

42nd Annual Report 2009-10



Agricultural Finance Corporation Ltd.
(Wholly Owned by Commercial Banks, NABARD, Exim Bank)



Round Table Discussion- Farmer Producer Organizations



Planning Commission Member, Prof Abhijit Sen addressing the Round Table



Mr. G.C.Pati, speaking at the event

Advisory Committees on Business Promotion



Organic Farming



Natural Resource Management

Agricultural Finance Corporation Limited

Authorized Equity Share Capital : Rs.100 crs.

Issued and Paid-up Equity Share Capital : Rs.15 crs.

Face Value of Equity Share: Rs.10,000/-

Directors:		Date of joining the Board
Shri Y C Nanda	Chairman, AFCL (Former Chairman, NABARD)	17/09/2008
Dr Jayant Patil	Former Member, Planning Commission, GOI	11/08/1992
Shri Umesh Chandra Sarangi, IAS	Chairman, NABARD	21/01/2008
Shri M D Mallya	Chairman & Managing Director, Bank of Baroda	15/07/2008
Shri S Sridhar	Chairman & Managing Director, Central Bank of India	22/12/2009
Shri M V Nair	Chairman & Managing Director, Union Bank of India	11/11/2006
Shri T.C.A. Ranganathan	Chairman & Managing Director EXIM Bank of India	07/07/2010
Shri Samir K Sinha, IAS	Director, Ministry of Finance, Government of India	18/09/2008
Shri Rajendra Kumar Tiwari, IAS	Joint Secretary (Credit), Ministry of Agriculture, GOI	30/09/2008
Dr V V Sadamate	Adviser (Agriculture), Planning Commission, GOI	27/09/2006
Shri T C Venkat Subramanian	Former CMD, EXIM Bank	22/12/2009
Dr S K Goel, IAS	Principal Secretary, Co-operation, Marketing & Textiles Department, Government of Maharashtra	24/09/2009
Shri A K Garg	Managing Director, AFCL	04/01/2006
Ms. Archana P Kulkarni	Company Secretary (joined w.e.f 22 nd December, 2009)	

Auditors:

M/s Churuwala & Associates,
Chartered Accountants,
Mumbai

Bankers:

I. Central Bank of India, M.G. Road, Mumbai- 400 023
II HDFC Bank Ltd. Fort, Mumbai – 400 001

Incorporated on: 10th April, 1968

REGISTERED OFFICE:

Dhanraj Mahal, 1st Floor, C. S. M. Marg, Mumbai - 400 001.
Tel No.: 91-22-2202 8924 . Fax No.: 91-22-2202 8966
E mail ID: afcl@vsnl.com . Website: www.afcindia.org.in

Member Banks and Institutions

PUBLIC SECTOR BANKS

Central Bank of India
Bank of Baroda
Bank of India
Punjab National Bank
United Commercial Bank
Union Bank of India
State Bank of India

Allahabad Bank
Dena Bank

Canara Bank

United Bank of India
Bank of Maharashtra

Indian Bank

Syndicate Bank

State Bank of Hyderabad
Oriental Bank of Commerce

Indian Overseas Bank

Andhra Bank

Vijaya Bank

Punjab and Sind Bank

PRIVATE SECTOR BANKS

HDFC Bank Ltd.

The ICICI Bank Ltd.

The Vysya Bank Ltd.
The South Indian Bank
Ltd.

The Catholic Syrian Bank
Ltd.

The Karur Vyasya Bank
Ltd.

The Karnataka Bank Ltd.
The Bank of Rajasthan
Ltd.

J & K Bank Ltd.

The United Western Bank
Ltd.(Merged with IDBI)
IDBI Bank Ltd.

DEVELOPMENT FINANCE INSTITUTIONS

National Bank for
Agriculture and Rural
Development (NABARD)
Export Import Bank of India
(EXIM Bank)

STATE CO-OPERATIVE BANK

The Gujarat State
Cooperative Bank

FOREIGN BANKS

Standard Chartered Bank
Hongkong Shanghai Banking
Company (HSBC)
Bank of America NT and SA
First National City Bank
(Citibank NA)
American Express
International Banking
Company
Banque Nationale De Paris

Board of Directors



Shri Y C Nanda
Chairman, AFC Ltd
Ex-Chairman ,NABARD



Dr. Jayant Patil
Ex-member Planning Commission,
Govt. of India



Shri Umesh Chandra Sarangi,
Chairman, NABARD



Shri M.V.Nair
Chairman & Managing Director
Union Bank of India



Shri S. Sridhar
Chairman & Managing
Director
Central Bank of India



Shri M D Mallya
Chairman & Managing Director
Bank of Baroda



Shri T. C. Venkat Subramanian
Ex-Chairman & Managing Director
EXIM Bank of India

Board of Directors



Shri T.C.A. Ranganathan
Chairman & Managing
Director
EXIM Bank of India



Shri Rajendra Kumar Tiwari
Joint Secretary(Credit)
Department of Agri & Coop.,
Ministry of Agriculture, Govt.
of India



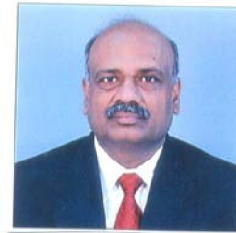
Dr. V.V.Sadamate
Adviser(Agriculture), Planning
Commission,
Govt. of India



Dr S K Goel
Principal Secretary,
Cooperation, Marketing &
Textiles Department,



Shri Samir K Sinha
Director, Department of
Economic Affairs, Banking Division,
Ministry of Finance Govt. of India



Shri A.K.Garg
Managing Director
Agricultural Finance Corporation Ltd.



Ms. Archana P. Kulkarni
Company Secretary
Agricultural Finance Corporation Ltd

Management Team



Shri P.M.Kshirsagar
General Manager
Agricultural Finance Corporation Ltd



Shri M.Manjunatha
Dy. General Manager
Agricultural Finance Corporation Ltd



Shri J. P.Lall
Dy. General Manager
Agricultural Finance Corporation Ltd



Shri S.J Thote
Dy. General Manager
Agricultural Finance Corporation Ltd



Shri D.V.Nithyanand
Dy. General Manager
Agricultural Finance Corporation Ltd



To

The Members

Agricultural Finance Corporation Limited

Dear Shareholders,

Your Directors have pleasure in presenting to you the Forty Second Annual Report together with the audited statement of financial accounts of your Company for the year ended 31 March 2010.

Keeping in view the national priorities of acceleration of agricultural growth and poverty alleviation, your Company continued to focus attention on its core business of providing consulting services in the fields of agriculture and allied sectors, rural development, social sectors like education, training, micro-finance, livelihood support, etc. During the last four years, your Company diversified the services not only in core sectors of consulting but also in project implementation in association with Business Associates.

I. BUSINESS INITIATIVES

Business Collaboration

To expand and diversify its activities, the Company embarked on business collaboration with reputed consultancy firms, NGOs and other professional institutions in the country and abroad from 2007-08. Such collaborations have proved fruitful. Till March 2010, fifty four number of firms were registered with your Company as Business Associates out of which seventeen are more active. The business sourced by a few of these Associates during the year has been quite substantial. More such associations are planned by your Company for expanding and diversifying its business in the coming years.

Advisory Committees

Considering the high priority attached by the Government of India and State Governments for development of *Organic Farming, Natural Resource Management (NRM) and Panchayati Raj*, your Company during the year constituted three separate Advisory Committees to share knowledge on developments in these sectors, identify partner institutions / experts and to position AFC as a committed organization in these sectors to tap the emerging business opportunities. The details of the Advisory Committee are furnished below:

A) Advisory Committee on Organic Farming

This Committee is headed by Dr. Tej Pratap, Vice Chancellor, CSK Agricultural University, Palampur, Himachal Pradesh.

B) Advisory Committee on Natural Resource Management (NRM)

This Committee is headed by Dr. J S Samra, Chief Executive Officer, National Rainfed Area Authority (NRAA), New Delhi.

C) Advisory Committee on Panchayati Raj Institutions (PRIs)

This Committee is headed by Shri Anis Ansari, IAS (Retd). Shri Ansari retired from the Govt. of Uttar Pradesh as Agricultural Production Commissioner.

The Committees which have the membership of both Practitioners and Policy makers met at New Delhi during the months of June and September 2009. The Company has been greatly benefitted by the suggestions of these Advisory Committees and more such Committees will be formed in the emerging areas of business.

Promoting Farmers' Producer Organizations

The growth rate of agriculture in India over the last decade has been stagnating and has gone down to 1.8% in 2006. On the other hand industrial growth has been buoyant at more than 9%. Such skewed growth

A much discussed topic in Indian Agriculture has been as how to integrate the farmers, especially the small farmers, with the value chain so that the net return at the farmers end is remunerative enough for the farmers to remain interested in agriculture.

Several institutional models have been tried in India to integrate farmers with the value chain. The most common model has been the producers cooperatives, which enable farmers to organize themselves as collectives. The Cooperatives experience in India however has not been a very pleasant one, as cooperatives have largely been state promoted, with a focus on welfare rather than to do business on commercial lines.

In 2002 through an amendment in the Indian Companies Act, 1956, the Government of India (GOI) enacted the Producer Companies Act by incorporating a new part IXA in the Indian Companies Act, 1956 based on the recommendations of the Y. K. Alagh Committee set up for this purpose. The producer companies are incorporated with the Registrar of companies (ROC). The objective was to formulate a legislation that would enable incorporation of cooperatives as Companies and conversion of existing cooperatives into Companies, while ensuring that unique elements of framework similar to that of private Companies.

