

40th Annual Report 2007 - 2008



Agricultural Finance Corporation Limited

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Member Banks and Institutions

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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

- J & K Bank Ltd.
- The Bank of Rajasthan Ltd
- The South Indian Bank Ltd
- Centurion Bank Ltd
- The Catholic Syrian Bank Ltd
- The United Western Bank Ltd
- HDFC Bank Ltd
- The Vysya Bank Ltd
- The Karur Vyasya Bank Ltd
- The ICICI Bank Ltd
- The Karnataka Bank Ltd
- IDBI Bank Ltd

FOREIGN BANKS

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

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 Co-operative Bank

The Board of Directors



Shri Y C Nanda
Chairman, AFC Ltd.
(Ex-Chairman, NABARD)



Dr Jayant Patil
Ex-Member Planning Commission
Government of India



Shri Umeshchandra Sarangi
Chairman
National Bank for Agriculture
and Rural Development (NABARD)



Shri T C Venkat Subramanian
Chairman & Managing Director
Export - Import Bank of India



Dr Anil K Khandelwal
Chairman & Managing Director
Bank of Baroda



Shri M Balachandran
Chairman & Managing Director
Bank of India



Ms H A Daruwalla
Chairperson & Managing Director
Central Bank of India

The Board of Directors

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



Shri V Sridar
Chairman & Managing Director
UCO Bank



Shri S C Gupta
Chairman & Managing Director
Punjab National Bank



Shri M B N Rao
Chairman & Managing Director
Canara Bank



Shri P L Gairola
Chairman & Managing Director
Dena Bank



Ms P Bolina
Director
Banking Division
Ministry of Finance
Government of India



Shri Satish Chander
Joint Secretary
Ministry of Agriculture
Government of India



Dr V V Sadamate
Adviser (Agriculture) Planning Commission
Government of India



Shri A K Garg
Managing Director
AFC Ltd

DIRECTOR'S REPORT 2007-2008



To
The Members
Agricultural Finance Corporation Limited

Dear Members,

Your Directors have the pleasure in presenting to you the Fortieth Annual Report together with the audited statement of accounts of your Corporation for the year ended 31 March 2008.

Keeping in view the national priorities of acceleration in agricultural growth and poverty alleviation, your Corporation continued to focus attention on its core business of providing consulting services in the fields of agriculture and rural development and activities allied to it. The operations for the year just concluded showed some improvement, as compared to the past years, and the financial results have indeed been satisfying. During the year the Corporation could earn a profit of Rs.1.84 million as compared to Rs.1.31 million during the previous year. After making prior period adjustment, the net profit for the year stands at Rs 0.90 million. A detailed review of the Corporation's activities follows in the latter part of this Report.

Overview of the Indian Economy

The Indian economy is currently on a high growth trajectory. The year 2007-08 witnessed a GDP growth of 9.0 per cent which, though lower than previous year's 9.6 per cent growth, is significantly higher than the earlier trend of 5 to 6 per cent and is in line with the growth trend realized from 2003-04. There was acceleration in domestic investment and saving rates which can drive growth to the targeted 9 per cent average growth during the Eleventh Five Year Plan. Macro economic fundamentals are sound and the investment climate remains, generally optimistic. The country's foreign exchange reserves stood around US\$ 309.7 billion in March 2008. Foreign direct investment inflows continued to remain buoyant with an inflow of US \$ 11.2 billion in the first half of the fiscal 2007-08, indicating that India is an attractive destination for foreign investments. A booming capital market and an expanding manufacturing base had contributed to this.

The growth of GDP of nearly 9 per cent has ensured that India is among the fastest growing economies of the world. The estimates on the relative size of the economy place India as the fifth largest economy in the world after the US, China, Japan and Germany. In line with the growth in the economy, improvement in public welfare has also been noticeable. Sustained high GDP growth rates have led to acceleration in per capita income, as well which posted an increase of 7.2 per cent per annum in the last four years including the year 2007-08. This, in turn, led to an increase in the per capita consumption level, whose growth rate has been averaging 5 per cent yearly in the past five years and for the year 2007-08 it was 5.3 per cent. The slower average growth of consumption compared to the average growth of income has resulted in rising saving rates, which would be a driver for fresh investments.

A look at the sectoral contributions to the GDP growth reveals that a noticeable feature of growth in recent times is the resurgence of the manufacturing sector. The manufacturing growth underwent a sharp acceleration from a yearly average of 3.3 per cent in the 9th plan period to 8.6 per cent in the 10th plan period. In the last three years up to 2007-08, the manufacturing sector grew by average of 9.9 per cent per year, although the growth in 2007-08 was only 8.6 per cent. The contribution of the services sector has been quite substantial. The growth in the services sector continued to be broad based. Transport and telecommunication has been the fastest growing in this segment with an average growth of 15.3 per cent per annum during the 10th Five Year Plan period. There has been impressive growth in the construction sector also. In brief, manufacturing, construction and communication were the leading contributors in the acceleration of growth in the recent years. The share of agriculture sector in GDP has not witnessed any improvement in recent times. In fact, the secular decline in its share continued with a decline from 24 per cent in 2001-02 to 17.5 per cent in 2007-08.

Inflation had risen slightly above the anticipated rates in the last quarter of the fiscal 2007-08 and which has steadily moved upward to exceed 12 per cent as August end. This was an area of concern and the Reserve Bank of India has reacted by increasing the repo rates and Cash Reserve Ratio (CRR) margins to suck excess liquidity in the system. Inflationary pressures. Inflationary pressures have subsequently eased and the rate had come down to 8% by November end. It is expected to fall further by the end of the fiscal ending March 2009. With the economy modernizing, globalizing and growing rapidly, some degree of cyclical fluctuations and inflationary pressures are expected. The growth target of 9 per cent set for the 11th Five Year Plan appears realistic as the behaviour of the economy in the recent years, particularly during the 10th Plan period, indicated. However, the spill over effect of the global economic slowdown is being felt in India as a result of which the GDP growth rate for the current fiscal 2008-09 is expected to be around 7%. In the first week of December, the Government has announced various measures like increased spending on infrastructure, cuts in excise duty of automobiles, export sops, reduction in fuel prices which are likely to stimulate growth. RBI has also announced reduction in CRR and repo rates which will infuse additional liquidity in the banking system to meet the increased credit demand. The economy is expected to pick-up from fiscal 2009-10 as a result of these measures. In terms of growth, the Tenth Plan period has seen a sustained growth and the economy showed considerable resilience in the face of shocks, such as high energy and commodity prices and a slow down in world growth and import demand. The fact that the recent growth performance has been basically domestic demand driven is an inherent advantage. Yet, there are a number of challenges that need to be addressed if the current growth momentum has to be sustained in the coming years. Inflation has to be kept within permissible limits, subsidies have to be rationalized and effectively reach the target population and an effective safety net for the poor are some of the priorities. The recent unusual spurt in the prices of essential commodities and food grains point out to the need for ensuring food security to the people.

Agricultural Production

The Directorate of Economics and Statistics, in its

fourth advance estimates of agricultural production, has placed total food grains production at all-time high of 230.7 million tonnes, much higher than the 217.3 million tonnes achieved in 2006-07. While the production of kharif food grains was 3.0 million tonnes higher than the production in 2006-07, rabi production was slightly higher by 0.6 million tonnes. The production of coarse cereals was 40.7 million tonnes as against 33.9 million tonnes in 2006-07. The production of pulses, was also higher by 0.9 million tonnes over last year's level. The production of oilseeds also increased from 24.3 million tonnes in 2006-07 to 28.8 million tonnes in 2007-08.

Among non-food crops, sugarcane production declined from 355.5 million tonnes to 340.6 million tonnes, cotton increased from 22.6 million bales to 25.8 million bales and jute was stable at 11.2 million bales. In the current year, the south west monsoon has been more or less favourable with 21 of 36 meteorological sub stations receiving excess rainfall. Area under kharif crops upto July 2008 was higher by 1.3 million hectares over the corresponding period of the previous year. The recent floods in Bihar and Assam have however, quenched the pitch.

Issues in Agricultural Growth

There has been a considerable decline in the rate of growth of area, production, productivity and area irrigated for the major crops. The area under the production of food grains over a 16-year period witnessed an average annual decline of 0.26 per cent during 1989-90 to 2005-06, largely because of a shift in area away from coarse grains. The trend, however, was moderately reversed during 2002-06, partly because of a low base. Cotton and oilseeds witnessed an increase in area during the period. Average annual rate of growth in production and yield varied across crops and over different time periods. For cotton and oilseeds, the rate of growth in production remained high during 2002-06 (Tenth Five Year Plan period), while in case of wheat and sugarcane, annual growth in production peaked during the Eighth Five Year Plan period. Rice maintained a positive growth in yield during this period, but in the case of wheat, average annual growth in yield during 2002-06 was negative. Growth of productivity in pulses fluctuated over the three Plan periods. It became negative during Ninth Five Year Plan period, but turned positive again during the Tenth Five Year Plan. Increase in



production and productivity of cotton during the Tenth Five Year Plan is primarily due to increased use of BT cotton.

There has been a loss of dynamism in the agriculture and allied sectors in recent years. A gradual degradation of natural resources through overuse and inappropriate use of chemical fertilizers has affected the soil quality resulting in stagnation in the yield levels. Public investment in agriculture has declined and this sector has not been able to attract private investment because of lower/unattractive returns. New initiatives for extending irrigation potential have had a limited success during the Tenth Five Year Plan and only a little over 8 million ha could be brought under irrigation, of which, only three-fourths could be utilized. The agricultural extension system has generally not succeeded in reducing the gap between crop yields that could have been obtained through improved practices. A second green revolution, particularly, in the areas which are rain-fed, is necessary to reduce wide spread poverty in India.

Agricultural Exports

India's exports of agricultural and processed food products have jumped by 38% to Rs. 28,906 crore in 2007-08 fiscal mainly due to a significant jump in shipments of coarse cereals. The country's agricultural products export was Rs. 20,986 crore last year. There has been a major rise in exports of coarse cereals like maize, jowar and barley. The exports of cereals, excluding rice and wheat, have gone up by five-fold to about Rs.2,979 crore in 2007-08 fiscal compared to Rs. 599 crore in April-March period of 2006-07.

Non-Basmati rice exports have surged to Rs.7,396 crore from Rs.4,243 crore. Quantity wise, shipments rose to 53.14 lakh tones from 37.02 lakh tonnes in 2006-07 fiscal. In the basmati category, exports have jumped to Rs. 4,334 crore from Rs. 2,792 crore. In terms of volume, exports rose to 11.81 lakh tones from 10.45 lakh tonnes in the review period. In livestock products category, India's exports rose to Rs. 5,062 crore from Rs. 4,124 crore because of higher exports in dairy products, aggregating Rs. 921 crore as against Rs. 497 crore in the previous year.

Challenges to the Agricultural Sector

The average growth of agriculture and allied activities during the period 2000-01 to 2007-08 was 2.9 per cent. It touches a high of 5.9 per cent in 2005-06

and decline to 3.8 per cent in the subsequent year to 4.5 per cent in 2007-08.

A sustained 4% growth of this sector would make the growth more inclusive and equitable. Further, with uncertainties in global markets and hardening of the international prices of food, fuels and edible oils, domestic price stability and food security critically depend on growth in this sector. This necessitates balanced allocation and better utilization of available resources. The issue of productivity and resource use assumes importance as agriculture continues to support more than half of the total population.

There is a need to build an outcome oriented perspective in the implementation of public programmes in the area of irrigation, fertilizers, use of high-yielding varieties of seeds, extension support for facilitating adoption of improved practices, and market access. While public investment in agriculture may not have kept pace with the requirements of the sector, fertilizer subsidies have supported the agriculture sector. There may be a need for better targeting of the subsidies with a view to optimize the resource allocation and returns there from. With area under cultivation remaining constant, improving the productivity of crops is necessary for strengthening the farm sector.

A significant measure was taken in the Union Budget for the year 2008-09 when the Finance Minister announced agriculture loan waiver to the tune of Rs.60,000 crore for debt-ridden farmers. Initially, it was expected to benefit 30 million small and marginal farmers and 10 million 'other farmers'. According to revised estimates, the number of small and marginal farmers would be around 36.90 million while that of "other farmers" would be lower at around 5.97 million. The cost of the scheme is however likely to exceed Rs.70,000 crore. The loan waiver would not only clean up the balance sheets of banks but also lead to fresh flow of institutional credit to the agricultural sector.

