

43rd Annual Report 2010-11



Agricultural Finance Corporation Ltd.

A Technical Support Institution Committed to Rural Prosperity



AFCL AT A GLANCE

Particulars	31 st March 2011	31 st March 2010	% Growth over March 2010
A. Financial Performance:			
Gross Income	5195.73	3203.08	62%
Gross Expenditure	5012.92	3110.95	61%
Profit before Depreciation & Tax	182.81	92.13	98%
Profit after Tax	132.56	31.59	320%
Ratio Analysis:			
Net Profit Ratio	3.28%	2.60%	26%
Earnings per Share (EPS)	Rs.884	Rs.211	319%
Value Per Share	Rs.13807	Rs.12923	6.84%
<ul style="list-style-type: none"> - Consultancy income grew by 62 % over the previous year (Rs.51.96 crores Vs. Rs. 32.03 crores in previous year.). - Company was able to manage its costs and during the year company earned a net profit after tax of Rs.132.56 lakhs in comparison to Rs.31.59 lakhs of previous year. 			
B. Business Initiatives:			
<i>Project Implementation Services</i>			
<ul style="list-style-type: none"> - Adoption and Certification of Organic Farming in Gujarat and Chhattisgarh - IT enabled Customized Farmers 'Training in UP - Enhancing Production & Productivity of wheat by Line Sowing in Eastern UP 			
<i>Training and Capacity Building</i>			
<ul style="list-style-type: none"> - Training Need Assessment and Development of Training Modules for Panchayati Raj Institutions 			
<i>Diversified Areas</i>			
<ul style="list-style-type: none"> - Financial Inclusion Programme in West Bengal - Technical Supervision, Monitoring and Quality Assurance of Civil Works of School Buildings, SSA in Karnataka and Bihar - Physical Verification of PMEGP units of KVIC in various States 			
<i>Project Management Services</i>			
<ul style="list-style-type: none"> - Support to NAEB, MoEF, GoI: Regional Centres at Mumbai and New Delhi covering 10 States 			
<i>Monitoring and Evaluation</i>			
<ul style="list-style-type: none"> - Mini Mission – II of TMNEH , Small Farmers' Agri-Business Consortium - World Bank Aided Maharashtra Water Sector Improvement Project - Weather Based Crop Insurance Scheme of DoAC, GoI - Schemes of National Medicinal Plants Board, New Delhi 			
C. Livelihood Support Services:			
<ul style="list-style-type: none"> - Micro finance in Jalgaon (Maharashtra) and West Bengal - Caring Capital Assistance to Farmers funded by Letz Dream Foundation 			

Board of Directors



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



Shri M D Mallya
Chairman & Managing Director
Bank of Baroda



Shri S Sridhar
Chairman & Managing Director
Central Bank of India



Shri D L Rawal
Chairman & Managing Director,
Dena Bank



Dr S K Goel, IAS
Principal Secretary,
Agricultural & Marketing
Department, Government of Maharashtra



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



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

Board of Directors



**Smt. Sukriti Likhi, IAS
Director, Department of
Financial Services, Ministry of
Finance, Govt. of India**



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



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



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



**Shri Jayesh R Sharma
Company Secretary**

Management Team



Shri P M Kshirsagar
Executive Director



Shri M Manjunatha
Dy. General Manager



Shri J P Lall
Dy. General Manager



Shri S.J Thote
Dy. General Manager



Shri D V Nithyanand
Dy. General Manager



Ms. Mamta Sahal
Head (Finance & Accounts)



Shri G S Yadav
Asst. General Manager



To:

The Members

Agricultural Finance Corporation Limited

Dear Shareholders,

Your Directors have pleasure in presenting to you the Forty third Annual Report together with the audited statement of financial accounts of your Corporation for the year ended 31 March 2011.

Your Corporation continued to focus attention on its core business of providing consulting and other related services in the fields of agriculture and rural development including social sectors like education, training, micro finance, livelihood support etc., keeping in view the national priorities on acceleration of agricultural growth and poverty alleviation.

During the last five years, your company focused on continuing not only its traditional work in research / project formulation but also by diversifying into project implementation and management services and IT enabled capacity building programmes. The overarching objective being to bring about changes in the Indian agriculture system to become more responsive to the changing requirements/developments.

The major problem of the Indian economy for decades has been the near stagnation in the growth of agriculture and the declining share of agriculture in the GDP without commensurate decline in the percentage of population depending on agriculture. The economists as also the Government have identified the factors responsible for this but in spite of the resolve of the Government as reflected in successive Five Year Plans where agriculture growth target has been kept at 3.5% to 4%, the agriculture in India is stagnating and the country has not been able to achieve the growth targets in the agriculture sector for decades.

Besides, the factors like low capital formation in agriculture and the decline in public sector in capital formation, inadequate research, near collapse of extension system, lack of connect between the lab and the land, the adverse investment risk return ratio, one major issue is the fact that nearly 86% of the operational holdings are below 2 hectare and the size of operational holdings is declining further. Between 1991-92 and 2003, the share of small and marginal farmers in the total operational holdings increased from 81% to 86% and correspondingly their share in the operated area increased from 34% to 44%. It is not unreasonable to expect that this share would have further increased during the last 8-9 years. It is obvious that unless the disadvantaged farmers i.e, the small / marginal farmers, the tribal and the women farmers are able to effectively participate in agriculture development, the desired growth in the sector may not be achieved. This had necessitated a change in the business strategy and your company is now working with many Business Associates in different fields and areas which has considerably enlarged its reach and effectiveness.

In spite of the Government focus on improving supply side in inputs including institutional credit the expected improvements have not come about. Further, the needs of inputs including credit and support services like extension, marketing research linkage are not only growing but becoming vital due to increasing commercialization and modernization of agriculture. Small / marginal farmers are no more the subsistence farmers for whom agriculture was a way of life, with very little use of purchased inputs, low investment, low risk and low return nature of their operations. These farmers are increasingly taking to commercial agriculture. It is commonly accepted that small and marginal farmers could be equally efficient producers if the backward / forward linkages improve, the support services and the delivery arrangements become more responsive to their needs. Unfortunately, this has not happened, adding to the distress of the majority of farmers in the country and has contributed to the stagnation in the growth of agriculture in India.

Looking at agricultural credit, it is rather distressing to note that according to the Agricultural Statistics at a Glance 2009, published by the Ministry of

Agriculture, Government of India, in 2009-10, less than 1.5% of the marginal holdings and less than 3.8% of the small holdings had access to credit from the commercial banks (excluding RRBs). In other words, well over 95% of the small / marginal holdings did not have access to commercial banks for credit in spite of the fact the Reserve Bank of India has classified agriculture lending as a priority sector lending and fixed targets for direct agricultural loans as also loans to weaker sections which include small / marginal farmers, etc. In absence of institutional credit support, the disadvantaged farmers try to get the inputs on credit and generally fall prey to fly by night operators or input supplier who not only supply inferior quality inputs, charge inflated prices but also market the products which they want to sell rather what the farmer requires, adding to the farmers distress.

Despite, the Government of India / Reserve Bank of India resolve to improve the supply side, the delivery system has not responded to the changed situation and changing requirements / demands of the disadvantaged farmers. AFC's strategy now is primarily on projects / initiatives for the demand side by focusing on the need to organize the farmers into farmers / producers groups / producers companies and also to bring about changes / improvements / innovations in delivery of inputs by associating with the Small Farmers' Agri-business Consortium (SFAC), projects for organic farming, use of IT in extension, and also in management and implementation of projects in difficult areas like tribal belts, forest areas, etc.

