pursuant thereto Padma filed Arbitration Petition No. 304 of 2011 before the High Court of Bombay,(Arbitration Petition) seeking reliefs against the Promoters. Thereafter orders dated 2nd May'2011 and 26th July'2011 came to be passed in the said Arbitration Petition restraining, the Promoters from alienating,encumbering, parting with possession of or creating any third aptry right, title and / or interest in respect of the shares held by them and referred to in the SPA.



<b>4- Payment to Managing Director</b>	<b>2010-11</b>	<b>2009-10</b>
Managerial Remuneration Perquisites & other benefits	-	-
<b>5- Payment made to Auditors</b>		
Audit Fees	25,000.00	25,000.00
Other Services	-	-
Reimbursement of expenses	-	-
<b>6- Maximum outstanding amount at any time during the year due from companies under the same management.</b>		
	<b>2010-11</b>	<b>2009-10</b>
Commercial Automobiles Pvt. Ltd.	-	22,065,820.24
Commercial Engineers & Body Builders Co. Pvt. Ltd.	-	172,121.00
Kailash Motors Finance Pvt. Ltd.	2,815,860.40	1,048,188.00
Chandra Brothers	-	807,054.00
Commercial Auto Centre	-	585,051.73
Commercial Body Builders	124,901.73	-

**7- Segment Reporting**

The company is engaged primarily in the business of financing and related services and accordingly there are no separate reportable segments as per accounting standard AS-17- segment reporting issued by ICAI.

**8- (a) Related Parties**

Relation	Name of Party
(i) Subsidiaries	Company does not have any subsidiaries.
(ii) Joint Venture Company	Company does not have any joint venture
(iii) Other related parties with whom transactions entered during the year	1. Commercial Engineers & Body Builders Co. Pvt. Ltd. 2. Commercial Automobiles Pvt. Ltd. 3. Commercial Body Builders 4. Kailash Motyors Finance Pvt. Ltd. 5. Chandra Brothers 6. Commercial auto Centre
(iv) Key Management Perssonel	1. Mr. Rahul Agrawal, Director      3. Mr. Kailash Gupta, Director 2. Mrs. Shalini Gupta, Director      4. Mr. Rajesh Dhirawani, Director

**(b) The disclosure of related party transactions during the year and balances as on 31st March'2010 as follows**

Nature of Transactions	Associate Firms	Associate Companies	Key Management Perssonel	Total
Interest Paid	-	184,656.00		184,656.00
Remuneration & Perquisites	-	-	-	-
Sales of Shares	-	200,000.00	-	200,000.00
Rent Receipt	-	-	-	-
Interest Received	-	-	-	-
Advance Received	214,751.73	14,654,522.89	-	14,869,274.62
Advance Repaid	1,481,955.73	34,929,969.73	-	36,411,925.46
Loan Given	-	-	-	-
Repayment of Loan Given	-	-	-	-
<b>Outstanding Balances</b>				
Debit	-	-	-	-
Credit	124,901.73	2,815,860.40	-	2,940,762.13



9 The Deferred Tax Asset as on 31.03.2011 as per the Accounting Standard AS-22 issued by ICAI:

(Rupees in Lacs)

S.No.	Particulars	as at 31.03.2011	as at 31.03.2010
<b>A</b>	<b>Deferred Tax Assets</b>		
a	Difference between Booked and Income Tax Depreciation	-	(2.51)
b	Difference in income on sale of Asset	1.53	10.70
c	Income disallowable u/s 40(a) of the Income Tax Act 1961	7.42	74.49
d	Amount allowed U/s 43B of the Income Tax act, 1961	7.32	32.12
	<b>Total(A)</b>	<b>16.27</b>	<b>114.80</b>
<b>B</b>	<b>Deferred Tax Liabilities</b>		
a	Expenses Disallow U/s 43B of the Income Tax Act 1961	0.06	18.56
	<b>Total(B)</b>	<b>0.06</b>	<b>18.56</b>
	<b>Net Deferred Tax Asset(A-B)</b>	<b>16.21</b>	<b>96.24</b>
	<b>Tax on Above @ 33.99%</b>	<b>5.51</b>	<b>32.71</b>

10- Investment of share costing Rs. 54,000/- in Pearl Global Ltd., Rs. 4500 in Tata motors Ltd. & Rs. 89200/- worth US64 Tax Free Bonds were sold during the year.