However, more permanent measures are required to protect the interest of farmers from the vagaries of weather, and market failure in order to ensure that the farmers do not get into the dept-trap again. Institution of Farmers Protection Fund on the lines of Investor Protection Fund with a large initial corpus would ensure that such loan waivers do not become a regular affair. Funds from the 'Farmers Protection

Fund' could be utilized to safeguard farmers, whose crop gets destroyed by floods, unseasonal rains, severe drought, etc., and other natural calamities, market failure, loss of export markets due to cheaper produce of competing country and the like.

New Initiatives in Agriculture

The Department of Agriculture and Cooperation Government of India has launched a Centrally-sponsored National Food Security Mission (NFSM) to increase production of rice, wheat and pulses by 10.8 and 2 million tonnes, respectively, over the benchmark levels of production, by the end of the Eleventh Five Year Plan period. The Mission aims at increasing food grains production of the above crops through area expansion and productivity; creating employment opportunities; and enhancing farm level economy to restore confidence of farmers of targeted districts.

The National Development Council approved a programme to incentivise the States to increase the share of investment in agriculture in their State plans. Accordingly, in August 2007, the Government approved the Rashtriya Krishi Vikas Yojana (RKVY) with an allocation of Rs. 25,000 crore for the Eleventh Five Year Plan. The RKVY aims at achieving a 4 percent annual growth in the agriculture sector during the Eleventh Five Year Plan period by ensuring a holistic development of agriculture and allied sectors. The RKVY will be a State Plan Scheme and the eligibility for assistance under the scheme would depend upon the agriculture and allied sectors, over and above the baseline percentage expenditure incurred on agriculture and allied sectors. The funds under the RKVY would be provided to the States as 100 percent grant by the Central Government. An outlay of Rs. 1,500 crore was approved for 2007-08. The major objective of the scheme is to incentivise the States to increase public investment in agriculture and allied sectors. The States will have flexibility and autonomy in planning and executing the schemes. The local needs and priorities could be better reflected in the proposed schemes.

In addition to the above, the Government of India has approved the National Policy for Farmers, 2007 based on the recommendations of the National Commission on Farmers. The national Policy for Farmers, among other things, has provided for a holistic approach to development of the farm sector.

The broad areas of its coverage include a strategy to ensure that farmers have access to productive assets, ensure water use efficiency and encourage new technologies for improving productivity. The strategy also aims at establishing a coordinated agricultural security programme. The delivery of services like distribution of quality seeds and planting materials and technology for soil health enhancement will be improved. The strategy also gives due importance to credit and insurance, minimum support price mechanism and the need for enlarging the food security basket by including nutritious millets such as bajra, jowar, ragi and millets mostly grown in dry land areas.

It can be seen that the emerging scenario in agriculture and the policies and strategies framed for the development of the sector give considerable emphasis on investment in agriculture, propagation of technology, extension services, credit and insurance and efficient delivery of inputs. This is a situation where organizations like AFC can play significant roles in providing consultancy and advisory services at different levels. The evolving situation in the country demands higher levels of technical and managerial skills also.

Review of Performance of AFC

During the year, the company handled 113 assignments as compared to 283 during the previous year. Of these assignments, 100 were booked during the year and the remaining were carried forward from the previous year. Of the 113 assignments, 99 were completed during the year and remaining 14 assignments have been carried forward in the ensuing year.

The total fee of assignments canvassed during 2007-08 aggregated to Rs.130.21 million which has been highest ever.

The increase in business is due to major assignments confirmed from various State Governments /agencies. Special mention must be made of three major assignments, one each from (i) Government of Maharashtra, entitled "Monitoring and Evaluation of Maharashtra Water Sector Improvement Project", which is being done in association with M/s Sheladia & Associates, Inc, USA, worth Rs.34.50 million (ii) Government of Andhra Pradesh for "Monitoring and Evaluation of Andhra Pradesh Community Based Tank



Financial Results

(Amt. in Rupees)

Item	Year Ended 31st March 2008	Year Ended 31st March 2007
Gross Income	95,377,372	104,840,915
Gross Expenditure	90,116,995	101,255,223
Profit Before		
Depreciation and Taxes	5,260,377	3,585,692
Profit/(Loss) Before Taxes	4,039,761	2,319,428
Provision for Taxes		
Current year	17,59,104	270,396
For earlier years	-	-
Deferred Taxes	-	-
Fringe Benefit Tax	440,000	736,640
Profit/(Loss) After Tax (PAT)	1,840,657	1,312,392
Less Prior Period Adjustment	935,764	-
Net Profit (Loss) for the year	904,893	1,312,392

Management Project" worth Rs.15.60 million and (iii) National Medicinal Plants Board worth

Rs.13.00 million.

Business Outlook for the Year 2008-09

With a view to expand its business, your company has taken up a number of new initiatives like, (i) involvement of business associates in business sourcing and execution, (ii) Collaboration with reputed institutions/agencies; (iii) Identification of business opportunities by subscribing to important website portals of various national and international service providers like – dgmarket.com, developmentex.com, All-tenders.com, etc. These initiatives are expected to result in significant breakthrough in business building.

I am happy to inform that your company has already been awarded following important assignments by various clients :

A number of proposals involving high value assignments have been submitted to the Ministry of Rural Development, Ministry of Agriculture Government of India and various State Governments/ Agencies, especially, Government of Orissa, Government of Andhra Pradesh and Government of Uttar Pradesh, which are under active

Sl No.	Name of client	Title of the Assignment	Consultancy fee (Rs in lakh)	Duration (Months)
1	Ministry of Environment & Forests	Organising Inter-Departmental Consultation Meets to Operationalize the 10 Year Strategic Plan of the United Nations Conventions to Combat Desertification (UNCCD) in six States in the country	22.90	12
2	Government of Uttar Pradesh	Preparation of District Agricultural Plan in 61 districts of Uttar Pradesh	610.00	6
3	Meghalaya State Electricity Board	Preparation of EIA & EMP for Two Hydro Electric Projects in Meghalaya	26.00	10
4	Govt of Nagaland & Govt of Arunachal Pradesh	Preparation of Five Year Perspective Plan in six districts of Nagaland and Arunachal Pradesh under NREGA	27.00	10
5	Sarva Shiksha Abhiyan Samithi, Bangalore	Consultancy Services for Third Party Quality Assurance and Technical Audit of Civil Works for the year 2007-08 in Bangalore Division	84.70	12
6	Kerala Electricity Board,	Environmental Impact Assessment of Achhan Kovil Hydro Electric Project	46.75	12

consideration of the respective clients.

Your Company, in association with Sheladia Associates, Inc, USA, has been shortlisted by the Orissa Government for an ADB assisted project entitled "Institutional Strengthening and Project Management for Orissa Integrated Agriculture & Water Management Improvement Project". As per the request from the Government of Orissa, the Technical and Financial Proposal for the same has been submitted to the Government, and the same is under consideration.

Proposals have also been submitted for two other ADB assisted projects entitled (i) "Consulting services for Minor Lift Irrigation Planning and Implementation"; and (2) "NGO involvement in Pani Panchayat Strengthening, under Orissa Integrated Irrigated Agricultural Water Management Project (OIIAWMP)".

With the above activities, there are good prospects of increasing the business of your company for the year 2008-09.

External Consultancy

In response to a request from Ministry of Social Development, Government of Bahrain, your company had deputed an expert for preparation of a Feasibility Report for establishing "Family Bank" in Bahrain. The task has been successfully completed. The report has since been accepted by the Central Bank of Bahrain and 'interim license' has been granted to the Family Bank.

A delegation led by the Minister for Social Development, Government of Bahrain visited India recently and had meetings with the Chairman and the Managing Director of your Company. A Memorandum of understanding has been executed between your Company and the Ministry of Social Development, Kingdom of Bahrain for extending required technical support to the Ministry in their various initiatives.

Business Collaboration

With a view to expand and diversify its activities, the company has decided to go for business collaboration with reputed consultancy firms, NGOs and other professional institutions in the country and abroad. For streamlining the process of selection of the agencies for collaboration and to decide on the

detailed operational modalities, a Committee has been constituted including two representatives from member banks and three senior executives of the company. The initial results of such collaborations have been promising and your company would like to have more such associations for expanding and diversifying its business in the coming years.

Staff Matters

During the year, six officers/staff have superannuated and seven officers/staff have voluntarily resigned from the company. The company inducted 11 staff who were working temporarily in its erstwhile Patna branch, to honour the court verdict on the industrial dispute case. As a result, the present staff strength of the company stands at 114, including 22 sub staff, 29 workmen staff and 63 officers.

Two officers have been promoted from Assistant General Manager to Deputy General Manager during the year, following internal promotion process.

Journal - "Financing Agriculture"

Your company has continued publishing the journal "Financing Agriculture". The periodicity of the journal has been increased from quarterly to bi-monthly. It has been consistently receiving good response from all over the country.

AFC Foundation

The AFC Foundation, registered as a Trust under the Indian Trust Act, 1882, on 23rd January 2007, at New Delhi, continued its operations with the activities of conducting "training and capacity building, grass-root level project implementation and also diploma course in foreign trade management under distance education mode in English and Hindi languages.

The trust has signed a MOU with 3M Solutions, India for marketing of the course. The first seminar, in collaboration with 3M Solutions along with other three institutes, viz., (i) Annie Besant college; (2) Indian Institute of Professional Studies, and (iii) Bitech Institute of Management & Technology, has been organized on "diploma in microfinance" at IISE Lucknow. It was attended by approximately 150 MBA & BBA students. The foundation has also made a foray in the field of Microfinance by supporting few SHGs on pilot basis. The experience so far has been satisfactory with 100% recovery.



Corporate Governance

Your Company, since its inception has 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 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 and 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 Corporation are invited to attend the Board Meetings.

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 Corporation for the financial year ended 31 March 2008;
- ❖ 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 Corporation and for preventing and detecting fraud and other irregularities; and
- ❖ The annual accounts have been prepared on a

going concern basis.

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 Committee held one meeting during the year under review. The minutes of the meeting of the Committee was placed before the Board along with its recommendations. The General Manager (Finance & Accounts), other senior executives, internal auditors and statutory auditors are invitees at the meeting. The composition of the Audit Committee during the year under review is as follows:

Name	Category	Committee Designation
Dr Jayant Patil	Non-Executive	Independent Chairman
Shri T C Venkat Subramanian	Non-Executive	Independent Member
Ms H A Daruwala	Non-Executive	Independent Member
Shri M V Nair	Non-Executive	Independent Member
A K Garg	Managing Director	Ex-officio Member

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

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:

Earnings in Foreign Exchange Rs. 1.07million
Expenditure in Foreign Exchange Rs. 0.30 million

Directors

Cessation of Directors

Dr Y S P Thorat, Chairman, NABARD, Shri M B N Rao, Chairman & Managing Director, Canara Bank, Dr Anil K Khandelwal, Chairman & Managing Director, Bank of Baroda, Shri Satish Chander, Joint Secretary, Ministry of Agriculture, Government of India, resigned from the directorship of the Corporation after attaining superannuation. The Board recorded its sincere appreciation of the valuable contributions made by Dr Y S P Thorat, Shri M B N Rao, Dr Anil K Khandelwal and Shri Satish Chander during the deliberations at the Board Meetings.

Appointment of Directors

The following new directors joined AFC's Board:

The company received the consent of Shri Umesh Chandra Sarangi, Chairman, NABARD, Shri S K Goel, Chairman & Managing Director, UCO Bank, and Shri M D Mallya, Chairman & Managing Director, Bank of Baroda to join the Board. However, formal approvals of the Ministry of Finance, Government of India for appointment of Shri S K Goel, Chairman & Managing Director, UCO Bank; and Shri M D Mallya, Chairman & Managing Director, Bank of Baroda are awaited.

Further, Shri Rajendra Kumar Tiwari, Joint secretary (Credit), Government of India has been nominated as Government representative on the of Board of Directors. Notification of the Ministry of Finance for his appointment is also awaited.

Auditors

The Comptroller and Auditor General, Government of India, had appointed M/s. M.A Shah & Company, Chartered Accountants, as Statutory Auditors of your Company for the financial year 2007-08 to hold office until the conclusion of the ensuing Annual General Meeting. The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call any further comments.

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 Department of Women and Child Development in the Ministry of Human Resources Development, Ministry of Social Justice and Empowerment 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 are also thankful to the various external funding agencies notably IFAD, The World Bank, European Union, UNOPS, AfDB, etc. for utilizing the services of your Company and/or its experts for various assignments.

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 experts and consultants 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

Mumbai: 25th September 2008



Important Clients and Areas of Business

ASSIGNMENTS HANDLED

During the year, the company handled 113 assignments as compared to 283 during the previous year. Of these assignments, 100 were booked during the year and the remaining were carried forward from the previous year. Of the 113 assignments, 99 were completed during the year and remaining 14 assignments have been carried forward in the ensuing year.