I. BUSINESS INITIATIVES

Business Collaboration

The Business Associates Model i.e business collaboration with reputed consultancy firms and professional institutions adopted since 2007-08 has been proved to be highly successful during the current year in expanding and diversifying the company's activities. The business sourced by few of these Associates is substantial during the year amounting to about Rs 112 crores. They have been sourcing business, particularly, in diversified areas like

promotion of organic farming, IT enabled agricultural extension services, agriculture productivity improvement programmes. As of March 2011, 80 firms are registered with your Company as Business Associates out of which 15 are active in sourcing as well as implementation of assignments. During the year under review, a refinement in sharing pattern of income between the company and associates under the category-1 of the business associates model was brought.

Round Table Conference on Farmer Produce Organisations:

Consistent with the Planning Commission's emphasis on inclusive growth through establishment of Farmer Producers' Companies across the country, your company organized a Roundtable Discussion on 'Role of Farmer Producer Organizations in providing benefits of scale to farmers in access to inputs and markets'; the second of a series of events on this theme. While some Farmer Producer Companies have been established in the country, they lack suitable structure, access to credit, market and know how. The Round Table Conference was conducted at New Delhi on 16 April 2010, wherein the stake holders who are working in this area, were given an opportunity to interact on a single platform to bring out ways and means to take forward the concept of Farmer Producer Organisations in a big way. Dr. Abhijit Sen, Member, Planning Commission of India delivered the Keynote Address. Mr. G.C. Pati, Additional Secretary, Ministry of Agriculture, Govt. of India; Dr Sadamate, Advisor (Agriculture), Planning Commission and representatives of NGOs and other institutions participated in the deliberations. Towards evolving organized growth, your company is planning to enter into this sector in a more aggressive manner through involvement of some grass root level organizations in Madhya Pradesh during next year.

MOU with SFAC

Recognising your company's competence in providing consulting services, the Small Farmers' Agribusiness Consortium, Ministry of Agriculture, GoI, has signed a Memorandum of Understanding (MOU) for availing professional services of the company to its development activities. The areas of cooperation

under the MOU will be: (i) Monitoring and Evaluation of On-going Programmes of SFAC; (ii) Project Development, Formulation and Appraisal; (iii) Conducting Entrepreneurs' Development Programme (EDP), specifically, targeting Agribusiness Entrepreneurs and Farmers; and (iv) IT enabled Services. Since signing of the MOU, SFAC has utilized company's services in providing professional manpower support, monitoring and evaluation of the programmes of Technology Mission on Horticulture in North eastern and Hilly States.

Restructuring Business Operations

Human Resources Management. During the year two officers (one Deputy General Manager and one Project Officer) and one sub staff (Driver) have superannuated. One Officer (Manager) resigned from services of the Company during the year. During the year, the company introduced a Restricted Early Severance Scheme (RESS) to bring down the ratio of professional staff to workman staff and to provide exit route to willing staff. Accordingly, Fourteen employees opted for the RESS and voluntarily retired from the company. The present staff strength of the company stands at 75 of which 42 are officers and 33 are workmen staff.

Training. The company aims at continuous up gradation of skills and reorientation of its Staff in tune with government policies and the types of services in demand on a regular basis. In addition, 3 staff members participated in training programme on empowerment of Panchayat Raj officials at Ranchi, Jharkhand. Senior staff of your company also participated in a national level workshop on National Rural Livelihood Mission (NRLM), organized by Government of Maharashtra at Yashada, Pune during the year.

Organisation Restructuring

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, measures on restructuring of the organization were initiated during the last year. Head office operations restructured under three Divisions viz Business Development Division (BDD), Business Monitoring Division (BMD) and Administrative and Accounts Support Services Division (AASD) are working in an efficient manner.

Business Development and Liaisoning Offices (BDLOs). In order to enhance business prospects throughout the country, your company had initiated setting up of Business Development and Liaison Offices (BDLOs). The BDLOs will function as one man office, who would liaise with the development departments of the respective States and also identify potential business partners. During the year, the States of Chhattisgarh and Odisha were brought under purview of BDLOs.

Functioning of DGMs Committee. A DGMs Committee set up in the previous year was made functional during the year. The committee looks into operational activities of the corporation like reinvestment of matured funds, brand promotion of the company through development of appropriate brochures, refinement in Business Associates model, steps for ISO Certification of the company, vetting of high value proposals submitted by business associates etc. The committee's views are suggestive in nature, based on which the top management takes final decisions on matters of importance to the company.

Organisational Road Map. As per the directives of the Board, an Organisational Road Map was prepared during the year. Based on a document prepared by a two member In-house Committee, the task was entrusted to Dr Bandopadhyaya, former Director of National Institute of Bank Management (NIBM), Pune. The Road Map document has identified diversified areas the company may embark upon in coming years as also suggested organizational strengthening.

Review Committee for ICT Project in UP. Your company is implementing a high value assignment 'Customised Farmers Training & Extension and Online Agriculture Monitoring through Application of ICT under RKVY in Uttar Pradesh for the past four years through a Business Associate. The assignment which started in 45 blocks in initial year has now been extended to all 820 blocks in the State. For smooth implementation of the assignment and to deal effectively the field problems, a Review Committee comprising of members from top management of both the institutions has been constituted during the year. The committee meets on a quarterly basis.

Journal : “Financing Agriculture”

Your company has continued publishing the journal “Financing Agriculture”. The journal which was made a monthly publication with enhanced printing quality during previous year has been consistently receiving good response from all over the country. Various issues of the Journal brought out during the year mainly focused on subjects of topical relevance for boosting agriculture and rural development, which included: eco-tourism, seeds, medicinal plants, organic farming, farmers' producers organisations, climate change, microfinance etc.

II. REVIEW OF BUSINESS PERFORMANCE

During the year, the company handled 205 assignments as compared to 196 during the previous year. Of these assignments, 66 were booked during the year and the remaining 139 have been carried forward from the previous year. Of the 205 assignments, 82 were completed during the year and remaining 123 assignments have been carried forward to the ensuing year (2011-12). It is observed that there has been substantial increase in size of the assignments i.e. volume of business booked during the year giving more emphasis on high value assignments. The total fee for the assignments confirmed during 2010-11 was Rs.12286 lakhs which has been the highest ever.

III. REVIEW OF FINANCIAL RESULTS

Agricultural Finance Corporation Limited, has achieved a top line of Rs.51.96 crores during the year 2010-11 as compared to Rs.32.03 crores for the previous year thereby recording a growth of more than 62%. Similarly, the company reported a profit before depreciation and taxes of Rs.1.82 crores as compared to a profit of Rs.0.92 crores during the previous year. It is worth mentioning that this year also your company has posted operating profit i.e., profit without interest income on Deposits of the Company indicating that your company, to a large extent, has turned around and is a profit making company now. The terminal benefits of the staff amounting to Rs.1.84 Crores have been written off during the current financial year.