These Companies offer the advantages of economies of scale of a corporate entity along with the social benefits of a cooperatives. This concept can help increase bargaining power of farmers while buying inputs like seeds and pesticides or selling their produce.

Your Company is keen on promoting this model and is now in talks with the Planning Commission and Govt. of Madhya Pradesh and Govt. of Maharashtra to launch a pilot project in Madhya Pradesh and Maharashtra. By way of forming producers' Companies, large scale production can be encouraged without taking away land from farmers.

Besides promoting grass root level Farmer produce organizations, your Company also plans to organize Round table discussions on various aspects of FPO as the concept is yet in formative stage.

Workshops

AFC being a knowledge based organization, has initiated the process of organizing Seminars / Workshops, Training Programmes for the clients in new and innovative areas. In this connection, two Training Programmes were organized by your Company during the year. These were paid programmes. This initiative received good response and Company had been able to generate some surplus along with increased visibility for the Company. The details are furnished below:

(A) The Company organized **Training Programme on Climate Change and Clean Development Mechanism** at New Delhi. This initiative was supported by WWF, GTZ, Price Waterhouse, Veda Climate Change and IL&FS by providing faculty support. Recognizing the increase in Global Carbon Credit Market, your Company partnered with the organizations like GTZ to show case the distance education course in CDM.

(B) The Workshop on “**Social Responsibility of Corporate Sector Towards Rural Transformation**” was organized by your Company at New Delhi to bring together various organizations on single platform for exchange of ideas in this regard. The workshop got the participation from Government, Corporate sector, NGOs and also from the Academic institutions. The workshop aimed at addressing the importance of Social Responsibility of Corporate Sector and emphasized the importance of transparency in implementation of CSR programmes by various agencies.

II. HUMAN RESOURCES MANAGEMENT

During the year, fourteen staff members left the organization, of which eight staff members superannuated and six staff members opted for VRS. The staff strength of the Company has been reduced from 160 to 94 at the end of March 2010. Efforts are being made to strengthen the core competence of

the organization by recruiting the professional staff mainly on retainer-ship basis.

Training: The Company aims at continuous upgradation of skills of its staff members. During the year, 30 staff members participated in training programmes and seminars/workshops on a variety of subjects relevant to the Company's operations. The programmes included livelihood and microfinance operations (Organised at Livelihood School, BASIX, Hyderabad and Ranchi and Change Management Initiatives (organized at New Delhi).

Sabbatical Scheme & Early Severance Scheme: During the year, your Company introduced Sabbatical Scheme for staff members willing to enrich their knowledge by being associated with relevant institutions and organisations. The Company also introduced a Restricted Early Severance Scheme to bring down the ratio of professional staff to workman staff and to provide exit route to willing staff. Both these schemes received good response.

III. ORGANISATION RESTRUCTURING

The organization structure of AFC has undergone considerable change during the last four to five years. To streamline the operations of the organisation in tune with the emerging business opportunities as also to effectively execute business operations and to deal with the existing human resources, additional efforts were made for restructuring of the organization. Head office operations are restructured under three Divisions viz Business Development Division (BDD), Business Monitoring Division (BMD) and Administrative and Accounts Support Services Division (AASSD). Refinements in the structure and operations is a would be brought about in the coming year.

Business Development and Liaison Offices (BDLOs). In order to enhance business prospects throughout the country, your Company has initiated setting up of Business Development and Liaison Offices (BDLOs) in a few

selected places, viz., Jaipur (Rajasthan), Jhansi (Bundelkhand Region) and Nagpur

(Vidharbha Region). A few more are planned in the subsequent

years. The BDLOs will function as one man office, which would liaise with

the development departments of the respective States and also identify potential business partners.

Journal : “Financing Agriculture”

From January 2010, the journal has been made as a monthly publication with enhanced printing quality. The journal has been consistently receiving good response from all over the country.

IV. REVIEW OF BUSINESS PERFORMANCE

Although the number of assignments confirmed during the year has come down compared to the previous year, size of the assignments i.e. volume of business has increased due to more emphasis on high value assignments. The total fee of the assignments confirmed during 2009-10 was Rs.3523.0 lakh which has been highest ever.

External Consultancy: Business association with Ministry of Social Development (MOSD), Kingdom of Bahrain:

Your Company and the Ministry of Social Development, Kingdom of Bahrain signed a Memorandum of Understanding (MOU) during the visit of Her Excellency Dr Fatima AL Balooshi, Hon’ble Minister, Ministry of Social Development, Kingdom of Bahrain to India on 19th August 2008. AFC will act as technical support institution for MOSD. Your Company has provided advisory services to Ministry of Social Development during 2007 for establishing a Micro Finance Bank in Bahrain. This bank which is first of its kind in Gulf Region has been named as Islamic Micro Finance Bank which was inaugurated on 14th January, 2010. The Managing Director, on Invitation from the Minister of Social Development, Kingdom of Bahrain attended the function and held discussions with the Minister and other Key officials of the Ministry. The discussions resulted in Sanction of a Proposal to set up pilot Project for ‘Mushroom Cultivation’ at Bahrain. The work on the Project has commenced.

V. REVIEW OF FINANCIAL RESULTS

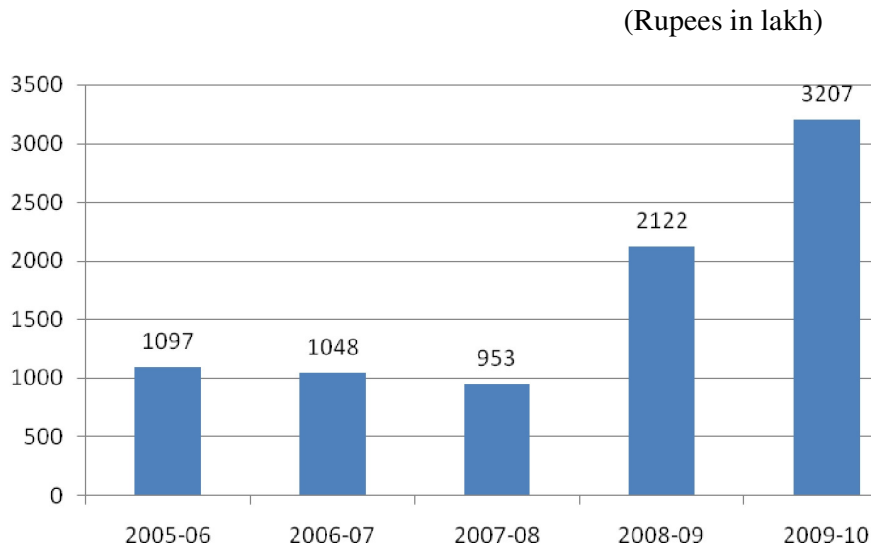
Your Company continued to grow at a steady pace and achieved a top line of Rs.32.04 crores during the year 2009-10 as compared to Rs.21.22 crores for the previous year thereby recording a growth of more than 50%. Similarly, the Company reported a profit before depreciation and taxes of Rs.1.67 crores as compared to a profit of Rs.0.87 crores during the previous year. It is worth mentioning that your Company has posted operating profit i.e., profit without interest income on Deposits of the Company for the first time during 42 years of its operation indicating that your Company, to a large extent, has turned around and is a profit making Company now. It is also worth mentioning that during the year eight employees superannuated and six employees opted for VRS. The terminal benefits of the staff have been written off during the current financial year, besides expenditure on the normal increase in D.A., etc. Eight professionals have been recruited to strengthen the core competence of the Company.

It is a matter of satisfaction that the Balance sheet has been able to sustain the additional expenditure of Rs.94.00 lakh on the staff cost as compared to the previous year. Further, as a strong positive sign the Company has managed to operate almost without overdraft during the year. A snap shot of the balance sheet is furnished below:

(Rupees in Lakhs)		
Item	Year Ended 31st March, 2009-2010	Year Ended 31st March, 2008-2009
Gross Income	3207.60	2122.07
Gross Expenditure	3040.44	2034.71
Profit Before Depreciation & Taxes	167.17	87.36
Depreciation	8.87	9.93
Profit/(Loss) Before Taxes	158.30	77.42
Provision for Taxes		
Current Year	48.91	23.50
For earlier years		0.27
Deferred Taxes	2.75	-8.45
Fringe Benefit Tax		5.35
Profit/(loss) After Tax (PAT)	106.63	56.76
Less: Prior Period Adjustment/Extraordinary item	75.03	-22.39
Net Profit/(loss) for the year	31.60	79.15

The members will be pleased to know that efforts put in during the last four years has shown positive results and income of the Company has shown substantial increase, as will be observed from the chart below.

Year-wise Growth in Gross Income



Similarly, your Company has been able to make significant turn-around during the last four years from a position of net loss of Rs.6.42 lakhs during the year ended March 2006 to the profit after tax of Rs.106.63 lakh in the current financial year. This has been possible due to strategic business management policies such as working with Business Associates and venturing into new areas like implementation and bagging of high value projects. The year wise performance for the past five years is given below:

<u>Year Ending</u>	<u>Profit/Loss after tax (Rs.in lakhs)</u>
March 2010	106.63
March 2009	56.76
March 2008	18.40
March 2007	13.12
March 2006	(6.42)

VI. BUSINESS OUTLOOK FOR THE YEAR 2010-11

Greater investments in agriculture and dissemination of improved technology, aided adequately by the creation of suitable infrastructure in the rural area, will facilitate accelerated growth in the economy and trigger multiplier growth in industry and in the services sectors. Diversified agricultural support programmes like horticulture, particularly post-harvest operations, supply chain management and value additions, are activities that provide considerable business potential and your Company has vast and varied experience in this area. The Government has introduced a new Central Sector Scheme under Horticulture Technology Mission on Organic Farming where the Company can play a useful role.