The total fee of assignments canvassed during 2007-08 aggregated to Rs.130.21 million which has been highest ever in the annals of AFC.

Central Ministries

During the year under review, among the Central Ministries, the Ministry of Agriculture, Ministry of Rural Development, Ministry of Environment & Forestry, continued to avail the services of the Corporation as in the past. Other Ministries, such as Panchayati Raj, Chemicals & Fertilizers, Housing & Urban Poverty Alleviation (HUPA) also assigned some important assignments to the Corporation.

Ministry of Agriculture

The Indepth Study of the marketing situation and potential for horticulture produce in North Eastern States and Sikkim was assigned by the Ministry. The report has been completed and submitted and well received by the Ministry. The objective of the study was to prepare a road map for the Horticulture Mission continued functioning during Eleventh Five Year Plan Period comprising of policy suggestions, changes needed in the project content and restructuring of project implementation mechanism.

The Evaluation Study of Centrally Sponsored Soil and Water Conservation programme of four River Valley projects in the Dantiwada catchment of Banaskantha district, Gujarat assigned by the Ministry of Agriculture, through its Natural Resources Management Division (NRMD), was also completed and report submitted. The main objectives of the study were i) prevention of land degradation by adopting multi disciplinary and integrated approach ; ii) improvement of land capability and moisture regime of the watersheds; iii) promotion of land use to match the capability; iv) prevention of soil losses from catchment areas to reduce siltation in

multipurpose reservoirs and enhance the in-situ moisture conservation and surface water storage of rain water in the catchment to reduce flood peaks and volume of run off. The evaluation study was confined to four treated and one untreated watershed, viz , Ambaji, Pancha, Kanpura, Naiwada and Virampur respectively. The agriculture sector programme was implemented by the Gujarat Land Development Corporation (GLDC) and Forest sector programme by the Forest Department. A physical verification on various structures constructed was conducted and technically evaluated. Indirect and direct impact of the soil and water conservation treatments implemented was measured. The task also involved individual beneficiary survey and success stories of some of the beneficiaries.

The Corporation also supported the National Committee on Plastics Application in Horticulture, Department Agriculture & Cooperation, Ministry of Agriculture, Government of India and also at the Technical Mission in Horticulture Division by deploying staff.

Ministry of Rural Development

National Rural Employment Guarantee Scheme (NREGA)

The Ministry of Rural Development, Government of India, has been implementing the National Rural Employment Guarantee Scheme (NREGA) in 200 districts in different States since 2005. The scheme is now being extended to another 130 districts. During the year, the Corporation was assigned preparation of Perspective Plans by various State Governments under the scheme. In response to the requests from other State Governments, the Corporation has submitted proposals for preparation of similar Perspective Plans. Clearance from the respective State Governments is awaited.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

The Ministry decided to conduct a national level study of "Benefit Sensitivity Analysis from the Gender Perspective in respect of Pradhan Mantri Gram Sadak Yojana (PMGSY)." which is generally considered a gender neutral programme. The objectives of the programme aims to lay new roads as well as upgrade existing black top roads for providing weather connectivity to the local community. The Corporation was assigned the study in 11 States, viz.,

Assam, Gujarat, Himachal Pradesh, Karnataka, , Maharashtra, Madhya Pradesh, Mizoram, Orissa, Rajasthan, Tamil Nadu & Uttar Pradesh. The study covered 22 districts in these eleven States and 88 roads constructed under PMGSY.

Planning Commission - Ministry of Panchayati Raj

The Planning Commission has initiated the task of preparing Comprehensive District Agriculture Plan (CDAP). The Corporation was invited to attend the regional workshops convened by the Planning Commission during February 2008. The Corporation has since been nominated as one of the Technical Support Institution (TSI) by Ministry of Panchayati Raj, Government of India with a view to assisting the districts in the preparation of the District Plans. The Corporation has initiated the work in Uttar Pradesh, Andhra Pradesh and Orissa.

Ministry of Housing & Urban Poverty Alleviation (MHUPA)

Integrated Low Cost Sanitation Scheme: The MHUPA assigned the Corporation a nationwide study, namely, "Evaluation and Impact Assessment Study of Integrated Low Cost Sanitation Scheme". The study involved carrying out critical performance / appraisal of the scheme since the inception, and identifying the bottlenecks /hurdles in its implementation, suggesting alternative models of implementation and appropriate financial requirements. The Corporation has completed the study, covering three additional towns, viz., Gaya, Motihari and Gorakhpur, as per the request of the Ministry and has submitted its report.

Ministry of Chemicals & Fertilizers:

The Sankat Haran Bima Yojana (SHBY): It was launched by Krishak Bharati Cooperative Limited (KRIBHCO), in October 2001 with the avowed objective of mitigating the plight of farmers and insulating them from financial distress caused by unforeseen mishaps or accidents. The present Study, has brought to fore the fact that the benefits under the scheme has not reached even a fringe of the total number of farmer households in the country.

An "Evaluation Study to assess the situation with regard to supply/use of fertilizers, particularly urea, DAP & MOP" for (i)

Belgaum, and Shimoga [Karnataka], (ii) Hosangabad and Khargaon [Madhya Pradesh], Ropar and Amritsar [Punjab] ; and West Champaran and Bhagalpur [Bihar] was assigned to the Corporation by the Ministry during the year . The use of fertilizer is seen as an important way to potentially improve agricultural output and productivity to sustain a 4% growth in agriculture as envisaged for 11th Five Year Plan.

Ministry of Human Resource Development

The Corporation has secured from the Department of Women & Child Development, Ministry of Human Resource Development, Government of India, an assignment entitled "Evaluation of Support to Training and Employment Programme for Women (STEP)", which is being implemented by Yeshwantrao Chavan Sahakari Kukkut Paloan Sanstha Ltd., Kolhapur district, Maharashtra.

Ministry of Environment and Forests

The Corporation continued its operations as Regional Centres of National Afforestation and Eco Development Board (RC-NAEB) in its Head Office at Mumbai and at Northern Regional Office at New Delhi. These Regional Centres facilitate implementation of the afforestation and eco development programmes in their respective area of operation viz., the northern and the western regions by providing technical support to NAEB through conduct of afforestation studies, organising interactive workshops, documentation of success stories and publication of extension material to promote eco-restoration with a view to create enabling environment for the involvement of grassroot level workers for facilitating joint forest management.

Main Activities of RC-NAEB Mumbai Centre

❖ In the year under reference, two cluster based "Action Training" of Joint Forest Management Committees (JFMCs on micro finance based income generating activities under the NAP scheme were organised - one in Valsad district of Gujarat and another in Nashik district of Maharashtra. In addition, an action training on improved agro-forestry in a cluster of villages, with special emphasis on planning in collaboration with the local industries for increased profit to the farmers was organised at Nashik of Maharashtra.



❖ The Ministry of Environment & Forests decided to upscale the livelihood status of Joint Forest Management Committees (JFMCs) through innovative interventions. To achieve this objective, seven pilot Small and Medium Forest based Enterprises (SMFE) development projects have been launched across the country. One of the projects has been launched in Nashik (West) FDA Division of Maharashtra. The SMFE project is being implemented at the ground level through Regional Centre of National Afforestation & Eco-development Board, Agricultural Finance Corporation Limited, Mumbai. In the project five JFMCs' villages were selected in which 28 Self Help Groups (SHGs) were formed at Nashik (W), Maharashtra, their bank account were opened and members were helped to initiate forest based income generating activities.

Main Activities of RC-NAEB New Delhi Centre

❖ The New Delhi centre organized, two district level interdepartmental linkage workshops one each in Nainital, Uttarakhand and Bhilwara, Rajasthan. In these workshops, ways and means were identified to link the activities of other development departments with the NAP scheme.

❖ Two cluster based "Action Training" of JFMCs on micro finance based income generation activity of SHGs were organized in one district of Uttar Pradesh and one in Haryana.

❖ In addition, sharing of front line staff/officers was organized for the effective communication between Nodal Officers/PCCF office and the FDAs/JFMCs on the NAP and other centrally sponsored scheme in the states of Rajasthan, Haryana, Uttarakhand and Uttar Pradesh.

Government of India Institutions

Rashtriya Mahila Kosh (RMK): RMK has been providing funding support to the NGOs to meet the consumption and investment needs of rural women, particularly in the informal sector. As in the past, during this year also, the Corporation's services were availed of by RMK for pre-sanction credit appraisal and post-sanction monitoring of proposals submitted by the NGOs to the RMK for credit support.

During this year, RMK, in collaboration with the Corporation & Nargis Dutt Foundation, Mumbai, organized a one day workshop on "Awareness Generation on Microfinance" on 16 February 2008.

The Corporation provided its support to RMK in all respects. The Workshop was attended by more than 300 NGOs.

Council for Advancement of People's Action and Rural Technology (CAPART): Council for Advancement of People's Action and Rural Technology (CAPART), a major promoter of rural development in India, assisting voluntary organizations across the country in implementing a wide range of development for various project related schemes availed the Corporation's services as an empanelled Institutional Monitor to evaluate the projects of CAPART. During the year under review, the Corporation has conducted evaluation/appraisal studies in different disciplines in Maharashtra, Gujarat, Bihar, etc.

Small Industries Development Bank of India Impact Assessment Study of SIDBI's Micro Credit Programme: The SIDBI Foundation for Micro Credit (SFMC) is implementing the National Microfinance Support Project (NMFSP) supported by DFID, UK and IFAD, Rome, designed to develop a more formal, extensive and effective microfinance sector in the country. The overall goal of the Project is to support poverty alleviation and reduce vulnerability amongst the users of microfinance services, especially women.

State Governments

During the year under review, the State Governments of Andhra Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Orissa, Uttar Pradesh, Uttarakhand and North Eastern States including West Bengal mainly availed of the services of the Corporation. Highlights of some major tasks assigned to the Corporation by various States/State Government Agencies are given as follows:

Andhra Pradesh

The Corporation's services in Andhra Pradesh were utilized by the Irrigation and Command Area Development, Revenue Department, Water Resources Department, Government of Chhattisgarh, the World Bank and the Airports Authority of India. The brief details of the studies undertaken in the State are as follows:

The Andhra Pradesh Community Based Tank Management Project (APCBTMP) :
The Command Area Development Agency (CADA),

Government of Andhra Pradesh, assigned to the Corporation "External Monitoring and Evaluation of Andhra Pradesh Community Based Tank Management Project". The project is being implemented by the CADA to rehabilitate about 4 lakh hectares. of command area under minor irrigation tank systems in a project mode. The dual objectives of the project are to initiate reforms in the existing programmes and to scale up the new approach of reviving traditional minor irrigation tanks on a sustainable basis. The project is to rehabilitate about 3000 minor irrigation tanks, covering a command area of about 2.5 lakh hectares in 21 districts of the State and also to undertake the rehabilitation work in three batches over five year project period. The work is under progress.

Preparation of Environment Impact Assessment and Environment Management Plan : The Corporation took up evaluation of four river valley projects, viz., (i) Modernization of Krishna Delta (ii) Kelo Major Irrigation Project in Chhattisgarh, (iii) Vattivagu Medium Irrigation Project and (iv) Umgot Hydro Electric Project in Meghalaya. The studies aimed to obtain environment clearance from the Ministry of Environment and Forests (MoEF), Government of India. The main objective of the studies was to carry out environmental impact assessment of the proposed river valley projects on land, water, flora and fauna, public health, etc., and to formulate a suitable Environmental Management Plan to minimize or avert possible negative impacts of the projects. The studies also included the impact on the displaced population and formulation of the action plan for resettlement and economic rehabilitation for the project affected households. The catchment area treatment plan preparation was also part of the mandate.

Valuation of Structures to be submerged irrigation projects: An unique Government Order was issued by the Secretary, Irrigation & Command Area Development Government of Andhra Pradesh to the Corporation awarding the task of valuation of structures to be submerged by irrigation projects applicable to all the districts of Andhra Pradesh. Accordingly valuation of structures getting submerged under major and medium irrigation projects, namely Yellampally (Sripadasagar), BRR Vamsadhara, Nilwai,

Gaddenavagu and PP Rao projects was undertaken by the Corporation. In all about 8500 houses to be submerged were measured, estimated as per standard schedule of rates. The payments were also made to the concerned project affected families on the basis of the valuations.

Revenue Potential Survey of Car Parking at Hyderabad Airport : The objective of the study done for the Airports Authority of India, was to estimate the revenue potential of car parked at Hyderabad by assessing the category wise number of vehicles arriving and departing. Survey was conducted for a continuous period of seven days throughout the operational hours. The study found that the total revenue for a week to be more than Rs 20 lakh. The study brought out the peak and lean hours for each day as well as peak and lean days in the week.