It is a matter of satisfaction that the Balance sheet has been able to sustain the additional expenditure of Rs.1.84 crores on the staff cost as compared to the previous year. A snap shot of the balance sheet is furnished below:

(Rupees in Lakhs)

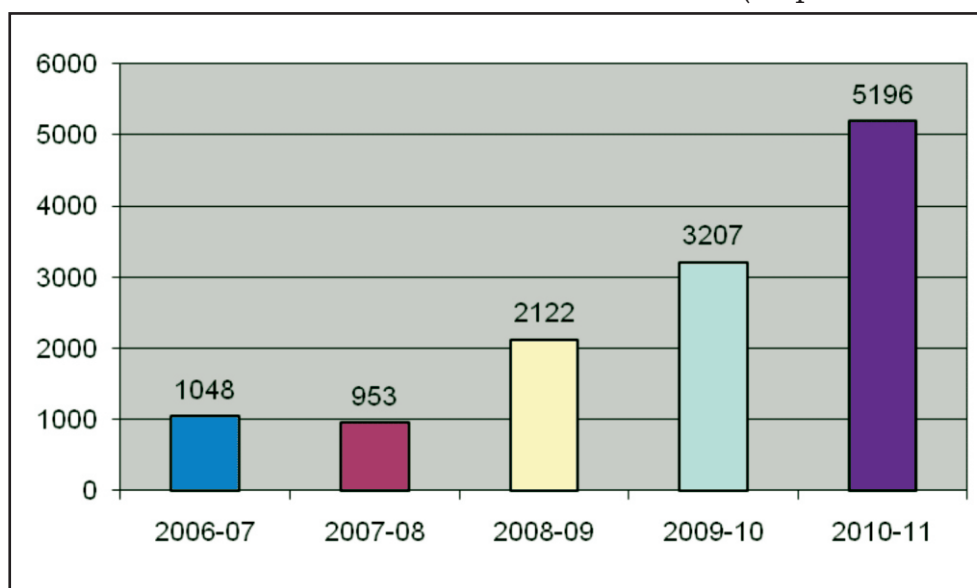
Item	Year Ended 31 st March, 2011	Year Ended 31 st March, 2010
Gross Income	5195.73	3203.08
Gross Expenditure	5012.92	3110.95
Profit Before Depreciation & Taxes	182.81	92.13*
Depreciation	12.06	8.87
Profit / (Loss) Before Taxes	170.74	83.26
Provision for Taxes		
Current Year	56.72	48.91
For earlier years	(26.81)	
Deferred Taxes	8.27	2.75
Profit / (loss) After Tax (PAT)	132.56	31.59

*Figures have been regrouped and rearranged.

The members will be pleased to know that efforts put in during the last five 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

(Rupees in lakh)



Similarly, your Company has been able to make significant turn-around during the last five years from a profit before depreciation & tax of Rs.35.85 lakhs during the year ended March 2007 to the profit before depreciation & tax of Rs.182.81 lakhs 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 before Depreciation & Taxes</u> <u>(Rs.in lakhs)</u>
March 2011	182.81
March 2010	92.13
March 2009	87.35
March 2008	52.60
March 2007	35.85

IV. BUSINESS OUTLOOK FOR THE YEAR 2011-12

The new initiatives for business expansion undertaken by your company have resulted in significant breakthrough in business building during the current year. These initiatives will be pursued more vigorously during ensuing years.

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 organic agriculture, post-harvest operations in horticulture, supply chain management and value additions are activities that provide considerable business potential and your Corporation has varied experience in this area. Your company is already playing a useful role under Organic Farming Scheme of Horticulture Technology Mission.

Natural Resource Management (NRM) is an approach that aims at improving livelihoods, agro-ecosystem resilience, agricultural productivity and environmental services. Consistent with the emphasis on water conservation measures and productivity improvement in rainfed areas, gross root level implementation of watershed development programmes offer considerable scope where, again, the Corporation has proven expertise. The company plans to offer services to National Rainfed Area Authority (NRAA) for undertaking impact assessment studies on ground water management under rainfed areas, identifying gaps in input supply, credit availability, dissemination of technology for productivity improvement of crops etc.

Improving irrigation efficiency under command areas of irrigation projects is a matter of concern and your company with experience in on-farm development can offer useful services to Department of Water Resources, GoI. Further, it will explore opportunities for training capacity building areas like empowering stakeholders, fostering adaptive management capacity building, documentation, policy level advocacy at national level.

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. The policies are likely to be continued in XII Plan period also. 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 2011-12, including opportunities under National Rural Livelihood Mission (NRLM). The opportunities available under Skills up gradation would also be tapped.

Similarly Capacity building needs of Panchayat Raj officials and elected representatives at various levels have been receiving increased attention from many State Governments. Your company through its vertical on Panchayat Raj at Lucknow has gained adequate experience in Uttar Pradesh during the past

two years. Your Company will explore opportunities available for undertaking training programmes for empowering the senior elected representatives and officials of the Panchayati Raj, Training Needs Assessment, Networking, e-Panchayat more particularly in States of Bihar, Jharkhand and Madhya Pradesh.

NABARD has set up two funds 'Financial Inclusion Fund' (FIF) for meeting the cost of developmental and promotional interventions of financial inclusion and 'Financial Inclusion Technology Fund' (FITF), for meeting the cost of technology with a view to bringing the excluded population into the ambit of financial system of the country. Financial Literacy is an important programme and is one of the priorities of the Government. A proposal on Financial Literacy Programme (FLP) for Rural Youths through SHGs and Farmers' Clubs in West Bengal has been approved by NABARD. Financial Literacy is one of the thrust areas your company would explore in the next year.

National e- Governance is priority sector programme of GoI. The level of computerization of agricultural cooperatives remains alarmingly low. Many agricultural cooperatives, especially larger ones, are now beginning to think more seriously about the benefits that can accrue through computerization. Computerization of cooperative information systems can lead to larger increase in efficiency and competitiveness. Recognising the opportunities available in this segment, your company has plans to submit proposals to state governments through collaboration with Business Associates.

Several Project Implementation Agencies are in look out for Project Management Services, a diversified sector of service in demand today. Your company has initiated discussions in this regard with Small Farmers Agri-Business Consortium (SFAC), GoI, and North Karnataka Urban Sector Improvement Project, and Rashtriya Madhyamik Sikshan Abhiyan, Government of Karnataka and the proposals submitted are likely to fructify in ensuing year.

A good number of high value proposals which have been submitted to various Ministries, State Governments/Agencies are under active consideration. Further, the MOU between your company and SFAC, Department of

Agriculture and Cooperation, Ministry of Agriculture, GoI is likely to open up many business opportunities. Thus, the business outlook for the year 2011-12 is quite promising.

V. CORPORATE GOVERNANCE

Corporate Governance rests upon the pillars of fairness, transparency, accountability and independent monitoring.

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.

VI. 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 2011;

- ❖ 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.

VII. 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.

The composition of the Audit Committee during the year under review is as follows:

Name	Category	Committee Designation
Shri Y C Nanda	Non-Executive	Independent Chairman
Shri T C Venkat Subramanian	Non-Executive	Independent Member
Shri D L Rawal	Non-Executive	Independent Member

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

VIII. 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.

During the year the company has neither received any foreign exchange earnings nor incurred any expenditure.

IX. APPOINTMENT OF DIRECTORS

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

Smt. Sukriti Likhi, IAS, Director, Department of Financial Services, Ministry of Finance, GOI, joined the Board w.e.f. 12th October, 2010.

Shri D L Rawal, Chairman & Managing Director, Dena Bank, joined the Board w.e.f. 28th March, 2011.

CESSATION

Shri U C Sarangi, IAS, Chairman, NABARD, on repatriation to his parent cadre on 3rd December, 2010 ceased to be Director of the Company with effect from the said date.

Shri Samir K Sinha, IAS, Director, Department of Financial Services, Ministry of Finance, GOI, ceased to be director w.e.f. 12th October, 2010.

Dr. Jayant Patil, former Member, Planning Commission, ceased to be director w.e.f. 12th March, 2011.

Shri M V Nair, Chairman and Managing Director, Union Bank of India, ceased to be director w.e.f. 14th March, 2011.

The Board recorded its sincere appreciation of the valuable contributions made by Shri U C Sarangi, Shri Samir K Sinha, Dr. Jayant Patil and Shri M V Nair during the deliberations at the Board Meetings.

X. 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 2010-11 to hold office until the conclusion of the ensuing Annual General Meeting.