Consistent with the emphasis on water conservation measures, watershed development programmes offer considerable scope where, again, the Company has proven expertise. The National Rainfed Area Authority (NRAA) has recently registered AFC as a Service Provider for Training and Capacity Building of various stakeholders including senior and middle level officials throughout the country.

In recognition of the growth of infrastructure in poverty alleviation, Government of India has taken up massive programme for construction of rural infrastructures under Flagship Programmes. The thrust of XI Five Year Plan has been on social inclusion coupled with provision of improved livelihood opportunities. Your Company has already been associated with MGNREGP (previously NREGS/NFFWP), Comprehensive District Agricultural Plans (CDAP) under RKVY, Sarva Shikshana Abhiyan (SSA), Integrated Child Development Scheme (ICDS), Total Sanitation Campaign (TSC/NGP), Backward Region Grants Fund (BRGF) programmes. AFC will continue to explore business in these sectors during 2010-11, including opportunities under National Rural Health Mission (NRHM).

Similarly Capacity building needs of Panchayat Raj officials and elected representatives at various levels have been receiving increased attention

from governments, national and international development and donor agencies. Your Company will explore opportunities available for undertaking training programmes for the senior elected representations and officials of the Panchayati Raj, Developing training and learning material and Networking with various institutions/ organizations/ stakeholders involved in the decentralized planning process at different levels.

Business Outlook for the year 2010-11 is bright as the Company has already canvassed confirmed business of more than Rs.50 crores during the first two quarters of 2010-11.

VII. PROMOTING USE OF HINDI

Efforts have been made to encourage the use of Hindi. In one of the project named ICT, Uttar Pradesh, fortnightly ICT Bulletin is regularly published in Hindi.

VIII. INFORMATION TECHNOLOGY

The Company has been increasing its investment in the Information Technology sector with expansion of its implementation activities in customized farmers training programmes enabled through IT across the 71 districts in Uttar Pradesh. Weather stations have been established in all the 820 blocks. In addition, many computer units, laptops for equipping all offices and new software have been obtained for strengthening the computer operating systems within the office network. The Data Base Management System at Head Office was strengthened through installation of latest IBM Server. The designing of completion of web based MIS is under way. The trial and execution would be accomplished in the coming year.

IX. CORPORATE GOVERNANCE

Your Company, since its inception, recognized the importance of Corporate Governance and is proactive in following the principles and practices of good corporate governance and, towards this end has, over the years, set in

place systems for sound principles and practices of good corporate governance. Your Company believes in transparency in all facets of its

operations and in its interaction with shareholders, stakeholders, clients, employees and Government agencies. It places emphasis on integrity, accountability and regular & prompt compliance with all statutory and regulatory requirements. Your Company's Articles and Memorandum of Association fully reflect, in letter and spirit, the key elements of good Corporate Governance. The Board of Directors of your Company consists fully of non-executive and independent Directors except the Managing Director. The Board meets regularly and the senior executives of your Company are invited to attend the Board Meetings.

X. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors subscribe to the "Directors' Responsibility Statement" as stipulated in Section 217(2AA) of the Companies Act, 1956, and confirm that:

- ❖ In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ❖ Appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs at the end of the financial year and of the profit or loss of the Company for the financial year ended 31st March 2010;
- ❖ 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; and
- ❖ The annual accounts have been prepared on a going concern basis.

XI. AUDIT COMMITTEE

Pursuant to the requirements of Section 292A of the Companies Act, 1956, an independent Audit Committee deals with accounting matters, financial reporting and internal controls.

Regular audits of your Company's systems and procedures are carried out by the Internal Audit Cell.

XII. PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

As required under Section 217 (1) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rule 1988, pertaining to conservation of energy and technology absorption are not applicable to the Company. During the year under review, no employee was in receipt of remuneration exceeding the limits specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rule, 1975.

The particulars in respect of foreign exchange earnings and expenditure are as follows:

Particulars	(Rs. In millions)	
	Year 2009-10	Year 2008-09
Earnings in Foreign Exchange	-	5.45
Expenditure in Foreign Exchange	-	4.19

XIII. APPOINTMENT OF DIRECTORS

Shri S Sridhar, Chairman & Managing Director, Central Bank of India joined the Board of AFCL w.e.f. 22nd December, 2009.

Shri T.C.A. Ranganathan, Chairman & Managing Director, EXIM Bank of India joined the Board w.e.f. 7th July, 2010.

XIV. AUDITORS

The Comptroller and Auditor General, Government of India, had appointed M/s. Churuwala & Associates, Chartered Accountants, Mumbai as Statutory Auditors of your Company for the financial year 2009-10 to hold office until the conclusion of the ensuing Annual General Meeting.

XV. ACKNOWLEDGEMENTS

The Directors would like to place on record their appreciation of the cooperation and support provided by the clientele and takes this opportunity to gratefully thank them for the assignments given to your Company. The Directors extend their grateful thanks to the Ministries of the Central Government, in particular, Ministries of Agriculture, Rural Development, Environment and Forests, Women and Child Development and Ministry of Social Justice and Empowerment as also to the various State Government Departments, other institutions and parasatal bodies for their continued patronage to your Company. The Directors would like to thank many private entrepreneurs/companies, cooperatives and others who have availed the services of your Company. The Directors would also like to place on record their appreciation of the Reserve Bank of India, NABARD and Member Banks for their continued support and guidance as also for the assignments given to your Company during the year.

The Directors also thank the Statutory Auditors as well as the Audit Board (Commercial Audit), Government of India for their guidance and support.

The Directors further express their thanks to the Business Associates and experts engaged in various assignments for completing the same in time and for submitting quality reports. Needless to mention, thanks are also due to the officers and staff of the Company for their very cordial relations and excellent cooperation in increasing productivity and achieving higher volume of business and income for the Company.

For and on behalf of the Board of Directors of
Agricultural Finance Corporation Limited

Sd/-
Y. C. Nanda
CHAIRMAN

Place: Mumbai
Date : 28/09/2010

Sister Organizations:

1. AFC Foundation

AFC Foundation (AFCF), as a sister concern of parent organization Agricultural Finance Corporation Ltd. (AFCL), was set up in 2007 under the Indian Trust Act, 1882 as an institution for microfinance, education and livelihood promotion with its registered as well as head office at New Delhi. During the current year, its head office was shifted to Mumbai to ensure greater effectiveness of operations.

Microfinance: The Foundation had made a foray in the field of microfinance by supporting few SHGs on pilot basis during 2007-08. Inspired by its success, AFCF ventured into retail microfinance operations on larger scale and initiated its operations through AFCF, Kolkata branch during the current year 2009 in West Bengal with support from a local NGO partner Bengal Women Welfare Association (BWWA) following AFC Foundation-NGO Partners-SHGs/JLGs. A Micro-finance Professional was hired as Branch Manager to look after the operations with support of 2/3 in-house officers/staff deployed from AFCL. Subsequently, the operations were also extended to Jalgaon district in Maharashtra with support from a local NGO partner “Bhagini Nivedita Gramin Vigyan Niketan (BNGVN)”. A new branch was set up at Parola and is manned by 5 in-house officers/staff deployed from AFCL.

In order to extend the microfinance assistance to the target groups, the funds, amounting to Rs.173.70 lakh, were mobilized from the parent organization AFCL as a loan component with an interest of 8% p.a. To strengthen the operations, loan assistance was also sought from Corporation Bank, Kolkata. The bank sanctioned Rs. 200.00 lakh as term loan. The foundation also approached Central Bank of India, Mumbai for term loan. The proposal for assistance of Rs. 300.00 lakh is under active consideration by the bank.

As on March 31, 2010, under retail micro finance operations in both the States, a total number of 4930 members across 497 groups were serviced

loan recovery and the outstanding were Rs.143.52 lakh and Rs. 225.35 lakh respectively.

Over the period the institutional experience has been acquired in the sector and at this juncture the up-scaling of existing operations under the business associate model is not contemplated. The Board of Trustees in its last meeting has also suggested for carrying out direct microfinance operations without the help of any local NGO partner on pilot basis. This necessitates maintaining the existing operations at its present pace and at the same time venturing into direct microfinance operations. Necessary actions have already been initiated in this regard.

Distance Education. During the year, the Foundation launched two new courses: (1) Diploma in Clean Development Mechanism (CDM); and (ii) Diploma in Banking and Finance. A multipronged strategy is being adopted to market the courses and it is

~~expected that these efforts would bear fruits in the coming year.~~ The Diploma course on CDM was launched during “The Carbon Bazaar – 2009” organized by Gtz India at New Delhi. The initiative was lauded by most of



the delegates.

2. AFCL Finance Services Pvt. Ltd.

Your Company has incorporated a wholly owned subsidiary, ‘AFCL Finance Services Pvt. Ltd.’ on 11th March, 2010 for micro finance operations and the process of its registration as NBFC with RBI will be carried out in due course.

MANAGEMENT NOTE: MAJOR ASSIGNMENTS

Clients:

Central Ministries

During the year under review, among the Central Ministries, the Ministry of Agriculture, Ministry of Rural Development, Ministry of Environment and Forests continued to avail the services of the Company as in the past. Other Ministries, such as Panchayati Raj; Women and Child Development; Health and Family Welfare; and Ministry of Tribal Affairs also assigned some important assignments to the Company.