Arunachal Pradesh

"Mid-Term Evaluation of Integrated Wasteland Development /Hariyali Project" : The Directorate of Rural Development, Government of Arunachal Pradesh assigned the evaluation of the task in six districts of Arunachal Pradesh. Integrated Wasteland Development Programme (IWDP) is a centrally sponsored scheme launched by the Department of Land Resource, Government of India, which is aimed at treating degraded lands with the help of low cost and locally available technologies, for soil and moisture conservation measures, afforestation, etc., for overall socio-economic development of resource poor sections of people. The purpose of mid-term evaluation of IWDP is to assess the outcome, identify constraints in their implementation and to suggest suitable changes, so that desired outcomes are obtained at the end of project period.

Assam

Mid Term Evaluation of Integrated Watershed Development Project (IWDP)/ Hariyali Project" : This assignment which was awarded by the Directorate of Rural Development, Government of Assam in 6 districts was continued during the year. Out of a total 25 projects, spread over 6 districts, the Corporation has completed 9 Mid Term Evaluation Studies. The purpose of mid-term evaluation of IWDP is to identify constraints in their implementation



against the objectives, assess the outcome, and to suggest suitable changes so that desired outcomes are obtained at the end of project period.

Bihar

The World Bank Assisted Bihar Rural Livelihoods Project has been assigned to the Corporation by the Bihar Rural Livelihood Promotion Society. The objective of the project is to enhance social and economic empowerment of rural poor, especially women, by developing organizations of rural poor and producers and enabling them to access and negotiate better services, credit and assets from public and private agencies and financial institutions. The project will invest in building capacity of public and private service providers and promote development of microfinance and agri-business sectors. The Corporation conducted Baseline Survey in six project districts by interviewing 14,000 households held, 440 Focus Group Discussions in 400 villages spread over in 20 blocks project districts to establish bench-mark for measuring the impact of the project at a later stage. Data collection has been completed and report generation work is under progress.

Chattisgarh

The task of Monitoring and Evaluation of IFAD Funded Chattisgarh Tribal Development Programmes implemented by the Chhattisgarh Development Society is under progress during the year under review, The programme is being implemented in the three districts, viz., Jaspur, Sarguja, and Raigarh. The programme seeks to develop and implement a replicable model that ensures household food security and improves livelihood opportunities and overall quality of life of the tribal population based on sustainable and equitable use of natural resources. The task involves conduct of (i) a baseline survey; (ii) design a Computerized Project Management (CPM) System and a computerized Management Information System (MIS) to facilitate desk monitoring by project management which would facilitate decision making; (iii) an impact evaluation survey; and (iv) monitoring and evaluation of the project in order to generate qualitative information on relevance, efficiency and effectiveness of project implementation and the relationship between processes and outcomes. The baseline survey has been completed and the next phase of the work is

under progress.

Haryana

Monitoring and Evaluation of Agriculture Technology Management Agency (ATMA) : A Study for Monitoring & Evaluation of the Scheme entitled "Support to State Extension for Extension Reforms " has assigned to the Corporation by the Department of Agriculture, Government of Haryana, The objective of the scheme is to make extension system farmer-driven and farmer accountable by way of new arrangements for technology dissemination through (i) new institutional arrangements, (ii) convergence of line departments; (iii) multi agency extension strategies; (iv) broad-based extension delivery; (v) group approach ; (vi) capacity building; and (vii) sustainability of extension services.

Jharkhand

IFAD Funded Jharkhand Tribal Development Programmes : The task of Monitoring and Evaluation of IFAD Funded Jharkhand Tribal Development Programmes implemented by the Jharkhand Tribal Development Society continued during the year under review. The programme is being implemented in the districts of East and West Singhbhum, Ranchi and Saraikela-Kharswan. The programme aims to develop and implement a replicable model that ensures household food security and improves livelihood opportunities and overall quality of life of the tribal population based on sustainable and equitable use of natural resources. The task involves conduct of (i) a baseline survey; (ii) design a Computerized Project Management (CPM) System and a computerized Management Information System (MIS) to facilitate desk monitoring by the Project Management, which would facilitate decision making; (iii) an impact evaluation survey; and (iv) monitoring and evaluation of the project in order to generate a qualitative information on relevance, efficiency and effectiveness of project implementation and the relationship between processes and outcomes. The baseline survey has been completed by the Corporation.

Detailed Project Report for Development of Fisheries in Selected Reservoirs: The Department of Animal Husbandry and Fisheries, Government of Jharkhand, assigned the Corporation preparation of a detailed project report for development of fisheries in selected reservoirs (big

water bodies) in the State for funding by National Fisheries Development Board and other financial institutions. The scope of the assignment included (i) Review of reservoir fisheries and other fisheries programmes/policies relating to fisheries development; (ii) Assessment of reservoir infrastructure facilities like fish seed/fingerlings rearing facilities including provision of pen culture; (iii) Landing centre development; (iv) Assessment of social development issues; (v) Assessment of fish harvesting infrastructure; (vi) Assessment of marketing infrastructure; (vii) Review of fish leasing policies and suggest appropriate leasing policies; (viii) Suggestions for appropriate extension and training facilities for development of reservoirs and linkages with the existing institutions; (ix) Identification of priority areas of investment; and (x) Strategies for attaining environmental and ecological sustainability. Final report of the Detailed Project Report has been submitted.

Karnataka

Mid-Term Evaluation Studies : During the year under review, the Watershed Development Department, Government of Karnataka has assigned to the Corporation Mid-Term Evaluation Studies of (i) DPAP Hariyali - 4 in Bagalkot district, (ii) DPAP Hariyali-1 under Batch 9 in Haveri district, (iii) DPAP Hariyali-3 under Batch 11 in Belgaum district, (iv) DPAP Hariyali-2 under Batch 10 in Belgaum district; (v) DPAP Hariyali-1 in Belgaum District; (vi) Hariyali-3 in Gulbarga district; (vii) IWDP 1 in Bangalore Rural District; (viii) IWDP 2 in Mundgod taluk of Uttara Kannada district, (ix) IWDP 3 in Uttara Kannada and (x) IWDP 3 in Haveri district. The Corporation completed these studies. The studies aimed at mid-term assessment of the physical achievements of the programme by sectors and components, identification of various constraints and impediments in the implementation of the programme, assessment of the impact of benefits and suggestions for remedial measures to be adopted in the light of the experience gained in the project to ensure sustainable integrated development of watersheds under DPAP, DDP and IWDP.

Sarva Shiksha Abhiyan Samithi, Karnataka – a Govt of India Programme : During the year under review, as part of the Diversification Programme, the Corporation has bagged an

assignment on competitive tender basis for carrying out the task of Third Party Technical Audit and Quality Assurance of SSA Civil Works of the year 2007-08 in Bangalore Division consisting of the districts of Bangalore Rural, Kolar, Chikkaballapur, Chitradurga, Davanagere, Shimoga and Tumkur for Sarva Shiksha Abhiyan (Total Literacy Programme – launched by Government of India), Karnataka. The main tasks involved are (i) monitoring the progress of work and assess the quality of materials and work carried out by the contracting firm/s, 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. The implementation of the assignment will be taken up in the next year.

Preparation of DPR on Strengthening of Marketing Infrastructure and “Upgradation of Fish Seed Farms in Karnataka”: At the instance of Karnataka Fisheries Development Corporation Ltd., the Corporation has undertaken the task of preparation of DPR on “Strengthening of Marketing Infrastructure in Karnataka” and “Upgradation of Fish Seed Farms in Karnataka” under *Rashtriya Krishi Vikas Yojana* (RKVY). The main objectives of the project were to intensify efforts for: (i) Qualitative and quantitative improvement in the fisheries sector through organised post harvest activities and integration of all activities such as handling of fresh fish storage, pre processing, processing and marketing of fish and fish products, ensuring remunerative prices to consumers and generating incremental income and employment to the fishermen/rural poor families; and (ii) Improving fish production and productivity in the States’ water resources through making available assured supply of quality fish seed for optimum stocking by improving infrastructure in the existing fish seed production/rearing farms, renovation of existing facilities and promotion of improved fish rearing technologies for enhancing production capacities of the farms. The project conforms to the objectives and guidelines of the RKVY and aims at improving the productivity, ensuring higher margins to the poor fishermen community as also steady supply of quality fish to consumers, besides generating considerable supplementary employment opportunities under various components. The overall institutionalization



approach of fisheries development addressed under the programme is expected to play a significant role in the long term sustainability of the sector.

Jala Samvardhane Yojana Sangha, Department of Water Resources (Minor Irrigation) : Government of Karnataka has been implementing a Community based Tank Management Project in 5 districts of State. Recognising the positive impact of the project, Government of Karnataka intended to extend the project to other districts of the State. AFC assisted JSYS in the preparation of the Follow-on Project as per the World Bank norms/guidelines with improvements in project implementation arrangement based on the lessons learnt. The Corporation has completed the task during the year under review. The project covered about 1225 irrigation tanks spread over in 37 taluks of 8 districts in 5 agro climatic zones of the State with an estimated command area of over 51,000 ha. The objective was to improve rural livelihoods and reduce poverty by developing and strengthening community based approaches to managing selected systems. The project components included (i) Establishing an enabling environment for sustainable and decentralised management of tank systems; (ii) Strengthening community development and (iii) Undertaking tank system improvement. The project will be implemented over a period of 4 years from 2008 to 2012. The Project Report prepared by the Corporation was appraised by the World Bank Mission and total outlay of the project was determined at Rs.307 crore with the share of the World Bank assistance being Rs.269 crore.

Watershed Development Department (Sujala) : With the assistance of the World Bank, Watershed Development Department (WDD) is implementing a Comprehensive Watershed Development Project (*Sujala*) in Karnataka. The project aimed at reduction of soil erosion, increasing water availability, fodder productivity, vegetation improvement through forestry and horticulture activities, besides improvement of agricultural production through stakeholders' involvement. In order to involve the 'vulnerable groups' hitherto not covered under the project, the World Bank agreed to extend the assistance for promoting income generating activities and setting up of micro-enterprises in the project areas. The main focus is on

empowering the vulnerable families to take-up income generation activities or to set-up micro-enterprises for improving the income vulnerable groups. AFC has been providing professional specialist services on entrepreneurial development sector in Kushavathi River Sub-watershed Area in Gudibande taluk, Chikkaballapur district, Karnataka. As part of the implementation of EDP at the grassroot level, AFC conducted (i) Facilitators' Training Programme for Sujala Partners, (ii) Entrepreneur Awareness Programme for about 600 SHG members and (iii) Skill Training and Entrepreneur Development Programme for about 240 SHG members. The project is ongoing.

Canara Bank

The Corporation has completed the study on Improving Recovery Performance of Canara Bank in respect of Government Sponsored Schemes. The study was aimed at identifying factors influencing repayment and recovery performance under various Government Sponsored Schemes, viz., PMRY, SGSY, SJSRY and SLRS. The main objective was to understand major causes and factors influencing low recovery performance. The study covered 50 branches of the bank in 11 circles spread over Karnataka, Tamil Nadu, Kerala and Uttar Pradesh comprising 883 individual borrowers and 141 Self Help Groups in 542 villages. The study has identified major factors influencing the recovery behaviour and performance of the individual schemes and suggested measures to address these issues for improved performance of recovery of Government Sponsored Schemes.

Kerala

The Corporation has undertaken an assignment for Generation of Panchayat Resources Information System (PRI) as well as two Evaluation Studies, viz., (i) Resource Based Perspective Plan and (ii) Panchayat Resource Mapping Programme (PRM), for the Kerala State Land Use Board (KSLUB), Government of Kerala.

Generation of Panchayat Resources Information System for Thrissur District: At the behest of the Kerala State Land Use Board, the Corporation had taken up an assignment for development and deployment of a software for Generating Panchayat Level Resources Information System for Thrissur district in Kerala. The software

was developed for all the 92 GPs in 17 Blocks of Thrissur district through integration of digital layers of spatial data base covering demographic, social and economic data facilitating the Grama Panchayats for intervention for planning and development at micro level. The Software developed by the Corporation had been presented at Pazhayannoor Block Panchayat in the Seminar organised for the deployment of software and competence building of the end users.

Resource Based Perspective Plan: At the instance of Government of India, Ministry of Agriculture (NLUCB) and Planning Commission, the Kerala State Land Use Board prepared a Resource-based Perspective Plan for the State giving emphasis to agriculture being the mainstay of the people and the KSLUB intended to carry out an evaluation study to assess the impact of the Perspective Plan in terms of agricultural development and perspective land use planning, identifying the problems and potentials of land resources and suggesting suitable strategies for the utilisation of land resources to increase the economic growth of the State. Accordingly, the Corporation carried out the evaluation study and submitted the report to the KSLUB.