XI. 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 and to the Ministries of Panchayati Raj, Health and Family Welfare etc., 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 etc. 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

Y. C. Nanda
CHAIRMAN

Place: Mumbai

Date: September 28, 2011

† **Sister concerns:**

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 previous year, its head office was shifted to Mumbai from New Delhi for its better and effective operations.

Microfinance. AFCF ventured into retail microfinance operations on larger scale and initiated its operations through AFCF, Kolkata branch during the previous year 2009 in West Bengal with support from a local NGO partner Bengal Women Welfare Association (BWWA) following AFC Foundation-NGO Partners-SHG/JLGs model. Subsequently, as part of the geographical expansion programme, the existing 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 during previous year at Parola and was manned by 5 in-house officers/staff deployed from AFCL.

As on March 31, 2011, under retail micro finance operations in both the states, a total number 8701 members across 882 groups were serviced and the total disbursement made was to the tune of Rs. 689.79 lakhs since commencement of operations in June 2009. The loan recovery and the outstanding were Rs.505.96 lakhs and Rs. 183.82 lakhs, respectively. The interest income was Rs. 56.28 lakhs. During the period interest on loan paid to AFCL was Rs. 17.22 lakhs.

Distance Education. The Foundation is running four short term courses: (1) Diploma in Microfinance (2) Diploma in Foreign Trade Management, (iii) Diploma in Clean Development Mechanism (CDM); and (iv) Diploma in Banking and Finance. The CDM course is more popular, followed by Banking and Finance and Microfinance course.

2. AFCL Finance Services Pvt. Ltd.

Your Company has incorporated a wholly owned subsidiary 'AFCL Finance Services Pvt. Ltd.' on 11th March, 2010 with the objectives of carrying out (i) the business of financing, corporate lending as well as micro financing in all its aspects and by all possible ways and means on short term, medium term and long term basis; (ii) the business of hire purchase, leasing, installment financing, refinancing and letting on hire all description, agriculture implements, machineries and all other goods and articles which can be financed by hire purchase leasing or otherwise and (iii) to promote and organize research and development or to act as consultant, advisor, manager, representative, retainer or in other capacity for the purpose of accomplishment of the objects under these present capacity in the field of micro finance, small & medium enterprise finance, agril finance, and any other related activities. Business operations of this subsidiary are likely to commence during 2011-12.

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 Corporation as in the past. Other Ministries, such as Panchayati Raj; Micro, Small and Medium Enterprises; Textiles and Health and Family Welfare also assigned some important assignments to the Corporation.

State Governments

Various State Governments continued to utilize services of your corporation. During the year, the State Governments of Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, Nagaland, Odisha, Rajasthan, Sikkim, Uttar Pradesh and West Bengal have availed the services of the company.

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

Financial Literacy Programme

NABARD has awarded an assignment on “Financial Literacy Programme for Rural Adults under the Financial Inclusion Fund in the State of West Bengal through Self Help Groups and Farmers' clubs”. AFCL's services under the



programme include developing training modules, training of trainers and conducting 515 training programmes covering about 20600 participants in Jangipur Sub-division in Murshidabad district, which will be achieved through the participation of SHGs and Farmers' Clubs. The programme aims to create

awareness to participants to understand basic financial concepts like deposits, loans, insurance, pension and remittances.

Monitoring and Evaluation of Schemes under Mini Mission II of TMNEH

The Small Farmers' Agri Business Consortium (SFAC), has been implementing a central sector scheme on Technology Mission for Integrated Development of Horticulture in North Eastern States and Hilly States including States of Sikkim, Jammu and Kashmir, Himachal Pradesh and Uttaranchal. In order to assess the extent of coverage under Mini Mission –II during XI five year plan period, the SFAC has entrusted a M&E study to AFCL during the year. The scope of the study covers: collection and updation, the activity wise database as per annual action plan for XI plan period i.e 2007-08, 2008-09 & 2009-10 and concurrent monitoring of 2010-11, develop MIS for the TMNEH for the said scheme and to undertake component wise field verification on sample basis for the XI plan.

Training and Need Assessment for Panchayati Raj Dept., Jharkhand

At the instance of Panchayati Raj and NREP (Special Division) Department, Government of Jharkhand, the Corporation has undertaken the task of providing Training Need Assessment and Development of training Module for Panchayati Raj Institutions of Jharkhand. The main objective of the assignment is to prepare Training module for master trainers and trainees on the roles of responsibilities of elected representatives of Panchayati Raj at Gram Panchayat, Block panchayat and Zilla Panchayat. The study has been carried out in 4 districts, 10 blocks, 20 gram panchayats and 30 gram sabhas.



Khadi and Village Industries Commission

The Khadi and Village Industries Commission (KVIC) awarded two studies on evaluation of (i) Ready to Use (RTU) Projects and (ii) Kumarappa National Handmade Paper Institute. The objectives include assessment of institution's



performance and functioning, and to assess fulfillment of purposes for which the units were established. The draft reports have been submitted to the client.

KVIC is also implementing Rural Employment Generation Programme (REGP) wherein subsidy in the form of margin money is extended to the general and weaker sections of rural entrepreneurs. In order to ascertain the impact of the REGP, adequacy, effectiveness in payment of margin money, etc. the studies were entrusted to AFCL. During the year, your

REGP Units (financed during 2007-2008), in the States of West Bengal, Maharashtra, Chhattisgarh and Meghalaya.

During the year the State Units of KVIC also awarded Physical Verification of units financed under the Prime Minister's Employment Generation Programme(PMEGP) in the States of Gujarat, Chhatisgarh, Jharkhand, Haryana and Maharashtra. The task of physical verification of units in rural and urban areas of the respective states has been commenced and reports would be submitted soon.

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

During the year, your company completed a Study on Weather Based Crop Insurance Scheme (WBCIS) for Ministry of Agriculture, GoI to explore the effectiveness of Weather Based Crop Insurance as an alternative to the National Agricultural Insurance Scheme (NAIS). The study findings brought out that the implementation of a well-planned and integrated weather data management system in India can alleviate many problems associated with WBCIS such as the delays in claim settlement under weather insurance or the weak design of WBCIS policies. It was observed that despite its positive experiences, the innate limitations of weather insurance have raised questions about its ability to replace area yield insurance. It was suggested that till the time remote-sensing technology becomes so reliable and cost-effective, it could be utilized for loss assessment of crop insurance units, the crop insurance sector in India will go through a transitional phase wherein NAIS and WBCIS can play the role of either complements or alternatives, but not substitutes. The study report was well received and the study recommendations were appreciated by the Government as well as the Scheme Implementing Agencies.

Evaluation Study on National Agricultural Insurance Scheme (NAIS)

The Agricultural Insurance Company of India has been implementing NAIS since 1999-2000. The scheme has met with varied degree of success and it was observed that there was a considerable gap between the amount of insurable crop loans disbursed by banks and the actual coverage under NAIS. In order to assess performance of the scheme, an evaluation study was entrusted to your

company to identify the exact reasons for non-compliance of compulsory insurance by the banks/PACS/farmers; the class of farmers reluctant to take crop insurance; and the time gap between disbursement of claims by the AIC and actual credit to the farmer's account and the reasons for the delay. The study covered 5 states covering 22 districts and 66 Reference units at Block level. A total of 1452 farmers, comprising of 22 farmers under each Reference Unit covering both loanee and non-loanee farmers who have availed insurance under the scheme have been covered. The study findings are being finalized.

Organic Farming Projects

AFC has been supporting various State Governments in their effort to promote organic farming under Technology Mission on Horticulture. The Corporation



has been assigned with Adoption and Certification of organic Agriculture Management System with on line traceability for facilitation of exports and domestic retail supply chains in 8500 ha in Gujarat by the Directorate of Agriculture, Government of Gujarat. The State Horticulture Mission, Chhattisgarh has also

assigned AFC for adoption and certification of horticulture crops in 1500ha.