Brief details of important assignments handled by the Company during the year under review are provided below:

Evaluation Study on Pilot Weather Based Crop Insurance Scheme (WBCIS)

A Weather Based Crop Insurance Scheme (WBCIS) has been piloted across India since Kharif 2007 season to explore the effectiveness of Weather Based Crop Insurance as an alternative to the National Agricultural Insurance Scheme (NAIS). WBCIS has transformed the domain of agricultural risk management in India. The total coverage of weather insurance which was languishing at less than 4 lakh acres before 2007-08 suddenly received a boost from WBCIS enabling it to exceed 25 lakh acres in 2007-08. The Government of India, Ministry of Agriculture, and Department of Agriculture & Cooperation have felt the need to evaluate the performance of the WBCIS scheme and its impact on the farmers in order to facilitate policy decision in the matter with regard to its continuance or otherwise as a regular on-going Plan scheme. This study was entrusted to AFC by the Ministry of Agriculture, Department of Agriculture and Cooperation. The study is being conducted in eight states covering 12 districts with a sample size of 1000 farmers who availed WBCIS and another 200 farmers who did not avail the scheme. During the year Inception Report has been submitted to the client. The

field survey and data analysis and report generation has been completed and the draft report is being submitted.

Implementation of Customized Farmers' Training and Agricultural Management through application of Information and Communication Technology (ICT) under RKVY

AFC was awarded with an important assignment viz. "Customized Farmers' Training & Extension and Online Agriculture Monitoring through Application of Information & Communication Technology (ICT)" during 2007-08, which is one of the innovative interventions under District Agricultural Plan (DAP) of Rashtriya Krishi Vikas Yojna (RKVY), a flagship programme of the Ministry of Agriculture & Cooperation, Government of India (GoI). AFCL continued to provide services for the prestigious project in 820 blocks spread over in 71 districts of Uttar Pradesh State.



The mission of the project is to increase the farm productivity, profitability and sustainability of farming systems, efficient use of natural resources and agricultural inputs etc. through customized farmers' trainings at village cluster level in all the blocks as per their needs and aspirations and also to provide online information on weather parameters, area under

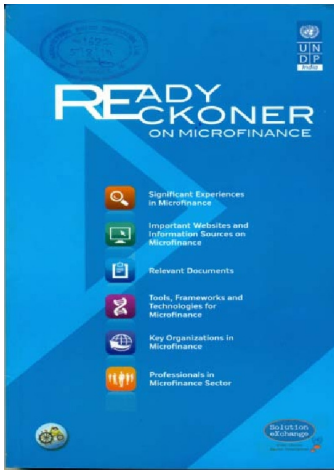
crops in different agricultural seasons, demand and use of agricultural inputs and market intelligence. Besides, risk assessment and quick alert system for benefit of stakeholders and for management by the line departments, yield assessment, expected gluts and shortfall in crop produce are the other components of the project. All these activities are to be undertaken by innovative use of ICT applications. The assignment is also being executed in association with a Business Associate viz. the International Traceability Systems Limited, New Delhi.

Evaluation and Impact Assessment of the Centrally Sponsored Scheme “Support to State Extension Programme for Extension Reforms” (ATMA Programme)

A Centrally Sponsored Scheme “Support to State Extension Programmes for Extension Reforms” more commonly known as the ATMA Programme was launched since May 2005 in 591 districts of 29 States and 2 UTs of the country. The institutional reforms mechanism in the form of ATMA at the district level was a major intervention in overhauling the extension system for making it farmer driven and farmer accountable. The Ministry of Agriculture had entrusted the task of centralized Evaluation and Impact Assessment of the ATMA Programme to AFC. The study was conducted in two districts of Haryana and nine districts of Uttar Pradesh covering 18 Project Blocks spread over 245 villages in U.P and four Project Blocks spread over 70 villages in Haryana. The sample size for field survey comprised of a total of 7875 beneficiary farmers covering 6125 farmers from Uttar Pradesh and 1750 farmers from Haryana. The study aimed at assessing the project impact on the target beneficiaries and in reforming the extension system in respect of various processes envisaged under the scheme. Based on the findings and conclusions of the study and keeping in view the scope and significance of ATMA Programme aimed at reforming the extension mechanism, AFC made a comprehensive and wide ranging recommendations touching upon the entire gamut of the extension reforms to facilitate Government of India to take a policy review of the scheme at the appropriate levels so as to make the extension system truly farmer driven and farmer accountable.

Ready Reckoner on Microfinance (UN / UNDP)

The Ready Reckoner on Microfinance is a joint product of Solution Exchange, United Nations and United Nations Development Programme, India and was entrusted to Agricultural Finance Company for compilation of information and printing.



The Microfinance Community is working to provide solutions to the day-to-day challenges faced in providing financial services to the poor, thereby helping attain the Government of India's poverty reduction targets. The Ready Reckoner covers the strategies for building an inclusive and equitable financial sector, financial sustainability versus out-reach balancing commercial sustainability with availability of microfinance services to the poor, creating an

enabling environment for promoting an inclusive financial growth, delivery mechanism, product innovation and diversification of financial services, microfinance and sustainable livelihoods, crisis management and measuring impact.

Upscaling Livelihood of Forest Communities through enhanced farm productivity and efficient support system in Godda District, Jharkhand under NAIP:



This innovative project has been assigned to AFCL by Indian Council of Agricultural Research (ICAR) with the objectives of socio-economic upliftment of forest based and forest fringe villagers through optimum utilization of resources by efficient management and technological interventions, build the capacity and skills through training of

stakeholders on improved practices of agriculture, horticulture,

apiculture, sericulture, microfinance and supply chain management. The task is being taken up in two forests ranges of Godda and Sundarpahari comprising 3000 households as two clusters and 200 Self Help Groups have been formed in both these clusters.

Third Party Quality Assurance and Technical Audit of Civil Works of SSA for the year 2008-09 through Community Participation in Belgaum Division

The SSA, Karnataka, has entrusted the task of Third Party Technical Audit and Quality Assurance of SSA Civil Works of the year 2008-09 in Belgaum Division, Karnataka, consisting of the districts of Belgaum, Dharwad, Bijapur, Bagalkot, Haveri, North Canara, Gadak for Sarva Shiksha Abhiyan (Total Literacy Programme – launched by Government of India). The main tasks involved are: (i) monitoring the progress of work and assessing the quality of material and work carried out by the SDMCs, which includes physical verification of the works and evaluation of technical specifications adhered to in the works; and (ii) ensuring quality standards and reporting deviations if any to the concerned authorities and to assist the SDMCs to follow the technical guidance.



AFC has evolved a set of guidelines, training modules and other related tools for assessing the quality of materials as well as work carried out by the contracting firm/s, School Development Management Committee (SDMC) and as well for monitoring. The Technical Audit and Quality Assurance of Civil works for the year 2007-08 in Bangalore Division also continued to be carried out during the year. Similar assignment is also executed in selected four districts of Bihar.

World Bank Assisted Monitoring and Evaluation of Maharashtra Water Sector Improvement Project

AFCL continued providing its services in the World Bank Assisted Monitoring and Evaluation of Maharashtra Water Sector Improvement Project in association with M/s Sheladia Associates Inc USA. The major components of the project consist of (i) Improve Water Management

Practices, (ii) Enhance the safety of Dams supplying water to the project

area, (iii) Improve the service delivery system (iv) Ensure effective participation of WUAs and Irrigation system management, (v) Assisting the WUAs to attain Agricultural Support Services through introduction of Technical Support Groups in Irrigation, Agriculture, Horticulture and other sectors, (vi) Support technology transfer to Water Users through Public-private coordination etc. During the year the fourth and fifth monitoring reports were submitted. The field work for sixth monitoring report has been completed and report preparation is under progress. The second evaluation report is also being submitted.

Impact Evaluation Study under Centrally Sponsored Scheme of Mini Mission I & II of Technology Mission on Cotton (2009-10) -All India

The Department of Agriculture & Co-operation, awarded AFC the impact evaluation study of MM - I and MM - II of the Centrally Sponsored Scheme, Technology Mission on Cotton. The study covers 13 leading cotton growing States, viz., Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal and Tripura.



The study is mainly based on a multi-stage sampling method with probability proportionate to area under cotton. A total sample of 5000 farmers comprising 4000 beneficiaries and 1000 non-beneficiaries are randomly selected in 50 districts among these 13 states.

The study involves : (i) the growth rate in area, production and yield during TMC period (2000-2006); (ii) quantify the component-wise impact of Mini Mission II on Technology dissemination, (iii) To assess the Impact/Usefulness of Sprinkler and Drip Irrigation System for each implementing State; (iv)To advise on adaptation of rainfed technology in cotton cultivation in cotton growing states, etc.

All India Physical Verification of REGP Units in Four States financed during 2007-2008

KVIC is implementing Prime Minister's Employment Generation Programme (PMEGP), wherein subsidy in the form of margin money is extended to the general category and weaker sections upto 25% and 35% respectively. In order to ascertain the impact of the REGP, adequacy, effectiveness in payment of margin money, etc. KVIC felt a need to conduct a physical verification of the REGP units financed during 2007-08. Accordingly, during the year KVIC assigned AFC conducting of 100% Physical Verification of REGP Units financed during 2007-2008, initially in the States of West Bengal, Maharashtra, Chhattisgarh and Meghalaya.

Macro Management Mode of Agriculture in West Bengal, Arunachal Pradesh, Sikkim and Tripura

Govt of India has introduced Macro-Management in Agriculture as a Central Sector Scheme for the State Governments with flexibility of Micro Planning to suit the local needs. There is provision in the scheme for Concurrent Evaluation, so that there may be scope for mid-course correction, which will lead to proper implementation. The Company has taken up assignment for the Concurrent Evaluation of Central Sector Scheme Macro Management of Agriculture in West Bengal, Arunachal Pradesh, Sikkim and Tripura assigned by the Directorate of Agriculture, Govt of West Bengal, Arunachal Pradesh, Sikkim and Tripura. The study was meant to assess the impact of schemes under Macro Management Mode of Agriculture in these states. In the study, not only schemes under Agriculture, but those under Natural Resource Management, Agricultural Marketing and National Watershed Development Program for Rainfed Areas are also being studied. The study is being conducted since the year of 2003-04.