Panchayat Resource Mapping Programme (PRM): The PRM provides the basic details in spatial format for the development activities of the Panchayat. The mapping programme was done by the KSLUB in 1:5000 cadastral scale. The land use, all infrastructure and assets, all water resources and areas of specific interest in the Panchayat are spatially mapped under this programme. The Corporation was entrusted with the task of evaluating the programme as to what extent the data generated under the PRM was useful in land use and sectoral planning at local level and for microlevel information-base for planning for scientific agricultural development. The Corporation has carried out the evaluation study covering use of PRM data in identification of problems and potentials of land resources for planning and suggesting suitable modifications in the mode of PRM digital database to effective use at Panchayat level and submitted the report to the KSLUB.

Coconut Development Board: The Corporation has completed the Evaluation Study of Programmes implemented during Xth Plan Period assigned by the Coconut Development Board, Ministry of Agriculture,

Government of India. The objective of the study was to evaluate the schemes implemented by the Coconut Development Board in major coconut producing States of the country, identify and assess the prospects of coconut industry in general during XIth Plan Period and to recommend appropriate measures for boosting up the coconut industry. The study covered seven predominantly coconut producing States including four major South Indian States, viz., Kerala, Tamil Nadu, Karnataka and Andhra Pradesh and three other States with fairly large areas under coconut, viz., Orissa, West Bengal and Assam. The Corporation conducted performance review of eight major schemes implemented by Coconut Development Board and assessed the impact of the schemes on coconut industry in general and small landholders/entrepreneurs in particular. The study identified infrastructure gaps that have affected implementation of the schemes and suggested suitable corrective steps and determined the need for continuation of the schemes with improvements in the next Five Year Plan.

Maharashtra

As reported earlier, the Department of Water Resources, Government of Maharashtra, during the year under review, assigned AFC, in association with M/s. Sheladia Associates, Inc, USA, the World Bank Assisted Monitoring and Evaluation of Maharashtra Water Sector Improvement Project. The irrigation potential created in Maharashtra, is not being efficiently utilized. There are ill-effects on soil health, crop productivity and environment, coupled with loss of precious water. In order to overcome the situation and address the challenges, the Maharashtra Government, with financial aid from the World Bank, structurally rehabilitating 286 schemes (9 major, 13 medium and 264 minor) covering about 0.67 mha within a period of 6 years. The study aims to monitor and evaluate the progress in (i) the provision of critical financial and physical project inputs and implementation of institutional reforms and (ii) achieving the project outputs and outcomes. After signing an agreement with the client, the work was commenced in the month of June. The project will continue for a period of five years. As per the schedule, Inception Report was submitted to the Government and the preparation of monitoring report is in progress for submission.



Nagaland

Integrated Watershed Development Project (IWDP) : The Department of Land Resources, Government of Nagaland assigned the Corporation a study of Integrated Watershed Development Project (IWDP) in 3 districts of Nagaland, namely, Wokha, Mon and Mokokchung. The basic approach of watershed development is conventionally aimed at treating of degraded lands with the help of low cost and locally available technologies. Types of activities included are in-situ soil and moisture conservation measures, afforestation etc., through a participatory approach ensuring close involvement of local and user communities. The project aimed to promote overall economic development and improvement of socio-economic conditions of the poor section in the project area. The Corporation is conducting the post-project evaluation study to assess the outcome accrued and also to identify constraints / loopholes in their implementation, against the set objectives of the project.

Five Year Perspective Plan under National Rural Employment Guarantee Scheme (NREGA): The Ministry of Rural Development, Government of India, has been supporting the implementation of National Rural Employment Guarantee Scheme (NREGA) in 200 districts in different states since 2005 and the scheme is now being extended to another 130 districts. The Directorate of Rural Development, Government of Nagaland, through the concerned Project Directors & DPO, DRDA assigned the Corporation Preparation of 5-Years Perspective Plan for 3 Districts under National Rural Employment Guarantee Act (NREGA). The study involves conducting a detailed field survey for identification of infrastructure to be developed through participation of local villagers in order to ensure and enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household, whose adult members volunteer to do unskilled manual work. The Plan is also aimed to serve other objectives like generating productive assets, protecting the environment, empowering rural women, reducing rural to urban migration and fostering social equity, among others. The Plan would also facilitate advance planning, development perspective, explore potential linkages between different types of skills, long term employment

generation and sustained development of the district as a whole.

New Delhi

Monitoring and Evaluation of Projects funded by NMBP during 2005-06 and 2006-07 : The National Medicinal Plant Board (NMBP) has commissioned the Corporation an assignment entitled "Monitoring and Evaluation of Projects funded by NMBP during 2005-06 and 2006-07". NMBP has been constituted under the Department of AYUSH for development and improvement of the medicinal plant sector in the country at the national level. To coordinate its activities at the State level, State Medicinal Plant Boards have been set-up in 32 States / Union Territories. The NMPB has been funding promotional and commercial schemes formulated for promoting cultivation of medicinal plants in the country. The promotional schemes are being undertaken by various institutes and agencies in different States. Under commercial schemes, contractual farmers are being provided with financial assistance in the form of subsidy for promoting cultivation of medicinal plants. The total number of projects to be monitored are 375 promotional schemes and 3401 contractual farmers.

National Scheduled Caste Finance Development Corporation (NSFDC) : NSFDC got a Strategic Plan prepared from AFC in 2003-04, which not only analyzed the strength and weakness of NSFDC programmes and funding operations, but also provided year-wise physical and financial business projections for the next 8 to 10 years, i.e. upto the end of XIth plan. However, later the Central Government decided to a review of the Strategic Plan. As a result, during the year under review, the Preparation of Corporate Plan for National Scheduled Caste Finance Development Corporation (2007-08) was assigned to the Corporation. This Revised Strategic Plan (XIth Plan) involved thorough review and SWOT analysis of the current funding arrangements, lending policies and operational modalities of the NSFDC as also its associates, the State channelizing agencies.

Evaluation study for analysis of Impact of Micro Credit Scheme of National Handicapped Finance & Development Corporation : The Constitution of India guarantees equality before law and enjoins upon the Government

of India and State Governments, to make special provisions for the advancement of the socially, educationally and economically backward sections including those who are physically challenged in the Indian society. In India, the disability is observed among more than two per cent of the population. To focus on the socio economic development of the handicapped persons by providing sustainable livelihoods, the Government of India established the National Handicapped Finance and Development Corporation (NHFDC) in 1997. The main objective of the Apex Body is to promote economic development, rehabilitation, extend loaning assistance for undertaking income generation activities as well as pursuing education. The HFDC has been successful in striving towards its endeavour.

AFC was privileged to undertake an Impact Assessment Study for National Handicapped Finance Development Corporation (NHFDC), to know the benefits derived by the target group from their Micro Credit Scheme implemented through partner NGOs. The study which covered a sizeable number of beneficiaries spread-over 15 States, has brought out several evidences demonstrating their success through NHFDC assistance. Positive impact has been observed in the case of incremental income derived by the beneficiaries of the scheme from the income generation activities undertaken by them as well as improvement in their quality of life. The study proved that if handicapped persons are provided with adequate assistance, guidance and support, they would certainly make a living themselves without being dependent on others.

Delhi International Airport (P) Ltd. (DIAL) : The "Survey of Houses and Encroachments in Two Habitations viz. East Mehram Nagar and West Mehram Nagar" located near IGI Airport was assigned by Delhi International Airport (P) Ltd. (DIAL) to the Corporation. The land under both the habitations belongs to Delhi Cantonment Board, Ministry of Defence, Government of India. In East Mehram Nagar, sixty families who had temporarily settled around the Taxi Stand opposite IGI Airport, were allotted one room dwelling units in 1965. Over the years, these families have expanded and multiplied. Besides, outside people coming from adjoining States have also settled illegally on the vacant area around this habitation. In West Mehram Nagar, there are around 350 to 400 households residing in their own/

ancestral houses. Majority of these houses are multi-storey buildings being used both for residential and commercial purposes.

The purpose of the survey was to ascertain (i) the number of households that have expanded from original 60 allottees who are residing at the same site/dwelling units in Mehram Nagar East; (ii) number of inhabitants residing in their owned/ancestral houses in Mehram Nagar West; (iii) number of squatter households in both the habitations and their population characteristics; (iv) their occupational, employment and income profiles; (v) duration of squatting; (vi) place of origin of the squatters; and (vi) their perception about ameliorative measures that can mitigate the shock of displacement.

Orissa

Watershed Development Mission (WDM) :

Government of Orissa, continued to avail the services of the Corporation relating to mid-term evaluation of Integrated Watershed Development Project. During the year under review, WDM assigned the evaluation of DPAP watersheds in Haryali -1 (IXth Batch) of Nuapada and Bargarh districts and Haryali(III) (XIth Batch) of Kalahandi District. The watershed development activities are being evaluated in terms of community participation, implementation progress and coordination. The study aims to evaluate the work of the implementing agency in implementing the watershed development programme, besides preparation of an action plan, suggesting mid-course corrections, wherever needed.

A study on Mid Term Evaluation of Integrated Watershed Development in Sonapur -II and Gajapati -II was also assigned to the Corporation by the Watershed Development Mission. The two studies have been completed and submitted.

Western Orissa Rural Livelihoods Project (WORLP)

funded by DFID through OWDM, Government of Orissa aims at improving and sustaining the productivity of natural resources of the region along with interventions targeted towards enhancing livelihoods of the poor communities. As a Project Implementing Agency (PIA), the Corporation continued implementing the Western Orissa Rural Livelihoods Project (WORLP) in Kalahandi and Bargarh districts implementing the project in Bhawanipatna block of Kalahandi district in 5000 ha of untreated land spread over in 26



villages. AFC at present is promoting 155 Self Help Groups (SHGs), 85 User Groups (UGs) and 33 Common Interest Group (CIGs) in 10 Watershed Associations led by President and Secretary. The project aims at community mobilization and capacity building of the primary stakeholders viz. farmers, SHGs, UGs, WC members. The project also seeks to ensure natural resources management through the intervention of vegetative and engineering soil and water conservation measures.

The Corporation ensures implementation of different activities as per the micro-plan prepared through PRA technique by mobilizing the community. Capacity building activities such as trainings, skill development, exposure visits, hands on demonstration, etc., have been carried out to strengthen the community. Soil and water conservation measures such as water harvesting structures, farm pond, chahala, field bunding, loose boulder check dam, masonry check dam, diversion weir, plantation, gully plug, etc have been undertaken in the project area. New crops along with advanced technology inputs have been provided to the watershed beneficiaries. A case in point is the introduction of sunflower and broccoli cultivation in the project villages. 43 resource poor children are getting education at Tangnabahali village of Bhawanipatna block under AFC's Rural School Concept. "Jalachhatra" – a programme to quench the thirst of people during summer is introduced in an around the project villages. Construction of bathroom, drain, soak pits, sitting pandal, etc have been undertaken in project villages under Entry Point Activities. Groups promoted by AFC are successfully carrying out livelihoods enhancement activities such as mushroom cultivation, poultry, contract farming, nurseries development, etc. with good income. Health camps for both human and livestock have been organized in and around the watershed area.

The Corporation, in collaboration with ITC Ltd., Kolkata, encouraged farmers to undertake organic chilly and coriander cultivation in Bhawanipatna and Sohela blocks of Kalahandi and Bargarh districts respectively. An area of 25 acres of land was selected for cultivation of organic chilly followed by coriander in three villages namely, Singjharan, Kuliamal and Kusumdhar of Bhawanipatna block and Pipalkhunti of Sohela block. While timely supplies of inputs to the farmers were ensured by the Corporation, the ITC provided technical know how. Organic chilly

seeds were brought from Kota, Rajasthan. Organic certification process also initiated during the year under review.

Evaluation study on Supplementary Nutrition and Anganwadi Scheme : At the instance of the Development Commissioner, Integrated Child Development Scheme, the Corporation had taken up an Evaluation study on Supplementary Nutrition and Anganwadi Scheme in all the districts of Orissa state. The object of the study was to improve the nutritional level of children and mothers among the beneficiaries covered in the area of operation, reducing the IMR, MMR and incidence of disease owing to lack of nutrition. The study also seeks to ascertain special efforts, if any made by the implementing agency to avoid failures and to promote success of the Programme, to identify the best practices and highlight such activities as replicable model for the project. On the basis of the findings, specific measures were recommended to improve the Programme..

Promotion of 50 SHGs spread over 9 villages of Bhawanipatna block in Kalahandi district assisted by NABARD has been completed by the Corporation during the year. Saving Bank Accounts for each SHGs have been opened in UGB Bank (main branch) at Bhawanipatna. Linkage of the groups with the banks are going on and undertaking different income generating activities.