Production and Productivity of wheat through line sowing

The Agriculture Department of UP Government has assigned AFC a study under Enhancing Production and Productivity of wheat by proper placement of seed and fertilizer through Line Sowing in Eastern UP under RKVY scheme.

Management of water logged area

As a sequel to the National Food Security Mission Scheme, Directorate of Agriculture, Govt of UP entrusted AFC two studies on Management of Waterlogged Area due to Canal seepage in Sitapur district and Raebareli District.

Intercropping of pulses with Sugarcane

During the year under review, the Corporation has also undertaken a project for Increasing Area and Production of pulses through intercropping of pulses with spring sown Sugarcane in major sugarcane growing areas of Uttar Pradesh under RKVY scheme.

EIA Study for Hydro Electric Project in Kerala

AFC has been engaged by the Kerala State Electricity Board for undertaking the Environmental Impact Assessment Study for the proposed Pampar Hydro Electric Scheme (40MW) during the year. During the year under review, the Corporation has also completed the EIA study of Achencovil Hydro Electric Project for producing 30 MW.



EIA Study for Irrigation and Command Area Development Department, Govt of Andhra Pradesh

During the year under review, the Corporation has taken up the task of preparation of Reports for EIA, EMP, CAT and R&R as part of obtaining clearance from Ministry of Environment and Forests (MoEF) to P V Narasimha Rao Kanthanapally Sujala-Sravanthi Project in Warangal district of Andhra Pradesh at the behest of Superintending Engineer, I & CAD Department, Warangal. The objective of the project is to assess the environmental and the socio-economic aspects of the project area. The study envisages assessment of changes that would have occurred in the environment due to the project construction and its operation. The field work has been completed and the reports are being submitted to the client.

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

AFC was awarded an important assignment “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 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 selected 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 undertaken by innovative use of ICT applications. The assignment is being executed in association with a Business Associate viz. the International Traceability Systems Limited.

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

Your company continued to provide services to this innovative project assigned to AFCL during 2009-10 by Indian Council of Agricultural Research (ICAR)

under the world bank aided Agriculture Innovation Project. The objectives included 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 in improved practices. The assignment is carried out through three other partners, namely Gramin Vikas Trust (GVT), Institute of Forest Productivity (IFP) and Kasturba Mahila Vikas Kalyan

Samiti (KMVKS). During the year 170 SHGs were formed under the project. Total 160 SHGs (2,080 households) have so far been assigned basket of technologies. The activities included agronomical, value addition of leaf plates, handicrafts, pickles making, apiculture, nursery management, etc.



Third Party Quality Assurance and Technical Audit of Civil Works of SSA

The Sarva Shiksha Abhiyan, 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, Uttara Kannada, Gadag for Sarva Shiksha Abhiyan (Total Literacy Programme – launched by Government of India).

The main tasks carried out are:

(i) monitoring the progress of work and assess 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.

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. The Project contemplates preparation of nine half-yearly “Monitoring Reports”. and three “Evaluation Reports” During the year the sixth and seventh monitoring reports were submitted. The field work for 8th monitoring report has been completed and report preparation is under progress. The second midterm evaluation report has been submitted. The Report had assessed the progress of the project in terms of provision of critical project inputs, outlining the outcome of interventions, identifying factors deterring the achievement of certain milestones, suggesting remedial measures and also summarizing the lessons learnt.

National Medicinal Plant Board

During the year, your company successfully completed the monitoring and evaluation of the schemes funded by the National Medicinal Plants Board (NMPB), Department of AYUSH, Ministry of Health & Family Welfare, Government of India for the years 2005-06 and 2006-07. Recognising the good work carried out by the company, the NMPB has further assigned a major task on monitoring and evaluation of projects financed by it during the years 2007-08, 2008-09 and 2009-10 under both promotional and contractual farming schemes. The assigned work is spread over 31 States/UTs of the country. Work in respect of 317 Promotional and 1527 Contractual farming projects has been initiated.



Ministry of Environment and Forests: RC-NAEB

The Corporation 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

Important assignments awarded by various State Governments and other agencies during the year, which are under various stages of progress are provided below:

State	Name of the Assignment	Consultancy Fee (Rs.in lakhs)
Andhra Pradesh	Preparation of Reports for EIA, EMP, CAT and R&R for PV Narasimha Rao Kanthanapally Sujal Sravanti Project	50.00
Arunachal Pradesh	Third Party Monitoring and Evaluation of ATMA Scheme in Arunachal Pradesh for the Years 2009-10 and 2010-11	9.00
Bihar	Third Party Technical Supervision, Monitoring & Quality Assurance etc. of Civil Works under SSA of Bihar State (Munger and other districts)	40.00
Gujarat	Adoption & Certification of Organic Farming	2000.00
	Verification of 496 Gram Panchayats for Award of Nirmal Gram Puraskar	25.00
Haryana	Implementation of Organic Farming Project (Adoption and Certification) in Haryana	42.00
Jharkhand	Training Need Assessment and Development of Training Module for Panchayati Raj Institutions in Jharkhand	12.50
	Impact Assessment of Fisheries Development Programmes of Fish Productivity and other Benefits in 6 districts of Jharkhand	10.00

Karnataka	Implementation of Integrated Watershed Management Programme Extension Services for Hosakote Taluk in Bangalore Rural District	9.32
	Conducting Slum Area Survey in Ashraya Layouts of Mysore City Corporation	8.50
	Quality and Quantity Audit of Karnataka Rural Infrastructure Development Ltd in Belgaum Division	26.45
Orissa	Preparation of Feasibility Report for Watershed Development Programmes in Kalahandi district	2.71
Sikkim	Evaluation of CSS Schemes of Macro Management of Agriculture in Sikkim for the year 2008-09	8.00
Uttar Pradesh	Customized Farmers Training & Online Agriculture System & Application of ICT	3644.00
	Enhancing production and productivity of wheat by proper placement of seed and fertilizer through Line sowing in Eastern UP	2551.42
	Management of waterlogged area due to canal seepage in Raibereli and Sitapur	2063.62
	Increasing area and production of pulses through intercropping of pulses with spring sown sugarcane in major sugarcane growing areas of UP	546.20
West Bengal	Marketing Research and information Network in West Bengal (MRIN)	31.00
	Macro Management Mode of Agriculture in West Bengal 2010-11	15.30

Multi State	Physical Verification of PMEGP Units financed by KVIC	40.01
	Census of the Handicrafts Artisans in southern Region	30.00
	RC-NAEB Annual Work Programme 2010-11 (NAEB, Govt of India) - Delhi	88.39
	RC-NAEB Annual Work Programme 2010-11 (NAEB, Govt of India)- Mumbai	66.31
	M & E of Schemes funded by National Medicinal Plan Board	207.74
Total value of assignments awarded during 2010-11		12286.00



भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा तथा पदेन सदस्य, लेखापरीक्षा बोर्ड-1, मुम्बई
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-I, MUMBAI

Confidential

No. GA/A/cs/AFC/10-11/100

10 AUG 2011

To,

The Managing Director
Agricultural Finance Corporation Limited
Dhanraj Mahal, 1st 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 2011.

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 2011. 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 2011.

The preparation of financial statements of Agricultural Finance Corporation Limited for the year ended 31 March 2011 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 25 June 2011.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of Agricultural Finance Corporation Limited for the year ended 31 March 2011 and as such have no comments to make 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 : 10 August 2011



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 2011, and also the profit and loss account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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.
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-15 as regard accounting for retirement benefits in the Financial Statement of employers.**

4.5 On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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.1,41,98,491/-(Previous Year Rs.2,57,79,886/-).If the provision would have been made. The profits would have been lower by Rs.1,41,98,491/-.