Preparation of Comprehensive District Agricultural Plans under RKVY in 10 Districts of West Bengal

District Magistrates and Deputy Directors of Agriculture (Administration) of the concerned districts assigned the task of Preparation of 5-Year Comprehensive District Agricultural Plan. The study was meant to prepare the five year Comprehensive District Agricultural Plan on Agriculture and Allied Sectors under R.K.V.Y. for the District as per guidelines issued by the Planning Commission, Govt. of India with Annual Action Plan for the 11th Five Year Plan. This Plan includes: Development of Agriculture, Soil & Water Conservation; Animal Resource Development; Development of Food Processing Industries & Horticulture; Development of Cooperation; Development of Agricultural Marketing; Development of Fisheries; Development of Water Resources; Development of Social Forestry; Development of Sericulture; Panchayat and Rural Development etc.

National Medicinal Plants Board



National Medicinal Plants Board, Department of AYUSH, Ministry of Health & Family Welfare, Government of India had assigned to Agricultural Finance Corporation the task of Monitoring & Evaluation of projects funded during the years 2005-06 and

2006-07 under both Promotional and Contractual farming schemes. The assigned work was spread over in 31 States/UTs of the country. A total of 375 Promotional and 3,026 Contractual farming projects were undertaken. AFCL has provided feedback on ground realities facilitating the Board to take appropriate mid-course corrections.

Ministry of Environment and Forests: RC-NAEB



: World Forestry Day :

The Company continued its operations as Regional Centres of National Afforestation and Eco Development Board (RC:NAEB) in its Head office at Mumbai and in Northern Regional Office at New Delhi. These Regional Centres facilitate implementation of the afforestation and eco-development programmes in their respective areas of operation i.e., northern and western regions by providing technical support to NAEB through conduct of afforestation studies, organizing interactive workshops, training programmes, documentation of success stories and publication of extension material to promote eco-restoration for creating an enabling environment for the involvement of grass root level workers for Joint Forest Management.

State Governments and other Agencies

Various State Governments continued to utilize the services of your Company. During the year, the State Governments of Andhra Pradesh, Arunachal Pradesh, Bihar, Haryana, Jharkhand, Karnataka, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal have availed the services of the Company.

Important assignments undertaken in various States are as under:

State	Name of the Assignment	Consultancy Fee (Rs.in lakhs)
Andhra Pradesh	Monitoring and Implementation of Pulichintala Project for the extended period from January to October 2009	11.00
	Valuation of Structures of Yellampally Partially to Fully Submerged Villages	8.34
Arunachal Pradesh	CE of Macro Management Mode of Agriculture in Arunachal Pradesh for the year 2008-09	4.00
Bihar	Third Party Technical Supervision, Monitoring & Quality Assurance etc. of Civil Works under SSA of Bihar State (Purnea-2 Division : Araria & Kishanganj Districts; Munger-2 Division , Khagria & Begusarai Districts)	250.00
Haryana	To Study Impact Assessment of Green manuring under RKVY Stream-I	7.95
Jharkhand	Impact Assessment of Fisheries Development programme on Fish Productivity and other Benefits in selected districts of Jharkhand	10.00
	Upscaling of Joint Forest Management Committees to Small and Medium Forest Enterprises (SMFEs) for Sustainable Livelihood for Godda District of Jharkhand.	210.84
Karnataka	Consultancy Services for 3rd Party Quality Assurance and Technical Audit of Civil Works of SSA for the year 2008-09 through Community Participation in Belgaum Division- Package -3	155.00
Sikkim	Evaluation of CSS Schemes of Macro Management of Agriculture in Sikkim for the year 2007-08	8.00
Tamil Nadu	Preparation of Social Impact Assessment Report for Jayamkondan Lignite Mine cum Power Project	41.70
Tripura	Evaluation of Schemes under Macro Management in Agriculture for the period from 2006-07 to 2008-09 and Concurrent Evaluation of 2009-10 in Tripura.	11.00
	Preparation of District Perspective Plan of Rural Development Schemes in 3 Districts of Tripura	22.00

Uttar Pradesh	Customized Farmers Training & Online Agriculture System & Application of ICT (2009-10)	2020.00
	Preparation of Perspective Plan for XIth FYP including Annual Plan for 2008-09 under BRGF -11 districts	55.00
	Preparation of Perspective Plan for XIth FYP including Annual Plan for 2008-09 under BRGF- 14 districts	70.00
	Preparation of Perspective Land Use Plan for Different Regions in Uttar Pradesh	17.43
West Bengal	Concurrent Evaluation of CSS Schemes under Macro Management Mode of Agriculture in West Bengal for the year 2009-10	15.30
	Concurrent Evaluation of Macro Management Mode of Agriculture in West Bengal for the year 2008-09	15.66
Multiple State	Physical Verification of REGP Units financed by KVIC during 2007-08	64.00
	Evaluation Study of Centrally Sponsored Scheme of MM I & MM II under Technology Mission on Cotton	26.73
	Impact Evaluation studies for assessing the impact of NWDPR in 108 selected Watersheds treated during 10 th plan in different states representing 6 Zones	28.00
	Quick Study on Impact of Micro Finance to Women on Reduction of Domestic Violence in different parts of the country	20.07
	RC-NAEB Annual Work Programme 2009-10 (NAEB, Govt of India)- Northern region	95.81
	RC-NAEB Annual Work Programme 2009-10 (NAEB, Govt of India) – Western region	141.35

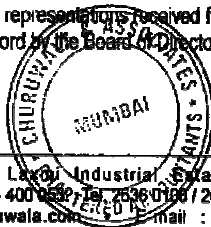


CHURUWALA & ASSOCIATES
CHARTERED ACCOUNTANTS

Auditor's Report

To the Members of Agricultural Finance Corporation Limited

1. We have audited the attached Balance Sheet of Agricultural Finance Corporation Limited as at 31st March 2010, 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.
2. We have conducted our audit in accordance with the 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to above, we report that:
 - 4.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 4.2 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 books.
 - 4.3 The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - 4.4 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, except AS-12 as regards Accounting for Government Grants (Refer Note No 18 and 20 as appearing in Schedule No.19 on Notes to accounts), and AS-15 as regards Accounting for Retirement benefits in the Financial Statement of Employers (Refer Note No 19 as appearing in Schedule No.19 on Notes to accounts).
 - 4.5 On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the



506, Laxmi Mall, Laxmi Industrial Estate, New Link Road,
Andheri (West), Mumbai - 400 052 • Tel: 2636 0100 / 2636 0200 • Fax 4016 5100
Website : www.churuwala.com • e-mail : churuwala@gmail.com

directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

4.6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, subject to that:

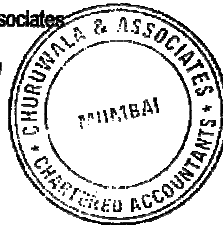
- 4.6.1 The Company has not provided for accrued liability on account of Gratuity of Rs.2,57,79,886/- (Previous Year-Rs.2,89,90,414/-). If the provision would have been made, the Profits would have been lower by Rs.2,57,79,886/-.
- 4.6.2 The Company has debited to the profit & loss account a sum of Rs.29,79,718/- being the amount spent on account of Grants received from Government of India, instead of adjusting against the Grants receipts. Hence, the profits as shown in the profit & loss A/c is understated by Rs.29,79,718/-.
- 4.6.3 The Company has debited to the profit & loss account a sum of Rs.37,47,146/- being the amount spent on account of Grants received in earlier years, from Government of India, instead of adjusting against the Grants receipts. Hence, the profits as shown in the profit & loss A/c is understated by Rs.37,47,146/-.
- 4.6.4 The Company has shown Grants received from Government of India amounting to Rs.2,33,80,000/- as Advance From Customers and has shown under the head of Sundry Creditors instead of Reserves & Surplus. Hence, sundry creditors overstated and Reserves & Surplus are understated to that extent.

Subject to above, the said accounts are 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 2010;
- b) in the case of the profit and loss account, of the loss for the year ended on that date.

For M/s. Churwala and associates
Chartered Accountants
Registration No: 188101W

Mamta Sahal
CA. Mamta Sahal
Partner
Membership No: 129282

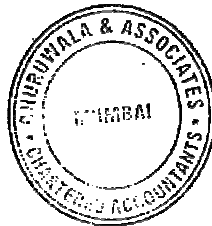


Place: Mumbai
Date: 14th July, 2010

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITOR'S REPORT TO THE MEMBERS OF AGRICULTURAL FINANCE CORPORATION LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010.

As required by the Companies (Auditor Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed to us, all the fixed assets have been physically verified by the management and no material discrepancies have been noticed on such physical verification.
- (c) The assets disposed during the year are not significant and therefore do not affect the going concern assumptions.
- (ii) (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iii) There are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchases of equipment and other assets and sale of services. In our opinion, the internal control system needs to be strengthened.
- (iv) There were no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956.
- (v) The company has not accepted deposits from the public within the meaning of Section 58A and 58AA or any other relevant provisions of the Act, and the Companies (Acceptance of Deposits) Rules, 1975. We are informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or Other Tribunal on the aforesaid Section.
- (vi) The Company does not have internal audit system during the year.
- (vii) The Central Government of India has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the Company.