11- Earning per share	2010-11	2009-10
a) Net profit available for equity shareholders (Numerator used for calculation)	(1,760,799.88)	12,293,616.07
b) Weighted Average No. of equity shares used as denominator for calculating EPS)	3805900	3805900
c) Basic and diluted earning per share (Rs.) (equity share of face value of Rs. 10/- each)	-0.46	3.23

12- Expenditure in foreign currency : Nil (Previous Year - Nil)

13- Income in foreign currency : Nil (Previous Year - Nil)

14- Fixed deposits repayment due within one year is Rs.3,14,891/- ( Previous Year Rs.3,20,912/-) and all due amount deposited in SBI Escrow A/c

15- Market value of quoted investment as at 31-03-2011 is Rs.

16- Certain Balances of parties under sundry debtors, creditors, loans & advances etc. are under confirmations / reconciliation.

17- There are no dues payable to Small Scale Industries undertaking.

18- In the opinion of the Board, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the balance sheet.

19- Balance sheet abstract and company's general business profile as per Part IV to schedule VI of the Companies Act, 1956 shown in Annexure "A".



20- Information as required in terms of paragraph 9BB of NBFC Prudential Norms (Reserve Bank) Direction 1998 :-

(I)	Loans & Advances availed by the NBFC's inclusive of interest accrued thereon but not paid	Amount Standing (Rs. In lacs)	Amount Overdue (Rs. In lacs)
	(a) Debentures : Secured Unsecured	- -	- -
	(b) Deferred Credits	-	-
	(c) Term Loans	-	-
	(d) Intercorporate Loans & Borrowings	29.41	-
	(e) Commercial Papers	-	-
	(f) Public Deposits	-	-
	(g) Other Loans (excluding Cash Credit from Banks) Security Deposit	- -	- -

(II)	<b>Break up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)</b>		
	(a) In the from Unsecured Loans	-	-
	(b) In the from of partly secured debentures where there is a shortfall in the value of security	-	-
	(c) Other Public Deposits	-	-
(III)	<b>Break-up of Loans &amp; Advances including bills receivables (other than those include in para (25) below)</b>		
	(a) Secured	-	-
	(b) Unsecured	20.29	-
(IV)	<b>Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities.</b>		
	(1) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease	-	-
	(b) operating lease	-	-
	(2) Stock on hire incl. Hire charges under sundry debtors :		
	(a) Assets on hire	-	-
	(b) Repossessed Assets	18.17	-
	(3) Hypothecation loans counting towards EL/HP activities (including cases close during the year)		
	(a) Loans where assets have been repossessed (Nos)	14	-
	(b) Loans other than (a) above (Nos)	-	-
(V)	<b>Break-up of Investment</b>		
	Current Asset		
	<b>1 - Quoted</b>		
	(I) Shares (a) Equity	1.33	-
	(b) Preference	-	-
	(ii) Debentures & Bonds	-	-
	(iii) Units of mutual funds	-	-
	(iv) Government Securities	-	-
	<b>2 - Unquoted</b>		
	(I) Shares (a) Equity	-	-
	(b) Preference	-	-
	(ii) Debentures & Bonds	-	-
	(iii) Units of mutual funds	-	-
	(iv) Government Securities	-	-





<b>3 - Long Term Investments</b>		
<b>1 - Quoted</b>		
(I) Shares (a) Equity	1.33	-
(b) Preference	-	-
(ii) Debentures & Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
<b>2 - Unquoted</b>		
(I) Shares (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures & Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Other Fixed Deposits with scheduled Bank	-	-