Tamil Nadu

The Corporation has completed the pilot study assigned by the Indian Overseas Bank on Mapping Indebtedness of Farmers in Kancheepuram district, Tamil Nadu during the year under review. The study reviewed the credit-deposit gaps of specific areas, identified main constraints in mobilising credits and recommended measures for strengthening the institutional credit linkages and suggested measures for bringing the sizeable chunk of farming community which was taking recourse to borrowing loans from non-formal credit system into formal credit sector aiming at 100 per cent financial inclusion.

The National Cooperative Development Corporation (NCDC) : has entrusted the Corporation with the responsibility of preparing a Detailed Project Report (DPR) for implementation of ICDP in Vellore district, Tamil Nadu. The aim of the DPR is to ensure effective implementation of the

development programmes and realisation of optimum benefits therefrom in rural areas through Cooperatives. The assignment involves (i) assessment of the average performance of the societies under each type based on the data relating to the societies selected for intensive study; (ii) estimation of the volume of business required for a viable society based on the different business activities undertaken by the societies.

Uttar Pradesh

Preparation of the District Plans : The Corporation has been nominated as one of the Technical Support Institution (TSI) by the Ministry of Panchayati Raj, Government of India with a view to assisting the districts in the preparation of the District Plans and facilitating the participatory process. Accordingly, the State Panchayati Raj Department Government of Uttar Pradesh has assigned the task to the Corporation for facilitating the preparation of Perspective Plan for the XI Five Year plan Period and Annual Action Plan for 2008-09 in 14 districts (*Lakhimpur Kheri, Farrukhabad, Badaun, Etah, Jalaun, Fatehpur, Kaushambi, Jaunpur, Barabanki, Gonda, Basti, Sant Kabirnagar, Sidharthnagar and Mehrajganj*).

Preparation of Annual Action Plan for the year 2007-08 : In addition, a separate task for facilitating the preparation of Annual Action Plan for the year 2007-08 in all these 14 districts has also been assigned to the Corporation by the State Panchayati Raj Department, Government of Uttar Pradesh. An agreement to this effect is to be signed. The execution of work by signing an agreement is under progress. Keeping in view the priority of the State Panchayati Raj Department and the budgetary allocation to each tier of PRI (Gram Panchayat, Kshetra Panchayat, Zila Panchayat and Urban Local Bodies), the emphasis has been given to propose the construction of Panchayat secretariats at Gram Panchayat level and Resource Centers at Kshetra Panchayat level. The proposals for construction of CC roads, interlocking nali, construction of drainage nala, culverts, street lights etc. were considered to include in the Plan for Zilla Panchayats and ULBs.

Uttar Pradesh Bhumi Sudhar Nigam : At the instance of Uttar Pradesh Bhumi Sudhar Nigam, as an external monitoring and evaluation agency, the

Corporation continued conducting of periodic progress implementation monitoring, undertaking agriculture and socio economic impact assessment of the households through survey as well as PRA approach during different crop seasons of various reclamation years in 7 project extended districts viz Allahabad, Azamgarh, Bulandshahr Jaunpur, Kanpur Dehat, Kanpur Nagar and Unnao of Uttar Pradesh. The main objectives of the assigned tasks were; i) the assessment of timeliness, adequacy and quality of the inputs being delivered by the implementing agency against each of the activity proposed under the project and effectiveness of the role of implementing agency/partner. ii) The assessment at the micro level changes such as cropping intensity, increase in productivity, changes in socio - economic status and quality of life, change in the market value of reclaimed land etc. after the project intervention and delivery of various inputs to the target groups.

Social Audit in Selected Blocks of Unnao District

The Department of Rural Development, Government of Uttar Pradesh entrusted the Corporation, the task of social audit in selected blocks of Unnao district. The broad objective for carrying out the social audit was to ensure the active participation of the local people, maintaining the quality of work and the total transparency in the implementation of National Rural Employment Guarantee Scheme (NREGS). As per directives issued by the Department of Rural Development, GOUP, the following 11 steps have been considered for carrying out the social audit:- i) Registration of households ii) Distribution of job cards iii) Receipt/status of application for work demand iv) Preparation of project report/ perspective and annual plan v) Technical estimation, approval of work order and its clearance vi) Allotment of work vii) Execution of work, its supervision and quality viii) Payment of wages ix) Payment of unemployment allowance x) Evaluation of works and xi) Compulsory social audit (social audit forum).

The Corporation has completed preparation of five years perspective plans under NREGS for 3 districts (*Banda, Kaushambi and Jaunpur*) of Uttar Pradesh. The District Perspective Plans consists of Annual Plans having a shelf of projects with employment generation potential. The important components of the perspective plans were; i) Assessment of labour



demand ii) Identification of works to meet the estimated labour demand and iii) Estimated cost of works and wages. The perspective plan of each assigned district has been prepared through actual survey of each village to facilitate the Gram Sabha and Gram Panchayat to assess local needs. The interventions have been decided based on the needs under NREGS.

Uttarakhand

Impact Assessment Study on Primary Handloom Weavers Cooperative Societies : The Joint Director, Industries & CEO, UHHDC, Government of Uttarakhand, assigned the Corporation an Impact Assessment Study on Primary Handloom Weavers Cooperative Societies in six selected (five beneficiary and one Non-beneficiary) districts of Uttarakhand to assess the problems and future prospects of Handloom sector. The study aims to assess the overall impact of centrally sponsored scheme of Development Commissioner (Handlooms), such as Deen Dayal Hathkargha Protsahan Yojana, Workshed-Cum-Housing Scheme, Mahatma Gandhi Bunkar Bima Yojana and Health Insurance Scheme, in terms of strengthening Primary Handloom Weavers Cooperative Societies through gamut of activities such as product development, infrastructure support, institutional support, training to weavers, supply of

equipments, marketing support, insurance and health cover resulting into change in socio-economic conditions of members of societies and to strengthen these societies and handloom sector as whole. Weaver Clusters of Pithoragarh, Dehradun, Haridwar and Uttarkashi were also covered in the study.

Monitoring And Impact Evaluation of ATMA :

The Directorate of Agriculture, Uttarakhand, awarded the Corporation Third party Monitoring and Impact evaluation of ATMA for the year 2005-06 and 2006-07. ATMA is an autonomous institution at district level, created under ITD component of NATP, with participation of all the key stakeholders viz. Departments of Agriculture, Horticulture, Animal Husbandry, Fisheries, Sericulture, Marketing, etc., involved in agricultural activities for sustainable agricultural development. As per ATMA guidelines, for each of the stakeholders data was collected in 13 pre-tested questionnaires through interaction, group discussion among the farmers of each categories and sectors, who were benefited in this project in the selected villages of twelve selected blocks in five selected districts. Apart from this, block officials and district officials of all line departments were been contacted. The draft report has been submitted to Directorate of Agriculture, Uttarakhand.

AUDITORS' REPORT

FORTIETH ANNUAL REPORT 2007-2008

To the Members of **Agricultural Finance Corporation Limited.**

We have audited the attached Balance Sheet of Agricultural Finance Corporation Limited as on 31st March 2008, and the Profit and Loss account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. 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 of material misstatements. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in 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.
2. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act 1956' of India (The 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
 - (iii) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
 - (iv) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representations

received from the Directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of Companies Act, 1956.

- (vi) As stated in Schedule-19, 'Significant Accounting Policies - Retirement Benefits', the company is having a group gratuity scheme with the Life Insurance Corporation of India. As per the provisions of Accounting Standard - 15 "Employee Benefits", the company is required to actuarially determine and provide for the accrued liability of defined benefit obligation in respect of gratuity. Accordingly, such accrued liability determined by the Life Insurance Corporation of India as on 31st March 2008 was Rs. 1,71,81,330/- including the current service cost of Rs. 2,52,083/-. No such provision is made by the company and accordingly the Reserves and Surplus are overstated by Rs. 1,69,29,247/- profit for the year is overstated by Rs. 2,52,083/- and the current liabilities and provisions are understated by Rs. 1,71,81,330/- As stated in Note no. 4, the company is accounting for its service tax liability on Cash basis instead of accrual basis. The consequential impact of the same on the profit for the year and reserves cannot be ascertained.

Subject to the foregoing, in our opinion, and to the best of our information and according to the explanation given to us, the said accounts read together with the significant accounting policies and other notes thereon give in the prescribed manner the information required by the Act and also give, a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of Balance Sheet of the State of Affairs of the Company as at 31st March 2008 and,
- (b) In case of Profit and Loss Account of the profit of the Company for the year ended on that date.

For **M.A. Shah & Co.**
Chartered Accountants

Mayur Makadia
Partner
M. No. 107769

Mumbai, 30th September 2008.

ANNEXURE TO AUDITORS' REPORT



ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF AGRICULTURAL FINANCE CORPORATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available.
- (b) As explained to us, all the 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 company has not disposed of substantial part of fixed assets during the year.
- (ii) Considering the nature of the Company's business i.e. consultancy clause (ii) (a), (ii) (b), and (ii) (c) of Para 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 of India (the Act) and accordingly sub clause (iii f), (iii g) are not applicable to the company.
- (b) The Company has not taken any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, of India (the Act) and accordingly sub clause (iii f), (iii g), are not applicable to the company.
- (iv) In our opinion and according to the information and explanation provided to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of equipments and other assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (v) There were no transactions that need to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted deposits from the public under the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 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.
- (vii) The Company has adequate Internal Audit system commensurate with the size and nature of its business. However, in our opinion the same needs to be improved in terms of the scope of coverage and the frequency of the internal Audit.
- (viii) The Central Government of India has not prescribed the maintenance of cost records U/s209 (1)(d) of the Companies Act 1956.
- (ix) (a) According to the information and explanations 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 March 31, 2008 for a period of more than six months.
- (b) According to the information and explanation there are no disputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess as applicable, as at March 31, 2008 which are yet to be deposited.
- (x) The Company does not have any accumulated losses as on 31-3-08 and has not incurred any cash loss during the year covered by our audit and in the immediately preceeding financial year.
- (xi) The Company has not defaulted in the repayment of dues to financial institutions or banks.
- (xii) In our opinion and according to the information and explanation given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of

clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions the terms and conditions whereof are prejudicial to the interest of the Company.

(xvi) The Company has not taken any term loans during the current year and as such this clause is not applicable.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and other records of the company, we are of the opinion that, funds raised on short term basis have not, prima facie, been used to finance long term assets and vice versa.

(xviii) According to the information and explanations given to us, 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.

(xix) The Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) In our opinion 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 that causes the financial statements to be materially misstated.

For **M.A. Shah & Co.**
Chartered Accountants

Mayur Makadia
Partner
M. No. 107769

Mumbai, 30th September 2008.

Balance Sheet as at 31st March, 2008



Particulars	Schedule Number	As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	150,000,000	150,000,000
Reserves & Surplus - Profit & Loss Account		32,774,611	31,869,718
Loan Fund			
Secured Loans	2	15,478,887	16,467,121
Total		198,253,498	198,336,839
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	25,874,851	27,514,564
Less: Depreciation / Amortisation		21,964,211	22,778,628
Net Block		3,910,640	4,735,936
Investments	4	92,187,689	108,857,889
Deferred Tax Assets (Net)	5	5,201,000	5,705,104
Current Assets and Loans & Advances			
a) Current Assets			
Interest Accrued on Investments	6	4,194,681	4,617,706
Jobs in Progress		114,003,000	84,002,270
Sundry Debtors	7	40,058,576	38,451,354
Cash and Bank Balances	8	41,572,936	36,271,886
b) Loans & Advances			
	9	13,883,758	11,591,605
		213,712,951	174,934,822
Less : Current Liabilities and Provisions	10	116,768,782	95,911,912
Net Current Assets		96,944,169	79,022,910
Miscellaneous Expenditure (to the extent not written off or adjusted)	11	10,000	15,000
Total		198,253,498	198,336,839

As per our report of even date attached

For and on behalf of the Board of Directors

For M A SHAH & Co
Chartered Accountants

Dr. Jayant Patil
Director

A K Garg
Managing Director

Mayur R Makadia
Partner
Membership No107769
Place : Mumbai
Date :30 September, 2008

Dr. S N Upadhyaya
Executive Director

P M Kshirsagar
General Manager (F&A)