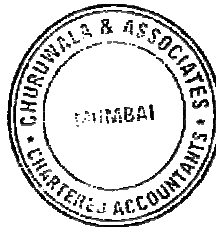


(vii)

- (a) According to the records of the Company, no undisputed amounts payable in respect of Statutory Dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise Duty and Cess were outstanding as at 31st March, 2010 for a period of more than six months.
- (b) According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess which have not been deposited on account of any dispute except the following:

Nature of Dues	Amount of Dues	Repayment of Dues	Related to which year	Forum where Dispute is Pending
Income Tax	27,05,446	27,05,446	A.Y. 2004-05	CIT (Appeals II) Mumbai

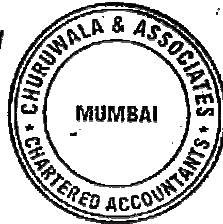
- (ix) The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (x) According to the records of the Company examined by us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
- (xi) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) The provisions of any special statute as specified in the Clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiii) The Company has invested in equity shares and bonds and proper records have been maintained of the transactions and contracts and timely entries have been made for the same. The shares are held by the company in its own name.
- (xiv) In our opinion, the Company has not given any guarantee for loans taken by others from banks or financial Institution during the year.
- (xv) In our opinion, the Company has not raised any term loan during the year.
- (xvi) According to the Balance Sheet examined by us on an overall basis, No funds raised on short-term basis of have been used during the year for long-term investment.



- (xvii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xviii) The company has not issued any equity shares and debentures during the year.
- (xix) The company has not raised any money by way of public issues during the year.
- (xx) 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, we have not come across any instance of material fraud on or by the company, noticed or reported during the year.
- (xxi) Other Provisions of the above said Order are not applicable to the Company.

For M/s. Churwala and associates
Chartered Accountants
Registration No: 108101W

Mamta Sahal
CA. Mamta Sahal
Partner
Membership No: 129292



Place: Mumbai
Date: 14th July, 2010



सत्यमेव जयते

कार्यालय प्रधान निदेशक वाणिज्यिक लेखा परीक्षा तथा पदेन सदस्य, लेखा परीक्षा बोर्ड-I, मुंबई
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-I, MUMBAI

Confidential

No. GA/A/cs/AFC/09-10/ 261

08/09/2010

To

The Managing Director
Agricultural Finance Corporation Ltd.
Dhanraj Mahal,
First Floor, C.S.M Marg,
Mumbai- 400 001.

Sub: Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Agricultural Finance Corporation Limited for the year ended 31 March 2010.

Sir,

Please find enclosed the Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Agricultural Finance Corporation Limited for the year ended 31 March 2010. The Comments may be placed next to the Statutory Auditors' report with a proper indication in the list of contents in the Printed Annual Report.

A copy of the proceedings of the Annual General Meeting adopting the certified accounts, Statutory Auditors' report and Comments of the Comptroller and Auditor General of India may be forwarded to this office immediately after conclusion of the Annual General Meeting. Ten copies of the printed Annual Report may also be sent to this office.

Receipt of this letter and the enclosures may please be acknowledged.

Yours faithfully,

(Alka R. Bhardwaj)

Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Encl. : As above

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2010.

The preparation of financial statements of Agricultural Finance Corporation Limited for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 14 July 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Agricultural Finance Corporation Limited for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India



(Alka R. Bhardwaj)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai.
Date : 8 September 2010

AGRICULTURAL FINANCE CORPORATION LIMITED 2009-2010

BALANCE SHEET AS AT 31ST MARCH, 2010

Audited

Particulars	Schedule Number	As At 31-03-2010 Rupees	As At 31-03-2009 Rupees
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	150,000,000	150,000,000
Reserves & Surplus - Profit & Loss Account	2	43,849,038	40,689,496
Loan Fund			
Secured Loans	3	17,781,104	19,408,652
Total		211,630,142	210,098,148
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	28,272,638	26,404,364
Less: Depreciation / Amortisation		23,829,601	22,942,909
Net Block		4,443,237	3,461,455
Investments	5	61,906,554	63,947,736
Deferred Tax Assets (Net)	6	5,770,662	6,046,181
Current Assets and Loans & Advances			
a) Current Assets			
Jobs in Progress		386,901,000	253,035,000
Sundry Debtors	7	40,059,629	41,137,895
Cash and Bank Balances	8	84,844,837	81,661,277
b) Loans & Advances	9	37,976,354	19,806,831
		849,781,821	399,686,362
Less: Current Liabilities and Provisions	10	410,272,161	258,803,329
Net Current Assets		139,509,660	141,063,022
Miscellaneous Expenditure (to the extent not written off or adjusted)	11		5,000
Total		211,630,142	210,098,148

Schedule 1 to 19 are forming part of this accounts.

As per our report of even date attached

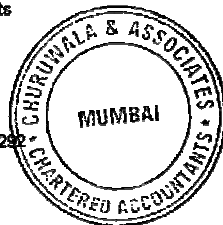
For and on behalf of the Board of Director

For M/s Churuwala & associates
Chartered accountants
Reg No: 108101W

Dr Jayant Patil
Director

A K Garg
Managing Director

CA. Mamta Sehgal
Partner
Membership No : 129292
Place: Mumbai
Date: 14/07/2010



B.M. Kshirsagar
General Manager (F&A)



AGRICULTURAL FINANCE CORPORATION LIMITED 2009-2010

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010
Audited

	Schedule Number	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
INCOME			
Consultancy Income	12	304,284,034	198,467,664
Interest On Investments	13	11,949,777	11,873,967
Other Income	14	4,526,686	1,865,213
Total		320,760,497	212,206,844
EXPENDITURE			
Project & Administration Expenses	15	246,613,710	157,434,288
Staff Cost	16	56,674,081	44,257,177
Interest and Finance Charges	17	755,998	1,779,704
Total		304,043,788	203,471,169
Profit Before Depreciation and Tax (PBDT)		16,716,708	8,735,675
Depreciation	3	887,058	993,496
Profit (Loss) Before Tax (PBT)		15,829,650	7,742,179
Less: Provision For Taxation			
Current Tax (Including Wealth Tax)			
For current year		4,891,362	2,350,000
For earlier years		-	26,697
Current year (Fringe Benefit tax)		-	534,686
Current year (Deferred tax)		275,489	(845,181)
Profit (Loss) after Tax (PAT)		10,662,799	5,675,977
Less: Prior Period/ Extraordinary items	18	7,503,257	(2,238,908)
Net profit / (Loss) for the year		3,159,542	7,914,885
Balance Brought Forward		40,689,496	32,774,611
Balance Carried to Balance Sheet		43,849,038	40,689,496
Earning Per Share (EPS) : Basic (Par Value Rs. 10000/-)		711	378
Weighted Average Number of Shares		15,000	15,000

Schedule 1 to 19 are forming part of this accounts

As per our report of even date attached

For and on behalf of the Board of Director

For M/s Churuwala & associates
Chartered accountants
Reg No: 108101W

Dr Jayant Patil
Director

A K Garg
Managing Director

CA. Mamta Sahal
Partner
Membership No : 128202
Place: Mumbai
Date: 14/07/2010



P M Kshirsagar
General Manager (F&A)



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 1 :

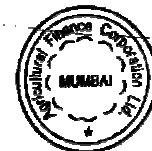
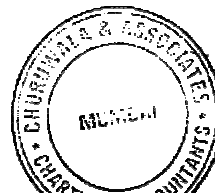
SHARE CAPITAL	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Authorized 100,000 equity shares of Rs.10,000/- each	1,000,000,000	1,000,000,000
Issued,Subscribed and Paid up 15,000 equity shares of Rs 10,000/- each fully paid up	150,000,000	150,000,000
Total	150,000,000	150,000,000

SCHEDULE 2 :

RESERVES AND SURPLUS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Opening Balance	40,689,496	32,774,611
Add: Net Profit/(Loss) for the year	3,159,542	7,914,885
Total	43,849,038	40,689,496

SCHEDULE 3 :

SECURED LOANS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
From Central Bank of India	17,781,104	19,408,652
Secured against pledge of following Securities: - 20 Bonds of 13.5% MSRDC (2015) Bonds (Series II) having face value of Rs.1,00,000/- each - 40 Bonds of 13.5% MSRDC (2015) Bonds (Series V)having face value of Rs.1,00,000/- each - 10 Bonds of 7.10% Bank of India 2014 Bonds having face value of Rs.10,00,000/- each - 5 Bonds of 7.40% Syndicate Bank 2015 Bonds having face value of Rs.10,00,000/- each - 4 Bonds of 7.40% Syndicate Bank 2015 Bonds having face value of Rs.10,00,000/- each - 11 Bonds of 7.45% Bank of Baroda 2015 Bonds having face value Rs.11,00,000/- each - 10 Bonds of 7.50% Bank of India 2015 Bonds having face value Rs.10,00,000/- each		
Total	17,781,104	19,408,652



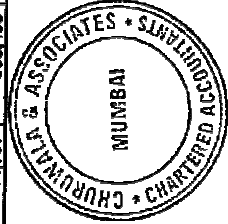
AGRICULTURAL FINANCE CORPORATION LIMITED 2009-2010

SCHEDULE 4 : FIXED ASSETS

(In Rupees)