(VI) Borrower group wise classification of all leased assets stock on hire and loans and advances	Amount Net of Provisions	
	Secu - Unse	Total
<b>Category</b>		
1- Related Parties	-	-
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other Related Parties	4.48	4.48
2 - Other than Related Parties	-	-
<b>Total</b>	<b>4.48</b>	<b>4.48</b>

(VII) Investor group wise classification of all investments (Current- and long term) in shares & securities (both quoted & unquoted)	MV / BUPV or	BV Net of
	FV / NAV	Provisions
<b>Category</b>		
1- Related Parties	-	-
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other Related Parties	-	-
2 - Other than Related Parties	1.33	1.33
<b>Total</b>	<b>1.33</b>	<b>1.33</b>

(VII) Other Information	Amount (in lacs)	Amount (in lacs)
<b>Particulars</b>		
1 - Gross Non Performing Assets ( Hire Purchase & Lease Assets )	-	-
(a) Related Parties	-	-
(b) other than Related Parties	4.98	4.98
2 - Net Non Performing Assets	-	-
(a) Related Parties	-	-
(b) other than Related Parties	4.98	4.98
3 - Assets acquired in satisfaction on debts ( excluding repossessed stock )	-	-

21- Previous year figures have been regrouped, rearranged and reclassified wherever necessary to make them comparable with this year's figures.

22- Schedule "1" to "13" form in integral part of the Balance sheet and Profit & Loss Account.

Place : Jabalpur

Dated : 02-08-2011

*Shalini Gupta*  
Shalini Gupta  
Director

*Kailash Gupta*  
Kailash Gupta  
Director

AS PER OUR REPORT ATTACHED HEREWITH

For Anil Agrawal  
Chartered Accountants

(Anil Agrawal)  
Proprietor



# Kailash Auto Finance Ltd.

(₹ In lacs)  
2009-10

	2010-11	2009-10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit After Tax	(17.61)	122.94
Adjustment for :		
Interest	1.85	38.73
Depreciation	-	2.51
(Profit) / Loss on Sale of Assets	(13.22)	(106.27)
(Profit) / Loss on Sale of Investment	(1.53)	0.02
Provision for Non Performing Assets	-	(0.10)
Interest / Dividend Received	(0.57)	-
Miscellaneous Receipt	-	-
Prior Period Expenditure/ Tax Adjustment	0.73	-
Provision for Income Tax(MAT)	2.35	21.59
Deferred Tax Adjusment(Net)	27.20	(12.40)
Income Tax Adjustment(FBT Provision)	-	-
<b>Operating Profit before Changes in Working Capital</b>	<b>(0.79)</b>	<b>67.01</b>
(Increase) Decrease in Stock on Hire	-	1.03
(Increase) Decrease in Repossessed Stock	-	-
(Increase) Decrease in Stock in Trade	40.00	-
(Increase) Decrease in Loans & Advances	7.30	7.38
(Increase) Decrease in Other Receivables	(1.02)	76.51
Increase (Decrease) in Current Liabilities	165.66	(68.95)
<b>Cash Generated from Operation</b>	<b>211.15</b>	<b>82.98</b>
FBT Paid	-	-
Direct Taxes Paid	1.69	(24.10)
Tax Adjustment Earlier Year	(0.73)	-
<b>Net Cash inflow from Operating Activities (A)</b>	<b>212.11</b>	<b>58.88</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-	(1.17)
Sale of Fixed Assets	-	169.71
(Purchase) / Sale of Investment (Net)	3.01	41.25
Interest / Dividend Received	0.57	0.10
Miscellaneous Receipt	-	-
<b>Net Cash inflow from Investing Activities (B)</b>	<b>3.58</b>	<b>209.89</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Bank Borrowings	-	-
Increase (Decrease). in Deferred Payment Credit	-	-
Increase (Decrease) in Public Deposit	-	-
Increase (Decrease) in Security Deposit	-	-
Increase (Decrease). in Inter Corporate Loan	(217.37)	(241.79)
Interest	(1.85)	(38.73)
<b>Net Cash used in Financing Activities (C)</b>	<b>(219.22)</b>	<b>(280.52)</b>
Net Increase in Cash & Cash Equivalents (A+B+C)	(3.54)	(11.75)
Cash & Cash Equivalents at the beginning of the year	4.41	16.16
Cash & Cash Equivalents at the end of the year	1.40	4.41