Profit and Loss Account for the year ended 31st March 2008

FORTIETH ANNUAL REPORT 2007-2008

Particulars	Schedule Number	Year Ended 31-03-2008 Rupees	Year Ended 31-03-2007 Rupees
INCOME			
Consultancy Income	12	82,467,798	90,117,822
Interest On Investments	13	8,783,126	10,226,089
Other Income	14	4,126,448	4,497,004
Total		95,377,372	104,840,915
EXPENDITURE			
Project & Administration Expenses	15	48,017,698	52,701,396
Staff Cost	16	41,082,000	47,538,650
Interest and Finance Charges	17	1,017,297	1,015,177
Total		90,116,995	101,255,223
Profit Before Depreciation and Tax (PBDT)		5,260,377	3,585,692
Depreciation	3	1,220,616	1,266,264
Profit (Loss) Before Tax (PBT)		4,039,761	2,319,428
Provision For Taxation			
Current Tax (including Wealth Tax)			
For current year		1,759,104	270,396
For earlier years		-	-
Current year (Fringe Benefit tax)		440,000	736,640
Deferred Tax			-
Profit (Loss) after Tax (PAT)		1,840,657	1,312,392
Less: Prior Period Adjustment		935,764	-
Net profit / (Loss) for the year		904,893	1,312,392
Balance Brought Forward		31,869,718	30,557,326
Balance Carried to Balance Sheet		32,774,611	31,869,718
Earning Per Share (EPS) : Basic (Par Value Rs. 10000/-)		123	87
Weighted Average Number of Shares		15,000	15,000
Notes to Accounts	18		
Significant Accounting Policies	19		

As per our report of even date attached

For and on behalf of the Board of Directors

Dr. Jayant Patil
Chartered Accountants

A K Garg
Director

Managing Director

Mayur R Makadia
Partner
Membership No107769
Place : Mumbai
Date :30 September, 2008

Dr. S N Upadhyaya
Executive Director

P M Kshirsagar
General Manager (F&A)

Schedules to Accounts



Particulars	As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SCHEDULE 1 : SHARE CAPITAL		
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	<u>150,000,000</u>	<u>150,000,000</u>
SCHEDULE 2 : SECURED LOANS		
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")	15,478,887	16,439,026
From Citi Bank (Secured against hypothecation of Vehicles)	-	28,095
Total	<u>15,478,887</u>	<u>16,467,121</u>

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

SCHEDULE 3 : FIXED ASSETS

Fixed Assets	GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION			NET BLOCK		
	As at 01.04.2007	Additions during the year	Deductions during the year	As at 31.03.2008	Upto 31.03.2007	For the Year	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
INTANGIBLE Software	1,217,331	-	-	1,217,331	1,087,145	52,075	1,139,220	78,111	130,186
TANGIBLE Building	246,597	-	-	246,597	186,506	2,980	189,486	57,111	60,091
Furniture & Fixtures	7,542,053	206,347	24,106	7,724,294	6,789,458	22,366	6,942,407	781,888	752,596
Office Equipment	5,687,974	106,989	160,091	5,634,872	4,359,383	105,940	4,447,688	1,187,184	1,328,591
Air Conditioners	908,206	44,500	53,750	898,956	668,222	50,034	652,526	246,430	239,984
Vehicles	2,042,703	-	1,004,407	1,038,296	913,295	789,544	383,015	655,280	1,129,407
Computers	9,869,700	332,285	1,087,480	9,114,505	8,774,619	1,067,149	8,209,869	904,636	1,095,081
Total	27,514,564	690,121	2,329,834	25,874,851	22,778,628	2,035,033	21,964,211	3,910,640	4,735,936
(Previous Year)	27,740,799	1,903,958	2,130,193	27,514,564	23,454,798	1,942,434	22,778,628	4,735,936	

Notes

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

Schedules to Accounts (Contd.)



Particulars			As At 31-03-2008 Rupees		As At 31-03-2007 Rupees
SCHEDULE 4 : INVESTMENTS					
UNQUOTED - NON TRADE					
PARTICULARS	NOS.	FACE VALUE FOR EACH SECURITIES			
In Bonds					
13.5% MSRDC (2015) Bonds (SeriesIII)	20 (20)	100000 (100000)	2,024,000	b/	2,024,000
13.5% MSRDC (2015) Bonds (Series V)	40 (40)	100000 (100000)	4,048,000	b/	4,048,000
11.95% Canara Bank Bonds (2007)(Series II)	20 (20)	500000 (500000)	-	b/	10,325,000
11.75% Dena Bank Bonds (2008)(SeriesV)	300 (300)	100000 (100000)	31,320,000	b/	31,320,000
10.25% IDBI Omni 2002/A (2012) Bonds IV	18 (18)	100000 (100000)	1,797,300		1,797,300
10.65% APPFCL (2013) Bonds	50 (50)	100000 (100000)	5,240,000		5,240,000
7.5% IDBI Omni (2013) Bonds	25 (25)	100000 (100000)	2,478,839		2,478,839
12% GEB (2007/8/9) Bonds	4 (4)	1000000 (1000000)	3,138,800		4,484,000
7.25% IDBI Bonds 2015	2	1000000	1,982,000		1,982,000
7.10% Bank of India 2014	10	1000000	9,795,000	b/	9,795,000
7.40% Syndicate Bank 2015	5	1000000	5,000,000		5,000,000
7.40% Syndicate Bank 2015	4	1000000	3,974,000		3,974,000
7.45% Bank of Baroda 2015	11	1100000	10,989,000		10,989,000
7.50% Bank of India 2015	10	1000000	9,994,000		9,994,000

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

Particulars			As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SCHEDULE 4 : INVESTMENTS				
UNQUOTED - NON TRADE				
PARTICULARS	NOS.	FACE VALUE FOR EACH SECURITIES		
In Bonds				
In Shares - Unquoted				
Equity Shares in Global				
Procurement Consultants Ltd	30000	10/-	300,000	300,000
	(30000)	(10)		
In Shares - Quoted				
Equity shares of Gujarat State Petronet Ltd				
(Market value of quoted				
investment Rs.9163/-)	250	10/-	6,750	6,750
In Mutual Fund				
UTI Contra Fund				
(Fair value - not available)	9779.952	10/-	-	100,000
Reliance Mutual Fund	500000	10/-	-	5,000,000
Corpus with AFC Foundation			100,000	-
Total			92,187,689	108,857,889

I) FV indicates face value

II) b/ indicate pledged with bank for facilities granted to the Company, Cost aggregating to Rs.40,805,889/
(previous year Rs.44,005,000/-)

Schedules to Accounts (Contd.)



Particulars	As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SCHEDULE 5 : DEFERRED TAX ASSETS (Net)		
Deferred Tax Assets	5,705,104	5,723,088
Add: addition/ (Deletion) for the year	(504,104)	17,984
Net Deferred Tax Assets	5,201,000	5,705,104
Total	5,201,000	5,705,104

SCHEDULE 6 : INTEREST ACCRUED ON INVESTMENTS

13.5% MKVDC (2005/6) Bonds		-
7.10% Bank of India (2014) Bonds	710,000	710,000
15% MJP (2005) Bonds		
13.25% WBIDC (2007) Bonds		
7.40% Syndicate Bank	287,890	384,395
7.40% Syndicate Bank	230,312	133,808
13.5% MSRDC (2015) Bonds (Series III)	405,370	247,068
13.5% MSRDC (2015) Bonds (Series V)	247,068	405,370
11.95% Canara Bank Bonds (2007)(Series II)		353,589
14% IDBI (2005) Bonds		
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	124,829	124,829
10.65% APPFCL (2013) Bonds	310,601	310,601
14% SAIL (2005) Bonds		
12% GEB (2007/8/9) Bonds	162,016	231,452
7.45% Bank of Baroda	819,500	819,500
Pre Allotment interest	-	-
Total	4,194,681	4,617,706

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

Particulars	As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SCHEDULE 7: SUNDRY DEBTORS		
Over Six Months (Unsecured, considered good unless otherwise Stated)		
Considered Good	30,807,262	14,422,234
Considered Doubtful	5,132,665	5,132,665
	35,939,927	19,554,899
Less: Provision for Doubtful Debts	5,132,665	5,132,665
	30,807,262	14,422,234
Others		
Considered Good	9,251,314	24,029,120
	40,058,576	38,451,354
Total		

SCHEDULE 8 : CASH & BANK BALANCES

Cash on Hand	65,493	-
Postage Imprest	-	-
Remittance in transit / Cheques in Hand	-	913,006
Balances with Scheduled Banks		
In Current Account	9,113,038	7,753,599
Fixed / Margin Deposits with Banks*	32,000,000	27,175,000
Interest Accrued on Fixed Deposits	394,405	430,282
Dividend Receivable	-	-
	41,572,936	36,271,886
Total		

Schedules to Accounts (Contd.)



Particulars	As At 31-03-2008 Rupees	As At 31-03-2007 Rupees
SCHEDULE 9 : LOANS & ADVANCES		
Loans to Employees	1,499,136	2,303,742
Advances (Recoverable in cash or in kind or for value to be received)		
Tax Advances	6,920,015	4,174,871
Other Advances	2,097,105	2,722,143
Sundry Deposits	3,367,502	2,390,849
Total	<u>13,883,758</u>	<u>11,591,605</u>

SCHEDULE 10 : CURRENT LIABILITIES & PROVISIONS

Current Liabilities		
Sundry Creditors		
For Expenses and Others	5,158,388	5,188,082
Advances from Customers	96,999,644	78,770,949
	<u>102,158,032</u>	<u>83,959,031</u>
Provisions		
For Taxation (including Wealth Tax)	3,052,036	1,007,036
For Leave Encashment	11,558,714	10,945,844
	<u>14,610,750</u>	<u>11,952,880</u>
Total	<u>116,768,782</u>	<u>95,911,912</u>

SCHEDULE 11 : MISCELLANEOUS EXPENDITURE

Capital Issue Expenses	15,000	20,000
Total	<u>15,000</u>	<u>20,000</u>

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

Particulars	Year Ended 31-03-2008 Rupees	Year Ended 31-03-2007 Rupees
SCHEDULE 12 : CONSULTANCY INCOME		
Value of Closing Jobs In Progress	114,003,000	84,002,270
Value of Assignments completed during the Year	51,351,385	134,296,020
Value of Opening Jobs In Progress	(84,002,270)	(129,164,840)
Consultancy Income from Domestic Assignments	81,352,115	89,133,450
Consultancy Income from International Assignments	1,115,683	984,372
Total	82,467,798	90,117,822

SCHEDULE 13 : INTEREST ON INVESTMENTS

Reliance Fixed Horizon Fund Plan A Series V	3,770	
Reliance Fixed Horizon Fund Plan A Series V	-	3,770
13.5% MKVDC 2005/6) Bonds	-	219,144
13.5% MSRDC (2015) Bonds (SeriesIII)	270,000	428,301
13.5% MSRDC (2015) Bonds (Series V)	540,000	381,699
11.75% Dena Bank (2008) Bonds	3,525,000	3,525,000
11.95% Canara Bank (2007) Bonds (series II)	42,562	1,195,000
10.25% IDBI OMNI 2002/A (2012) Bonds IV	184,500	184,500
10.65% APPFCL (2013) Bonds	532,500	532,500
7.5% IDBI OMNI (2013) Bonds	187,500	187,500
12% Gujarat State Electricity Board (2007/8/9) Bonds	410,564	480,000
7.10% Bank of India (2014) Bonds	710,000	710,000
7.45% B O B (2015) Bonds	819,500	750,000
7.50%Bank of India (2015) Bonds	750,000	819,500
7.40%Syndicate Bank (2015) Bonds	370,000	433,863
7.40%Syndicate Bank (2015) Bonds	296,000	230,312
7.25% IDBI (2015) Bonds	145,000	145,000
Total	8,783,126	10,226,089

Schedules to Accounts (Contd.)