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 2011;
- (b) in the case of the profit and loss account, of the profit for the year ended on that date.

**For M/s. Churuwala and Associates
Chartered Accountants**

**Lalit Agarwal
(Partner)
Membership No. : 0110880**

**Place: Mumbai
Date: 25th June, 2011**

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, 2011.

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 fixed assets have been physically verified by the management during the year. According to the information and explanation given to us no material discrepancies were noticed on such verification.

(c) The assets disposed during the year are not significant and therefore do not affect the going concern assumption.
- (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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (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 has proper 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.
- (a) According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise Duty and Cess were outstanding as at 31st March, 2011 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 following :

Nature of Dues	Amount of Dues (in Rs.)	Repayment of Dues (in Rs.)	To which Related	Forum where Dispute is Pending
Income Tax	27,05,446	27,05,446	A.Y. 2004-05	ITAT,Mumbai

- (viii) The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (ix) According to the records of the Company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
- (x) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) The provisions of any special statute as specified in the Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

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- (xii) The company has invested in equity shares and bond and proper record 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 it is own name.
- (xiii) In our opinion, the Company has not given any guarantee for loans taken by others from banks or financial institution during the year.
- (xiv) In our opinion, the Company has not raised any term loan during the year.
- (xv) 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.
- (xvi) 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.
- (xvii) The company has not issued any debentures during the year.
- (xviii) The company has not raised any money by way of public issues during the year.
- (xix) During the course of our examination of the books & records of the company, On the basis of our examination 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.
- (xx) Other provisions of the above said Order are not applicable to the Company.

**For M/s. Churuwala and Associates
Chartered Accountants**

**Lalit Agarwal
Partner
Membership No. : 0110880**

**Place: Mumbai
Date: 25th June, 2011**

AGRICULTURAL FINANCE CORPORATION LIMITED 2010-2011

AUDITED BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	Schedule Number	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	150,000,000	150,000,000
Reserves & Surplus - Profit & Loss Account		57,105,379	43,849,038
Loan Fund			
Secured Loans	2	-	17,781,104
Total		207,105,379	211,630,142
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	28,492,625	28,272,838
Less: Depreciation / Amortisation		24,626,049	23,829,601
Net Block		3,866,576	4,443,237
Investments	4	143,188,889	135,628,889
Deferred Tax Assets (Net)	5	4,943,420	5,770,692
Current Assets and Loans & Advances			
a) Current Assets			
Interest Accrued on Investments	6	4,781,049	4,767,408
Jobs in Progress		194,612,892	386,901,000
Sundry Debtors	7	43,716,101	40,059,629
Cash and Bank Balances	8	16,823,695	6,355,094
b) Loans & Advances			
	9	42,229,996	37,976,354
		302,163,733	476,059,485
Less: Current Liabilities	10	214,203,368	374,493,793
Less: Provision		32,853,869	35,778,368
Net Current Assets		55,106,494	65,787,324
Miscellaneous Expenditure (to the extent not written off or adjusted)		-	-
Total		207,105,379	211,630,142

Value per Share (Face Value Rs 10000/-)

13807

12923

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 & associate

Chartered accountants

Reg No:108101W

Y C Nanda

(Chairman)

A K Garg

(Managing Director)

C.A.Lalit Agarwal

(Partner)

Membership No;110880

Place:Mumbai

Date:06/07/2011

P M Kshirsagar

(Executive Director)

AGRICULTURAL FINANCE CORPORATION LIMITED 2010-2011

AUDITED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule Number	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
INCOME			
Consultancy Income	11	497,795,361	304,284,034
Interest On Investments	12	10,032,946	11,949,777
Other Income	13	11,744,989	4,074,997
Total		519,573,296	320,308,808
EXPENDITURE			
Project Cost	14	412,614,933	234,620,123
Administrative Cost	15	17,379,109	23,274,131
Staff Cost	16	69,483,366	52,445,108
Interest and Finance Charges	17	1,814,871	755,998
Total		501,292,279	311,095,360
Profit Before Depreciation and Tax (PBDT)		18,281,017	9,213,448
Depreciation	3	1,206,800	887,058
Profit (Loss) Before Tax (PBT)		17,074,217	8,326,390
Less: Provision For Taxation			
Current Tax (including Wealth Tax)			
For current year		5,672,055	4,891,362
For earlier years		(2,681,451)	-
Current year (Fringe Benefit tax)			-
Current year (Deferred tax)		827,272	275,489
Profit (Loss) after Tax (PAT)		13,256,341	3,159,539
Net profit / (Loss) for the year		13,256,341	3,159,539
Balance Brought Forward		43,849,038	40,689,496
Balance Carried to Balance Sheet		57,105,379	43,849,035
Earning Per Share (EPS) : Basic (Par Value Rs. 10000/-)		884	211
Weighted Average Number of Shares		15,000	15,000

Notes to Accounts 18
 Significant Accounting Policies 19

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 & associate

Chartered accountants
 Reg No:108101W

Y C Nanda
 (Chairman)

A K Garg
 (Managing Director)

C.A.Lalit Agarwal

(Partner)
 Membership No;110880
 Place:Mumbai
 Date:06/07/2011

P M Kshirsagar
 (Executive Director)

AGRICULTURAL FINANCE CORPORATION LIMITED**SCHEDULE 1 :**

SHARE CAPITAL	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Authorised 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 :

SECURED LOANS	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
From Central Bank of India (Secured against pledge of Securities as detailed in Schedule - 5 "Investments" and against Fixed Deposits as detailed in Schedule - 9 "Cash and Bank Balances")	-	17,781,104
Total	-	17,781,104

AGRICULTURAL FINANCE CORPORATION LIMITED 2010-2011

Fixed Assets		GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION			NET BLOCK			
		As at 01.04.2010	Additions during the year	Deductions during the year	As at 03.31.2011	Upto 03.31.2010	Deductions during the year	For the Year	Upto 03.31.2011	As at 03.31.2011	As at 03.31.2010
INTANGIBLE											
	Software	1,217,331	202,775	-	1,420,106	1,190,560	-	76,028	1,266,588	153,518	26,771
TANGIBLE											
	Building	246,597	-	-	246,597	195,006	-	2,580	197,586	49,011	51,591
	Furniture & Fixtures	7,897,866	77,175	20,629	7,954,412	7,227,060	18,851	123,269	7,331,478	622,934	670,806
	Office Equipment	6,281,487	168,540	38,155	6,411,872	4,803,335	30,083	218,419	4,991,671	1,420,201	1,478,152
	Air Conditioners	908,278	138,000	-	1,046,278	712,929	-	33,482	746,411	299,867	195,347
	Vehicles	1,088,405	-	-	1,088,405	682,202	-	105,165	787,367	301,038	406,203
	Computers	10,632,874	65,800	373,719	10,324,955	9,018,509	361,418	647,857	9,304,948	1,020,007	1,614,365
	Total (Previous Year)	28,272,838	652,290	432,503	28,492,625	23,829,601	410,352	1,206,800	24,626,049	3,866,576	4,443,237

Notes

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

AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 4 :