Place : Jabalpur

Dated : 02-08-2011

*Shalini Gupta*  
Shalini Gupta  
Director

*Kailash Gupta*  
Kailash Gupta  
Director

As per our report attached herewith  
For Anil Agrawal  
Chartered Accountants

( Anil Agrawal )  
Proprietor  
M.No.79054

## AUDITORS' CERTIFICATE

We have examined the above Cash Flow statement of Kailash Auto Finance Limited for the year ended 31st Mar 2010. The statement has been prepared by the Company in accordance with the requirement of Clause 32 of the listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of Company Covered by our report of 12th Aug 2010 to the members of the Company.

Dated : 02-08-2011



For Anil Agrawal  
Chartered Accountants

( Anil Agrawal )  
Proprietor  
M.No.79054

# Kailash Auto Finance Ltd.

## Annexure - A - Part IV- Balance Sheet Abstract and Companies General Business Profile

### I REGISTRATION DETAILS

Registration No. : 06829  
State Code No. : 20  
Balance Sheet Date : 31/03/2011

### II CAPITAL RAISED DURING THE YEAR (Amount in ₹.Thousand)

Public Issue : Nil  
Right Issue : Nil  
Bonus Issue : Nil  
Private Placement : Nil

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS(Amount in ₹Thousand)

Total Liabilities : 53234.30  
Total Assets : 53234.30

#### SOURCE OF FUND

Paid up Capital : 38916.03  
Reserve & Surplus : 11377.51  
Secured Loans : 0  
Unsecured Loans : 2940.76

#### APPLICATION OF FUNDS

Net Fixed Assets : 0.00  
Investment : 132.73  
Deferred Tax Asset(Net) : 550.86  
Net Current Assets : -9440.73  
Miscellaneous Expenditures : 0  
Accumulated Losses (Net of Reserve & Surplus) : 61991.45