Fixed Assets	GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION			NET BLOCK		
	As at 01.04.2009	Additions during the year	Deductions during the year	As at 31.03.2010	Upto 31.03.2009	For the Year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
INTANGIBLE									
Software	1,217,331	-	-	1,217,331	1,170,486	20,096	1,190,690	26,771	46,966
TANGIBLE									
Buildings	246,697			246,697	182,917	2,669	195,006	61,691	54,280
Furniture & Fixtures	7,753,962	143,874		7,897,836	7,087,924	139,196	7,227,060	670,808	666,068
Office Equipment	5,782,442	499,045		6,281,487	4,619,669	183,866	4,803,336	1,478,182	1,162,773
Air Conditioners	887,936	23,200	2,869	909,278	676,254	363	712,629	196,349	211,692
Vehicles	1,036,266	50,109		1,086,405	562,526	129,677	682,202	406,203	486,771
Computers	9,477,770	1,166,104		10,643,874	8,645,756		9,018,609	1,614,365	834,015
Total	26,404,364	1,871,332	2,868	28,272,538	22,942,909	363	23,929,601	4,443,237	3,461,455
(Previous Year)	25,674,861	546,243	19,730	26,404,364	21,964,211	14,797	26,349,495	3,461,455	

1. Building includes Rs 500/- being cost of fully paid-up shares in a co-operative Housing Society



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 6 :

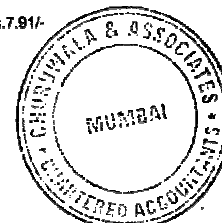
INVESTMENTS			As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
UNQUOTED - NON TRADE				
PARTICULARS	NOS.	FACE VALUE FOR EACH SECURITIES		
In Bonds				
13.5% MSRDC (2015) Bonds (Series II)	20	100000	2,024,000	2,024,000
Add: Accrued Interest			405,370	405,370
13.5% MSRDC (2015) Bonds (Series V)	40	100000	4,048,000	4,048,000
Add: Accrued Interest			247,068	247,068
10.25% IDBI Omni 2002/A (2012) Bonds IV	18	100000	1,797,300	1,797,300
Add: Accrued Interest			147,085	147,085
10.65% APPFCL (2013) Bonds	50	100000	5,240,000	5,240,000
Add: Accrued Interest			310,800	310,800
7.5% IDBI Omni (2013) Bonds	25	100000	2,478,839	2,478,839
Add: Accrued Interest			124,829	124,829
12% GEB (2007/08) Bonds	4	1000000	-	1,783,800
Add: Accrued Interest			-	82,581
7.25% IDBI OMNI Bonds 2015	2	1000000	1,982,000	1,982,000
Add: Accrued Interest			145,000	-
7.10% Bank of India 2014	10	1000000	9,785,000	9,785,000
Add: Accrued Interest			710,000	710,000
7.40% Syndicate Bank 2015	5	1000000	5,000,000	5,000,000
Add: Accrued Interest			287,880	287,880
7.40% Syndicate Bank 2015	4	1000000	3,974,000	3,974,000
Add: Accrued Interest			230,313	230,314
7.45% Bank of Baroda 2015	11	1100000	10,989,000	10,989,000
Add: Accrued Interest			819,500	819,500
7.50% Bank of India 2015	10	1000000	9,894,000	9,894,000
Add: Accrued Interest			750,000	750,000
In Shares - Unquoted				
Equity Shares in Global Procurement Consultants Ltd	30000	10/-	300,000	300,000
In Shares - Quoted				
Equity shares of Gujarat State Petronet Ltd (Market value of quoted investment Rs.21875/-)	250	10/-	6,750	6,750
Corpus with AFC Foundation			100,000	100,000
Total			61,908,554	63,647,736

i) FV indicates face value

ii) b/ indicate pledged with bank for facilities granted to the Company. Cost aggregating to Rs40,830,000/- (previous year Rs.40,805,889/-)

iii) The Intrinsic value of the equity shares in Global Procurement Consultants Ltd is Rs.7.91/-

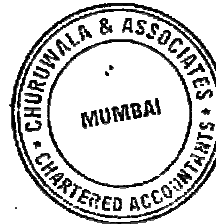
iv) Market value of the shares of Gujarat State Petronet Ltd is Rs.87.5/-



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 6 :

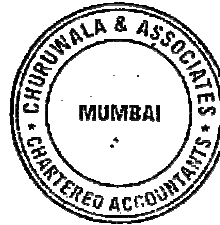
DEFERRED TAX ASSETS (Net)	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Deferred Tax Assets	6,046,181	5,201,000
Add: addition/ (Deletion) for the year	(275489.00)	845,181
Net Deferred Tax Assets	5,770,692	6,046,181
Total	5,770,692	6,046,181



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 7:

SUNDRY DEBTORS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Over Six Months (Unsecured, considered good unless otherwise Stated)		
Considered Good	30,505,839	28,731,294
Considered Doubtful		2,966,951
	30,505,839	31,698,245
Less: Provision for Doubtful Debts		2,966,951
	30,505,839	28,731,294
Others		
Considered Good	9553790	12,406,601
Total	40,059,629	41,137,895



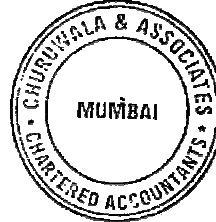
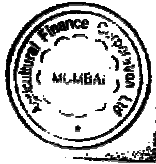
AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 8 :

CASH & BANK BALANCES	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Cash on Hand	331,743	7,031
Remittance in transit / Cheques in Hand	-	399,200
Balances with Scheduled Banks In Current Account	6,023,351	2,574,407
Fixed / Margin Deposits with Banks*	77,800,000	77,800,000
Interest Accrued on Fixed Deposits	589,743	880,639
Total	84,844,837	81,661,277

SCHEDULE 9 :

LOANS & ADVANCES	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Loans to Employees	1,379,189	1,140,927
Advances (Recoverable in cash or in kind or for value to be received)		
Tax Advances	8,389,841	8,483,711
Other Advances	21,540,503	4,569,775
Sundry Deposits	6,866,821	5,712,518
Total	37,976,354	19,906,931



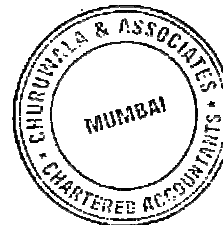
AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 10 :

CURRENT LIABILITIES & PROVISIONS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Current Liabilities		
Sundry Creditors		
For Expenses and Others	3,005,559	63,212,185
Advances from Customers	371,488,234	177,006,544
	374,493,793	240,218,729
Provisions		
For Taxation (including Wealth Tax)	5,440,129	5,008,457
Provision for Expenses	12,220,188	-
Voluntary Retirement Scheme Compensation	2,675,501	-
For Gratuity	3,000,000	-
For Leave Encashment	12,442,550	13,576,143
	35,778,368	18,584,600
Total	410,272,161	268,803,329

SCHEDULE 11 :

MISCELLANEOUS EXPENDITURE	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
Capital Issue Expenses	-	5,000
Total	-	5,000



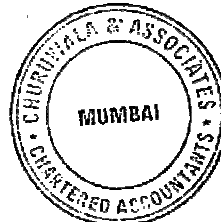
AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 12 :

CONSULTANCY INCOME	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Value of Assignments completed during the Year	170,418,034	59,314,000
Add: Value of Closing Jobs in Progress	386,901,000	253,035,000
Less: Value of Opening Jobs in Progress	(253,035,000)	(114,003,000)
Consultancy Income from Domestic Assignments	304,284,034	198,346,000
Consultancy Income from International Assignments	0	121,664
Total	304,284,034	198,467,664

SCHEDULE 13 :

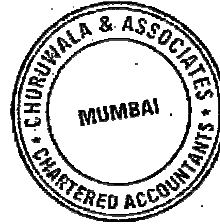
INTEREST ON INVESTMENTS	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Fixed/Margin Deposit	6,911,249	6,589,937
UTI Liquid Plus Growth fund	50,287	-
UTI Treasury Advantage fund	2,812	-
13.5% MSRDC (2015) Bonds (Series II)	297,000	270,000
13.5% MSRDC (2015) Bonds (Series V)	594,000	540,000
11.75% Dena Bank (2008) Bonds	-	212,466
10.25% IDBI OMNI 2002/A (2012) Bonds IV	184,500	184,500
10.85% APPFCL (2013) Bonds	221,899	532,500
7.5% IDBI OMNI (2013) Bonds	187,500	187,500
12% Gujarat State Electricity Board (2008/9) Bonds	99,419	266,564
7.10% Bank of India (2014) Bonds	710,000	710,000
7.45% B O B (2015) Bonds	1,130,101	819,500
7.50% Bank of India (2015) Bonds	750,000	750,000
7.40% Syndicate Bank (2015) Bonds	370,000	370,000
7.40% Syndicate Bank (2015) Bonds	296,000	296,000
7.25% IDBI (2015) Bonds	145,000	145,000
Total	11,849,777	11,873,967



AGRICULTURAL FINANCE CORPORATION LIMITED

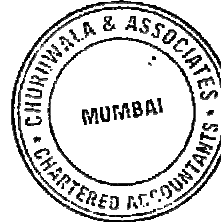
SCHEDULE 14 :

OTHER INCOME	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Dividend	75,000	87,625
Interest Received :		
On Loan To Employees	41,911	17,998
Bank Interest	27,315	43,492
Profit On Sale Of Fixed Assets	6	1,096
Recovery Of Expenses	173,336	452,192
Miscellaneous Income	38,894	94,561
Provision written back	2,968,951	-
Journal Subscription and advertisement	451,690	176,610
Interest Received from AFC Foundation	747,280	-
Foreign Exchange Difference	4,304	77,425
Claim receipt due to fire	-	934,194
Total	4,526,686	1,865,212



SCHEDULE 15 :