INVESTMENTS			As At 03-31-2011 Rupees	As At 03-31-2010 Rupees	
UNQUOTED - NON TRADE					
		FACE VALUE FOR EACH SECURITIES			
PARTICULARS	NOS.				
In Bonds					
13.5% MSRDC (2015) Bonds (Series III)	20 (20)	100000	2,024,000	2,024,000	b/
13.5% MSRDC (2015) Bonds (Series V)	40 (40)	100000	4,048,000	4,048,000	b/
10.25% IDBI Omni 2002/A (2012) Bonds IV	18 (18)	100000	1,797,300	1,797,300	
10.65% APPFCL (2013) Bonds	50 (50)	100000	-	5,240,000	
7.5% IDBI Omni (2013) Bonds	25 (25)	100000	2,478,839	2,478,839	
7.25% IDBI Bonds 2015	2 (2)	1000000	1,982,000	1,982,000	
7.10% Bank of India 2014	10 (10)	1000000	9,795,000	9,795,000	b/
7.40% Syndicate Bank 2015	5 (5)	1000000	5,000,000	5,000,000	b/
7.40% Syndicate Bank 2015	4 (4)	1000000	3,974,000	3,974,000	b/
7.45% Bank of Baroda 2015	11 (11)	1100000	10,989,000	10,989,000	b/
7.50% Bank of India 2015	10 (10)	1000000	9,994,000	9,994,000	b/
In Shares - Unquoted					
Equity Shares in Global Procurement Consultants Ltd	30000 (30000)	10/-	300,000	300,000	
In Shares - Quoted					
Equity shares of Gujarat State Petronet Ltd (Market value of quoted investment Rs.24787/-)	250 (250)	10/-	6,750	6,750	
Fixed Deposits With Bank			90,700,000	77,900,000	b/
Corpus with AFC Foundation			100,000	100,000	
Total			143,188,889	135,628,889	

I) FV indicates face value.

II) b/ indicate pledged with bank for facilities granted to the Company, Cost aggregating to Rs 88,000,000/- (previous year Rs.40,830,000/-)

III) () indicates previous year's figures.

IV) The intrinsic value of the equity shares in Global Procurement Consultants Ltd. Is Rs.6.25/-

V) Market Value of the shares of Gujarat State Petronet Ltd. Is Rs.99.15/-

AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 5 :

DEFERRED TAX ASSETS (Net)	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Deferred Tax Assets	5,770,692	6,046,181
Add:during the year	(827,272)	(275,489)
Net Deferred Tax Assets	4,943,420	5,770,692
Total	4,943,420	5,770,692

AGRICULTURAL FINANCE CORPORATION LIMITED**SCHEDULE 6 :**

INTEREST ACCRUED ON INVESTMENTS	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
7.10% Bank of India (2014) Bonds	710,000	710,000
7.40% Syndicate Bank	287,890	287,890
7.40% Syndicate Bank	230,313	230,312
13.5% MSRDC (2015) Bonds (SeriesIII)	405,370	405,370
13.5% MSRDC (2015) Bonds (Series V)	247,068	247,068
7.50% Bank of India	750,000	750,000
10.25% IDBI Omni 2002/A(2012)Bonds IV	147,095	147,095
7.5% IDBI OMNI (2013)Bonds	124,828	124,829
7.25% IDBI OMNI (2015)Bonds	-	145,000
10.65% APPFCL (2013) Bonds	-	310,601
7.45% Bank of Baroda	819,500	819,500
Interest accrued on fix deposit	1,058,985	589,743
Total	4,781,049	4,767,408

SCHEDULE 7:

SUNDRY DEBTORS	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Over six Months (Unsecured, considered good unless otherwise stated) Considered Good	30,297,888	30,505,839
Others Considered Good	13,418,213	9,553,790
Total	43,716,101	40,059,629

AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 8 :

CASH & BANK BALANCES	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Cash on Hand	12,576	331,743
Balances with Scheduled Banks		
In Current Account	4,359,826	6,023,351
In Overdraft Account	12,451,293	-
Total	16,823,695	6355094

SCHEDULE 9 :

LOANS & ADVANCES	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Loans and Advances to Employees	1,086,839	1,379,189
Advances (Recoverable in cash or in kind or for value to be received)		
Tax Advances	12,885,069	8,389,841
Other Advances	20,461,323	21,540,503
Sundry Deposits	7,796,765	6,666,821
Total	42,229,996	37,976,354

AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 10 :

CURRENT LIABILITIES & PROVISIONS	As At 03-31-2011 Rupees	As At 03-31-2010 Rupees
Current Liabilities		
Sundry Creditors		
For Expenses and Others	26,268,594	3,005,559
Advances from Customers	187,934,774	371,488,234
	214,203,368	374,493,793
Provisions		
For Taxation (including Wealth Tax)	5,672,055	5,440,129
Provision for Expenses	6,196,843	12,220,188
RESS Compensation W/O	-	2,675,501
For Gratuity	9,800,000	3,000,000
For Leave Encashment and VRS	11,184,971	12,442,550
	32,853,869	35,778,368
		-
Total	247,057,237	410,272,161

AGRICULTURAL FINANCE CORPORATION LIMITED**SCHEDULE 11 :**

CONSULTANCY INCOME	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Value of Assignments completed during the Year	690,083,469	170,418,034
Add: Value of Closing Jobs In Progress	194,612,892	386,901,000
Less: Value of Opening Jobs In Progress	(386,901,000)	(253,035,000)
Consultancy Income from Domestic Assignments	497,795,361	304,284,034
	-	-
Total	497,795,361	304,284,034

SCHEDULE 12 :

INTEREST ON INVESTMENTS	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Interest on Fixed/Margin Deposit	5,658,898	6,911,249
Interest on UTI Liquid Plus Growth fund	-	50,297
Interest on UTI Treasury Advantage fund	-	2,812
13.5% MSRDC (2015) Bonds (Series III)	486,000	594,000
13.5% MSRDC (2015) Bonds (Series V)	243,000	297,000
10.25% IDBI OMNI 2002/A (2012) Bonds IV	184,500	184,500
10.65% APPFCL (2013) Bonds	182,510	221,899
7.5% IDBI OMNI (2013) Bonds	187,538	187,500
12% Gujarat State Electricity Board (2008/9) Bonds	-	99,419
7.10% Bank of India (2014) Bonds	710,000	710,000
7.45% B O B (2015) Bonds	819,500	1,130,101
7.50% Bank of India (2015) Bonds	750,000	750,000
7.40% Syndicate Bank (2015) Bonds	666,000	666,000
7.25% IDBI (2015) Bonds	145,000	145,000
Total	10,032,946	11,949,777

AGRICULTURAL FINANCE CORPORATION LIMITED**SCHEDULE 13 :**

OTHER INCOME	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Dividend	75,250	75,000
<u>Interest Received :</u>		
On Loan To Employees	19,428	41,911
Bank Interest	20,552	27,315
Profit On Sale Of Fixed Assets	56,671	6
Recovery Of Expenses	426,154	173,336
Bad Debts Recovered	85,150	-
Provision written back	-	2,966,951
Interest Received from AFC Foundation	1,708,468	747,280
Foreign Exchange Difference	-	4,304
Sundry Receipts	138,991	38,894
Sundry Balance Written back	9,214,325	-
Total	11,744,989	4,074,997

SCHEDULE 14 : Project Cost

Project Cost	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Consultancy Charges	12,374,388	16,039,670
Project Expenses	394,734,459	211,673,534
Consultant Travelling	1,515,817	2,285,069
Miscellaneous expenses	1,548,262	1,608,494
Vehicle Hiring Charges	322,169	591,636
Travelling Exp	2,119,838	2,421,720
Total(A)	412,614,933	234,620,123