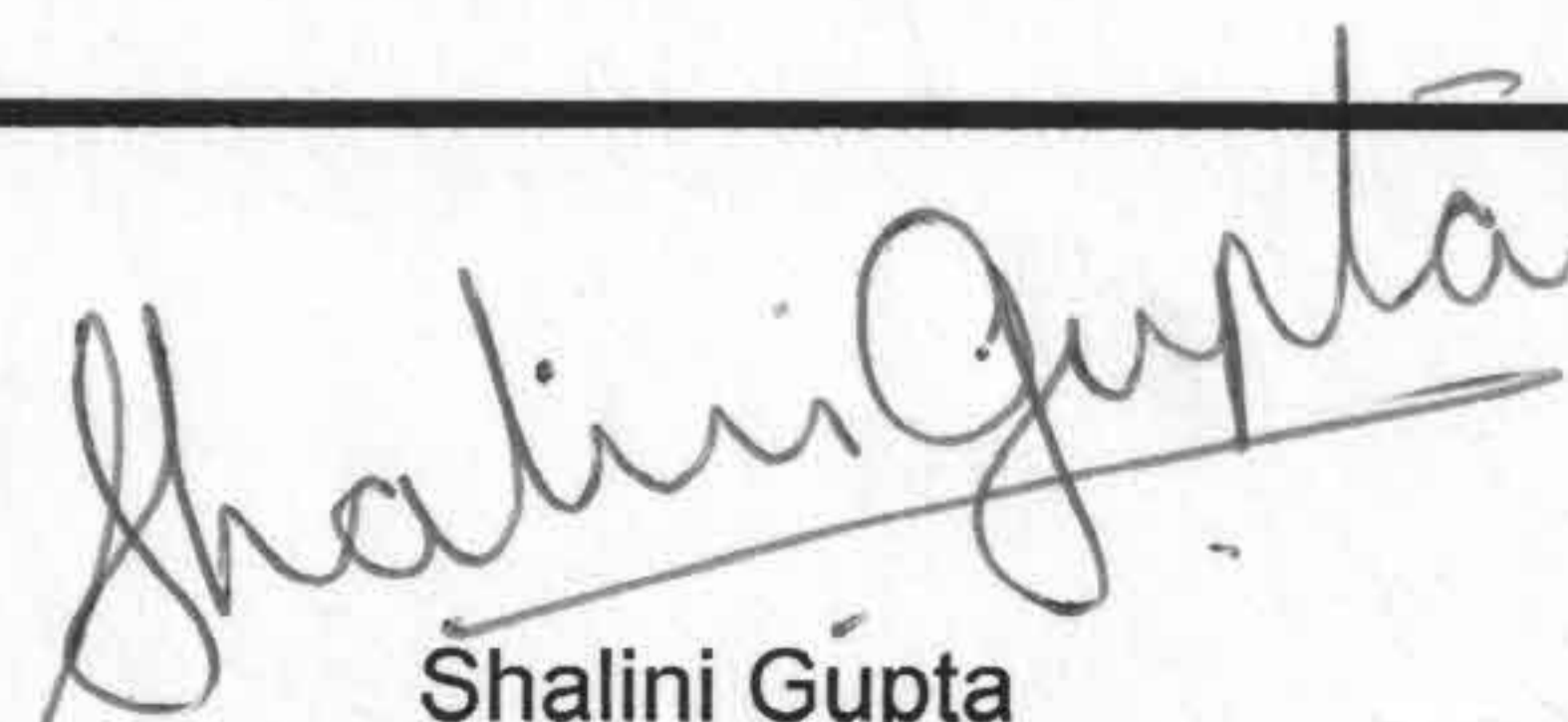
### IV PERFORMANCE OF COMPANY (Amount in ₹Thousand)

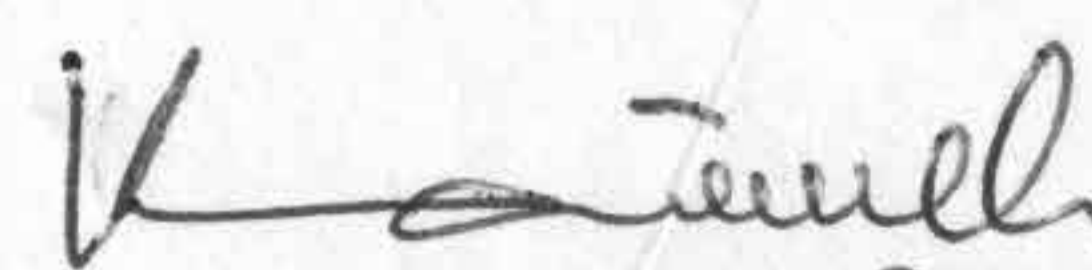
Turnover/Receipt : 3641.32  
Total Expenditures : 2374.16  
Profit/(Loss) before tax : 1267.15  
Profit/(Loss) after tax : -1760.80  
  
Earning per share in Rs. : -0.46

### V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monatory terms)

<u>Product/Service Description</u>	<u>Item Code No.</u>
Commission	: N.A.
Financial Consultancy	: N.A.

Place Kanpur  
Dated 02.08.2011

  
Shalini Gupta  
Director

  
Kailash Gupta  
Director