PROJECT AND OTHER ADMINISTRATIVE EXPENSES	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Consultancy Charges	11,810,697	8,280,582
Survey Expenses	202,567,088	111,789,243
Workshop Expenses	9,106,448	2,738,613
Journal Expenses (Net)	582769	257349
Travelling and Conveyance Expenses (Include for Directors Rs. 6,85,105/- (Previous year Rs 3,66,514/-))	7,005,402	14,499,611
Printing and stationery	2204894.7	3,131,199
Vehicle Hire Charges	1,034,227	2,295,050
Rent	2,824,790	2,947,151
Repairs to Others	83,697	1,414,327
Insurance	42,048	40,565
Communication Expenses	1,246,030	1,196,809
Electricity Charges	731709	729036
Computer Expenses	300,560	228,466
Membership and Subscription	333178	65850
Directors' Sitting Fees	12,500	20,000
Legal and Professional Charges	333,534	635,550
Statutory Audit Fees	35,000	35,000
Tax Audit Fees	15,000	15,000
Advertisement	73,610	119,660
Business Promotion Expenses	505,662	47,776
Security Charges	470,524	286,594
Miscellaneous Expenses	3,436,991	1,913,895
Capital Issue Expenses written off	5,000	5,000
Loss on sale of fixed assets		4,496
Loss on Redemption of Bond (Net)	193600	1485200
Investigator's Expenses		6000
EDP Charges	569292	2777085
Inspection Charges	57545	52818
Training	477482	218943
Municiple Tax	150000	0
Interest on FBT	55644	30983
Leased Accomodation on House Rent (MWSIP)	300000	125000
Water Charges	68813	61437
	246,613,710	157,434,288



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 16 :

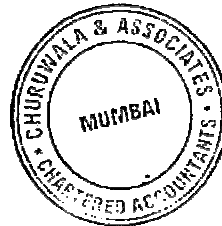
STAFF COST	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Salaries & Allowances and Bonus	41,255,162	36,341,772
Contribution to PF & Other Schemes	10,605,179	5,575,276
Staff Welfare Expenses	2,138,239	2,340,129
Training Expenses	-	-
VRS Compensation to Employees	2,675,501	-
Total	56,674,081	44,257,177

SCHEDULE 17 :

INTEREST AND FINANCE CHARGES	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Interest On Overdraft	621,333	1,459,675
Bank Charges	133,141	312,903
Demat & Incidental Expenses	1,524	7,126
Total	755,998	1,779,704

SCHEDULE 18 :

Prior Period and Extraordinary Items	Year Ended 31/03/2010 Rupees	Year Ended 31/03/2009 Rupees
Extraordinary Items:		
Bad Debts Written Off	7,503,257	-
Priod Period Items		
Excess Provision written Back	-	2,238,908
Total	7,503,257	2,238,908



AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES AND NOTES OF ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting:

The financial statement have been prepared under Historical Cost Convention, on going concern basis and in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, except AS-12 as regards Accounting for Government Grants, and AS-15 as regards Accounting for Retirement benefits in the Financial Statement of Employers.

2. Recognition of Income and Expenditure

The Company generally follows the mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

3. Fixed Assets:

Fixed assets are stated at their original cost or cost of acquisition/ installation and are shown at net of accumulated depreciation. Cost comprises of capital costs and incidental expenses attributable to bring the asset to working condition for its intended use.

4. Depreciation:

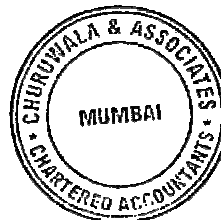
The Company provides depreciation on its fixed assets on the written down value method at the rate specified in schedule XIV to the Companies Act, 1956.

5. Investments

Long-term investments are stated at Cost. In case of Long-term investments, provision is made for permanent diminution in value.

6. Events Occurring after Balance Sheet Date

No significant events which could affect the financial position as on 31.3.2010 to a material extent have been reported by the company, after the balance sheet date till the signing of report.



7. Prior Period and Extraordinary Items

Prior Period and Extraordinary items include Bad Debts written-off of Rs.7503257.

8. Revenue Recognition/ Jobs-in-Progress

Consultancy fees are recognised as per Proportionate Completion Method (PCM) as prescribed in AS - 9 " Revenue Recognition " as certified by the management except under SAMIS assignments, where recognition is done on the basis of actual collection of fees under each assignments. Incomplete assignments at the Balance Sheet date are shown as Jobs in progress and valued on the basis of technical reports received from various project heads.

9. Transactions in Foreign Currency

The transactions in foreign currencies are accounted at the equivalent rupee value on the date of the transaction.

Foreign currency assets and liabilities not covered by forward contracts at the year end are realigned at the prevailing exchange rate and difference on realignment and realization is charged to profit and loss account.

10. Retirement Benefits:

- 10.1 The Company is having a Group Gratuity cum Life Assurance Scheme with Life Insurance Corporation of India (LIC) and the premium determined by LIC is paid and accounted as gratuity.
- 10.2 Contribution to Provident Fund is charged to profit and loss account.
- 10.3 The retirement benefits for encashment of leave salary are fully provided for on actuarial valuation.

11. Taxes on Income:

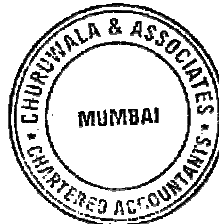
Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax assets, on timing differences, being the timing difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Operating Leases :

Lease of assets under which all the risk and rewards of ownership are effectively retained by the lesser are classified as operating leases. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

13. Miscellaneous Expenditure:

Capital issue expenses are amortised over a period of 10 years.



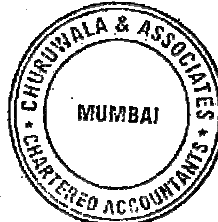
NOTES TO ACCOUNTS

14. Previous Year figures have been regrouped / recast, wherever considered necessary.
15. The Execution of the Deed of Conveyance in favour of the Housing Society, in which the Company owns a flat since 1972, is yet to be completed.
16. **Contingent Liabilities**
 - 16.1 Bank Guarantees issued on behalf of the Company outstanding as on 31.3.2010 aggregate Rs.143.32Lakh. (Rs. 125.23 Lakh).
 - 16.2 The Company has received income tax demand of Rs.2705448/- (Previous Year-Rs.2705446/-) in earlier years, in connection with A.Y.2004-2005 and company has preferred appeal against this order. However, the appeal remains pending as on the date of Balance Sheet.
17. The Company has applied for the Service Tax Registration in the financial year 2004-05. Service tax authorities have categorized the Company as "Management Consultant". The company has accounted and paid Service tax on collection basis during the year.

The company is following the practice of payment of Service Tax to the Government Treasury upon realization of the Service Tax amount from the clients to whom the taxable services are provided.

The company conducts workshops, trainings, surveys and studies for client that are mainly Government of India & State Government undertaking who provide funds to the Company through their budgetary provisions. The company has been playing the role of a facilitator in completing the tasks assigned by the clients and as such the company contends that it is not providing any services that are liable to Service Tax and therefore is not paying any service tax on assignments which are in the nature of workshops, trainings, surveys and studies.
18. **Regional Centre - National Afforestation And Eco-Development Board (RC-NAEB) Project**

Advance from customers include an amount of Rs. 233,80,000/- (Previous year-Rs.209,50,000/-) received by the Company by way of Grant in respect of social forestry project assigned by RC- NAEB Center at its Northern Regional Office, New Delhi and at Head Office, Mumbai.
19. The retirement benefit scheme of the company is funded by Life Insurance Corporation (LIC) of India. The Shortfall of the contribution against the amount required to meet the accrued liability is Rs.25779886/- (Previous Year-Rs.28990414/-). However, Present Value of Past service benefit is Rs.15813675/- (Previous Year Rs.17997656/-).
20. The Company has debited to the profit & loss account a sum of Rs.29,79,718/- being the amount spent on account of Grants received from Government of India, instead of adjusting against the Grants receipts.
21. The Company has debited to the profit & loss account a sum of Rs.37,47,146/- being the amount spent on account of Grants received in earlier years, from Government of India, instead of adjusting against the Grants receipts.



22. The Company has shown Grants received from Government of India amounting to Rs.2,33,80,000/- as Advance From Customers and has shown under the head of Sundry Creditors instead of Reserves & Surplus.

23. Managerial Remuneration paid under Section 198 of the Companies Act, 1956 to the Managing Director of the Company is as under:

Particulars	Present Managing Director	Previous Year (Rs.)
Remuneration <i>g/c</i>	1895425	1236557
Contribution to Provident Fund	242060	149735
Medical Expenses	19795	36819
Perquisites as per Income Tax Rules	23410	23410
Total	2280690	1446522

24. Taxation

The Component of Deferred Tax balances as on 31st March, 2010 accounted in accordance with AS-22 "Accounting for Taxes on Income" issued by ICAI are as under:
Deferred Tax Assets arising on account of timing difference on

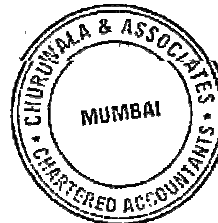
Particulars	As on 31 st March 2010	As on 31 st March 2009
Doubtful Debts	1375198	1011866
Brought forward losses & Depreciation	550746	423183
Expenses allowable on payment basis	3844748	4614531
Total	5770692	6049480

Particulars	As on 31 st March 2010	As on 31 st March 2009
Net Deferred Tax Assets	5770692	6049480

Balance of Sundry Creditors; Advances from Customers, Sundry Debtors and Loans and Advances are subject to confirmation and reconciliation. Necessary adjustment if required will be made in the accounts after reconciliation.

25. Income Earned in Foreign Currency Including recoverable expenditure:

Particulars	As on 31 st March 2010	As on 31 st March 2009
Consultancy Fees	0	121864
Recovery of Expenses	0	5325645
Total	0	5447309



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A Technical Support Institution Committed to Rural Prosperity