SCHEDULE 15: Administrative Cost

Administrative Cost	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Journal Expenses (Net)	364,315	131,079
Travelling and Conveyance Expenses	2,542,753	2,298,613
Printing and stationery	1,870,722	896,401
Vehicle Hire Charges	332,297	442,591
Training	920,423	477,462
Rent	2,306,426	2,824,790
Repairs to Others	453,274	63,697
Insurance	208,047	42,048
Communication Expenses	972,515	1,246,030
Electricity Charges	673,519	731,709
Computer Expenses	239,424	300,560
Membership and Subscription	210,937	333,178
Directors' Sitting Fees	57,500	12,500
Legal and Professional Charges	324,361	333,534
Other & Tax Audit Fees	100,000	50,000
Advertisement	44,120	73,610
Business Promotion Expenses	352,720	505,662
Security Charges	517,744	470,524
Miscellaneous Expenses	1,135,607	3,441,991
Loss on sale of fixed assets	2,012	-
Loss on Redemption of Bond (Net)	551,150	193,600
Inspection Charges	54,769	57,545
Municipal Tax	80,050	150,000
Foreign Exchange Difference	1,230	-
Wealth tax	7,600	-
Water Charges	74,699	68,813
AMC Charges	105,608	-
EDP Charges	-	569,292
Interest on FBT	-	55,644
Bad Debts written off	2,875,290	7,503,258
Total(B)	17379109	23274131

AGRICULTURAL FINANCE CORPORATION LIMITED**SCHEDULE 16 :**

STAFF COST	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Salaries & Allowances	36,168,147	35,058,992
Contribution to PF & Other Schemes	3,487,410	3,905,179
Staff Welfare Expenses	1,592,963	2,138,239
Leave Encashment & Gratuity	17,636,167	8,667,197
RESS Compensation to Employees	10,598,679	2,675,501
Total	69,483,366	52,445,108

SCHEDULE 17 :

INTEREST AND FINANCE CHARGES	Year Ended 3/31/2011 Rupees	Year Ended 3/31/2010 Rupees
Interest On Overdraft	1,098,611	621,333
Bank Charges	715,060	133,141
Demat & Incidental Expenses	1,200	1,524
Total	1,814,871	755,998

AGRICULTURAL FINANCE CORPORATION LIMITED
SCHEDULE 18: NOTES TO ACCOUNTS FOR THE YEAR ENDED 31.3.2011

1. Previous Year figures have been regrouped / recast, wherever considered necessary.
2. 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.
3. **Contingent Liabilities**
 - (a) Bank Guarantees issued to obtain various project works on behalf of the Company outstanding as on 31.3.2011 aggregate Rs. 598.73 Lakh. (Rs. 143.32 Lakh)
 - (b) Company received an income tax demand amounted to Rs.2705446/- (P.Y. Rs.2705446/-), in connection with A.Y.2004-2005 and company filed appeal against that order with CIT(Appeals), however the appeal was dismissed by the CIT(appeals). Now, the case is filed with ITAT(Income Tax Appellate Tribunal).
4. 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.

5. **Regional Centre - National Afforestation And Eco-Development Board (RC-NAEB) Project**

Advance from Customers include an amount of Rs.149,50,000/-(Previous year Rs.233,80,000/-) received by the Company by way of reimbursement of expenses in respect of social forestry project assigned by RC- NAEB Center at its Northern Regional Office, New Delhi and at Head Office, Mumbai.
6. **The Retirement benefit scheme of the company is funded by Life Insurance Corporation (LIC) of India. As per the actuarial valuation certificate received by LIC Provision of Rs.2,39,98,491/- is to be made for gratuity as per present value of Past service benefit. However Provision of Rs.98,00,000/- only is made for gratuity.**
7. Rs.92.14 lakhs has been written back as income. These advances relates to various projects. However, these projects are completed long back expenses relating to that has been debited to expense account instead of being settled against respective advances.

8. 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 A/c	1387200	1995425
Contribution to PF	166464	242060
Medical Expenses	65132	19795
Perquisites as per Income Tax Rules	23410	23410
Total	1642206	2280690

9. Taxation

(a) The Component of Deferred Tax balances as on 31st March, 2011 accounted in accordance with AS-22 "Accounting for Taxes on Income" issued by ICAI are as under:

(1) Deferred Tax Assets arising on account of timing difference on

	As on 31st March 2011	As on 31st March 2010
Brought forward losses	1206410	1375198
Expenses allowable on payment basis	3629563	550746
Depreciation	107518	3844748
Total	4943451	5770692

	As on 31st March 2011	As on 31st March 2010
Net Deferred Tax Assets	4943451	5770692

10. 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.

11. Expenditure Incurred in Foreign Currency including recoverable expenditure:

Particulars	As on 31 st March 2011	As on 31 st March 2010
Consultant Traveling Expenses	0	223225
Total	0	223225

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

Y C Nanda
Chairman

A K Garg
Managing Director

CA.Lalit Agarwal
Partner
Membership No:110880
Place:Mumbai
Date: 25/06/2011

P M Kshirsagar
Executive Director

AGRICULTURAL FINANCE CORPORATION LIMITED

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES

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.

Recognition of Income & Expenditure

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

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.

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.

Investments:

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

Events occurring after Balance Sheet Date

No significant events which could affect the financial position as on 31.03.2011 to a material extent have been reported by the company, after the balance sheet date till the signing of report.

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.

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 contacts at the year end are realigned at the prevailing exchange rate and difference on realignment and realization is charged to profit and loss account.

Retirement Benefits:

1. The Company has taken a policy of the 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.
2. Contribution to Provident Funds are charged to profit and loss account.
3. The retirement benefits for encashment of leave salary are fully provided for on actuarial valuation.

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 income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

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.

As per our report of even date attached

For M/s Churuwala & Associates

Chartered Accountants
Reg No:108101W

C.A.Lalit Agarwal

(Partner)
Membership No;110880
Place:Mumbai
Date:25/6/2011

For and on behalf of the Board of Directors

Y C Nanda
(Chairman)

A K Garg
(Managing Director)

P M Kshirsagar
(Executive Director)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS:

Registration No. State Code
Balance Sheet Date
Date Month Year

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSAND)

Public Issue	Rights Issue
<input type="text" value="-"/>	<input type="text" value="-"/>
Bonus Issue	Private Placement
<input type="text" value="-"/>	<input type="text" value="-"/>

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSAND)

Total Liabilities	Total Assets
<input type="text" value="207105"/>	<input type="text" value="207105"/>
Sources of Funds	
Paid - up Capital	Reserves & Surplus
<input type="text" value="150000"/>	<input type="text" value="57105"/>
Secured Loans	Unsecured Loans
<input type="text" value="-"/>	<input type="text" value="-"/>
Application of Funds	
Net Fixed Assets	Investments
<input type="text" value="3866"/>	<input type="text" value="143188"/>
Net Current Assets	Deferred Tax assets
<input type="text" value="55106"/>	<input type="text" value="4943"/>
Accumulated Losses	
<input type="text" value="-"/>	

IV PERFORMANCE OF COMPANY (AMOUNT IN RS.THOUSAND)

Turnover/Total Income		Total Expenditure	
519573		501292	
+ / -	Profit/Loss Before Tax	+ / -	Profit/Loss After Tax
+	17074	+	13256

(Please tick Appropriate box + for Profit - for Loss)

Earning per share in Rs.	Dividend
884	NIL

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	-
Product Description	Consultancy Service Organization
Item Code No. (ITC Code)	-
Product Description	-
Item Code No. (ITC Code)	-
Product Description	-

CUSTOMIZED FARMERS' TRAINING IN UTTAR PRADESH



A View of Farmers' Training



Training in Nursery Management

FINANCIAL LITERACY PROGRAMME IN WEST BENGAL



Master Training of Facilitators



Training of Beneficiaries



AGRICULTURAL FINANCE CORPORATION LTD.

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A Technical Support Institution Committed to Rural Prosperity