Particulars	Year Ended 31-03-2008 Rupees	Year Ended 31-03-2007 Rupees
SCHEDULE 14 : OTHER INCOME		
Dividend	170,225	286,063
Interest Received :		
On Loan To Employees	58,038	49,934
On Income Tax Refund	-	23,696
On Fixed / Margin Deposit	2,680,452	1,695,352
Bank Interest	67,965	
Receipt from Gratuity Fund	-	395,000
Profit On Sale Of Fixed Assets	80,817	229,967
Recovery Of Expenses	85,032	241,441
Miscellaneous Income	99,697	142,910
Excess provision written back	439,464	560,943
Journal Subsription Recovery	423,682	576,032
Deferred Tax Income	-	189,273
Profit on redemption of bonds	21,076	84,000
Foreign Exchange Difference		22,393
Total	<u>4,126,448</u>	<u>4,497,004</u>

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

Particulars	Year Ended 31-03-2008 Rupees	Year Ended 31-03-2007 Rupees
SCHEDULE 15 : PROJECT AND OTHER ADMINISTRATIVE EXPENSES		
Consultancy Charges	7,396,033	10,501,415
Survey Expenses	10,762,330	10,195,088
Workshop Expenses	4,476,484	4,143,692
Journal Expenses (Net)	345,148	361,558
Travelling and Conveyance Expenses {Include for Directors Rs 395612/- (Previous year Rs.4,33,233/-)}	7,002,085	7,723,465
Printing and stationery	3,035,879	3,898,478
Vehicle Hire Charges	1,782,124	2,911,180
Rent	2,725,368	3,043,697
Rates and Taxes	7,300	15,160
Repairs to Others	959,678	683,412
Insurance	38,713	61,868
Communication Expenses	1,265,172	1,447,217
Electricity Charges	873,064	1,164,116
Computer Expenses	375,434	338,444
Membership and Subscription	0	160,303
Directors' Sitting Fees	9,500	2,000
Legal and Professional Charges	233,610	340,734
Audit Fees		
Statutory Audit Fees	38,000	43,312
Tax Audit Fees	17,000	17,000
Out of pocket expenses	0	0
Advertisement	121,030	147,435
Business Promotion Expenses	190,915	185,915
Security Charges	0	234,844
Miscellaneous Expenses	1,563,147	2,134,522
Provision for Doubtful Debts	0	341,200
Capital Issue Expenses written off	5,000	5,000
Loss on sale of fixed assets	50,845	65,406
Loss on Redemption of Bond (Net)	470,200	0
Designing Charges	21,150	47,210
Investigator's Expenses	494,356	546,799
Expenses of earlier year	26,746	105,602
EDP Charges	263,811	1,835,323
Service Tax	133,430	0
Inspection Charges	51,608	0
Training	311,885	0
Field Expenses	264,386	0
EPA Expenses	142,970	0
Project Equipment (RC-NAEB)	188,998	0
Total	48,017,698	52,701,396

Schedules to Accounts (Contd.)



Particulars	Year Ended 31-03-2007 Rupees	Year Ended 31-03-2006 Rupees
SCHEDULE 16 : STAFF COST		
Salaries & Allowances and Bonus	35,402,067	38,101,847
Contribution to PF & Other Schemes	3,597,985	6,109,855
Staff Welfare Expenses	2,081,948	2,343,203
Training Expenses	-	983,745
Total	<u>41,082,000</u>	<u>47,538,650</u>
SCHEDULE 17 : INTEREST AND FINANCE CHARGES		
Interest On Overdraft	756,881	716,365
Interest on Fixed Loan	-	14,936
Bank Charges	249,490	283,876
Demat & Incidental Expenses	10,926	-
Total	<u>1,017,297</u>	<u>1,015,177</u>

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

SCHEDULE 18: NOTES TO ACCOUNTS FOR THE YEAR ENDED 31.3.2008

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 on behalf of the Corporation outstanding as on 31.3.2008 aggregate Rs. 61.51 Lakh. (Rs. 39.39 Lakh)
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
Service & Consultancy Charges include an amount of Rs.122,00,000/- (Rs. 7289954/-) 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. Reference to Section 383A of Companies Act.
During the year Company did not have the company secretary as required by Section 383A of the Company Act , 1956.
7. 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 <u>a/</u>	634614	563845
Compensation for Overseas Assignment	0.0	0.0
Contribution to PF	75724	67190
Gratuity	0.0	23897
Leave Encashment	0.0	0.0
Medical Expenses	9880	34419
Perquisites as per Income Tax Rules	22767	22893
Total	742985	712244

Schedules to Accounts (Contd.)



8. Taxation

(a) The Component of Deferred Tax balances as on 31st March, 2008 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

Particulars	As on 31 st March 2008	As on 31 st March 2007
Doubtful Debts	1585993	1727655
Brought forward losses	0.0	311062
Expenses allowable on payment basis	3571643	3684371
Depreciation	43364	17984
Total	5201000	5723088

Particulars	As on 31 st March 2008	As on 31 st March 2007
Net Deferred Tax Assets	5201000	5705104

9. 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.

10. Leases

The Company has taken on leases office, residential facilities under operating lease agreements that are renewable on a periodic basis at the option of both the Lessor and the Lessee.

The minimum rental payments required under operating lease that have initially or remaining non-cancelable lease term in excess of one year as at 31st March 2007 as per contracts are as follows:

Particulars	As on 31 st March 2008	As on 31 st March 2007
Not later than one year	2,49,718	2551618
Later than one year but not later than five years	7,414,945	9021423
Later than five year	2,741,300	4029837

For the period aggregate rental expenses of all leases is approximately Rs. 27,25,368
(Previous Year Rs. 3043697/-)

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

11. Income Earned in Foreign Currency including recoverable expenditure:

Particulars	As on 31 st March 2008	As on 31 st March 2007
Consultancy Fees	1071143	9,84,372
Recovery of Expenses	-	-
Total	1071143	9,84,372

12. Expenditure Incurred in Foreign Currency including recoverable expenditure:

Particulars	As on 31 st March 2008	As on 31 st March 2007
Traveling	295663	1,09,335
Total	295663	1,09,335

As per our report of even date attached

For M A SHAH & Co
Chartered Accountants

For and on behalf of the Board of Directors

MAYUR R MAKADIA
Partner

Dr. Jayant Patil
Chairman

A K Garg
Managing Director

Dr. S.N. Upadhyaya
Executive Director

P M Kshirsagar
General Manager(F&A)

Membership no.:107769
Place : Mumbai
Date : 30 September, 2008

Schedules to Accounts (Contd.)



SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES

System of Accounting:

1. 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.
2. 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.

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 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.

Retirement Benefits:

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.
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 lessor are classified as operating leases. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

Schedules to Accounts (Contd.)

FORTIETH ANNUAL REPORT 2007-2008

Miscellaneous Expenditure:

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

As per our report of even date attached

For M A SHAH & Co

Chartered Accountants

For and on behalf of the Board of Directors

MAYUR R MAKADIA

Partner

Dr. Jayant Patil

Chairman

A K Garg

Managing Director

Dr. S.N. Upadhyaya

Executive Director

P M Kshirsagar

General Manager(F&A)

Membership no.:107769

Place : Mumbai

Date : 30 September, 2008

Balance Sheet Abstract and the 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 <input type="text" value="-"/>	Rights Issue <input type="text" value="-"/>
Bonus Issue <input type="text" value="-"/>	Private Placement <input type="text" value="-"/>

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

Total Liabilities <input type="text" value="198253"/>	Total Assets <input type="text" value="198253"/>	
Sources of Funds	Reserves & Surplus	
Paid - up Capital <input type="text" value="150000"/>	<input type="text" value="32775"/>	
Secured Loans <input type="text" value="15478"/>	Unsecured Loans <input type="text" value="-"/>	
Application of Funds	Investments	
Net Fixed Assets <input type="text" value="3911"/>	<input type="text" value="92188"/>	
Net Current Assets <input type="text" value="96944"/>	Misc. Expenditure <input type="text" value="10"/>	Accumulated Losses <input type="text" value="-"/>

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSAND)

Turnover/Total Income <input type="text" value="95377"/>	Total Expenditure <input type="text" value="90117"/>
<input type="text" value="+ / -"/> Profit/Loss Before Tax	<input type="text" value="+ / -"/> Profit/Loss after Tax
+ 4040	+ 1841
(Please tick a Appropriate box + for Profit - for Loss)	
Earning per share in Rs. <input type="text" value="123"/>	Dividend <input type="text" value="NIL"/>

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

Item Code No. (ITC Code)	<input type="text" value="-"/>
Product Description	<input type="text" value="Consultancy Service Organization"/>
Item Code No. (ITC Code)	<input type="text" value="-"/>
Product Description	<input type="text" value="-"/>
Item Code No. (ITC Code)	<input type="text" value="-"/>
Product Description	<input type="text" value="-"/>

REGIONAL / BRANCH OFFICES

FORTIETH ANNUAL REPORT 2007-2008

NORTHERN REGIONAL OFFICE,
NEW DELHI

DR RAKESH MALHOTRA
Deputy General Manager & Incharge
B-1/9, Community Centre, Janakpuri,
New Delhi – 110 058

Ph: 91-11-25595088
Res: 011-28541557
Fax: 91-11-25597437
e-mail: afcdel@nde.vsnl.net.in
agrifinance@eth.net

EASTERN REGIONAL OFFICE
KOLKATA

SHRI S N MISRA
Assistant General Manager & Incharge
4, Gangadhar Babu Lane,
2nd Floor,
Kolkata – 700 012

Ph: 91-33-22368020
Cell: 09830109235
Fax: 91-33-22251853
e-mail: afccalab@cal2.vsnl.net.in

WESTERN REGIONAL OFFICE
MUMBAI

SHRI S J THOTE
Assistant General Manager & Incharge
Dhanraj Mahal, First Floor,
Chhatrapati Shivaji Maharaj Marg
Mumbai – 400 001.

Ph: 91-22-22028924
Res: 022-21639935
Fax: 91-22-22028966
e-mail: afcl@vsnl.com

SOUTHERN REGIONAL OFFICE
BANGALORE

SHRI M MANJUNATHA
Deputy General Manager & Incharge
2/4, Aragini Bhavan, 4th Floor, Dr Rajkumar Road,
Rajaji Nagar,
Bangalore-560 010

Ph: 91-80-23125187
Res: 080-23221311
Fax: 91-80-23125189
e-mail: afcblr@dataone.in

HYDERABAD BRANCH

SHRI M DHARMA REDDY
Assistant General Manager & Incharge
Flat No.302, 2nd Floor, B Block,
Subhan Sirisampada Apartments,
Raj Bhavan Road, Somajiguda,
Hyderabad – 500 082.

Ph: 91-40-23392411
Res: 040-24072251
Fax: 91-40-23318004
e-mail: hyd1_afchyd@sancharnet.in

GUWAHATI BRANCH

SHRI B R SYIEMLIH
Manager & Incharge
R G Barua Road, 5th Bye Lane,
Guwahati – 781 003.

Ph: 91-361-2454057
Res: 0361-2591426
Fax: 91-361-2450233
e-mail: afcghy1@sancharnet.in

BHUBANESHWAR BRANCH

DR ALEX THOMAS
Manager & Incharge
25, Suryanagar, Unit – 7
Bhubaneshwar - 751 003

Ph: 0674-2392764
e-mail: alexafc@sify.com



DEHRADUN BRANCH
DR N P BADUNI
Branch Head
House No.20, Lane No.12
Ashirwad Enclave,
Dehradun – 248 006

Ph: 91-135-2760317
Fax: 91-135-2760324

e-mail: afcdun@vsnl.net

LUCKNOW BRANCH
SHRI J P LALL
Assistant General Manager & Incharge
21, Vidhan Sabha Marg,
Lucknow – 226 001

Ph: 91-522-2237474
Res: 0522-2422648

Fax: 91-522-2237469

e-mail: afcllko@satyam.net.in

AFC FOUNDATION

(Public Charitable Trust Registration No.625 dated 23rd January 2007)

Regd. Address:
B-1/9, Community Centre,
Janakpuri,
New Delhi – 110 058

Ph: 91-11-25595088

Fax: 91-11-25597437

e-mail: afcdel@nde.vsnl.net.in

e-mail: agrifinance@eth.net

SHRI A K GARG
Managing Trustee

(O) – 022-22029517

(R) – 022-22185106

(M) - 9821317747

DR S N UPADHYAYA
Trustee

(O) – 022-64510570

(R) – 9967059106

(M) - 9967029106

SHRI P M KSHIRSAGAR
Trustee

(O) – 022-22028924

(R) – 022-21634338

(M) – 9892263969

DR RAKESH MALHOTRA
Chief Executive Officer

(O) - 011-25595088

(R) – 011-28541557

(M) – 9971645777

Focus:

Welfare and development of humanity-particularly those belonging to the deprived and marginalized sections of the Society.

Objectives :

- Poverty alleviation and Livelihood Promotion
- Environmental Upgradation & Natural Resources Management
- Educational, Capacity Building & Training
- Relief and Rehabilitation
- Public Health and Medical Support
- Research & Development
- Millenium Development Goals



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

Confidential
No. GA/A/cs/AFC/07-08/२३१
Date : 31/10/2008

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 2008.

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 2008. 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 & 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,

(A.W.K. Langstich)

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

Encl. – As above

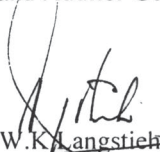


**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION LIMITED FOR
THE YEAR ENDED 31 MARCH 2008.**

The preparation of financial statements of Agricultural Finance Corporation Limited for the year ended 31 March 2008 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 30th September 2008.

I on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors' on the accounts of Agricultural Finance Corporation Limited for the year ended 31 March 2008 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


(A.W.K. Langstien)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai.
Date : 31 October 2008

Company Information

FORTIETH ANNUAL REPORT 2007-2008

Authorised Capital	:	Rs.100,00,00,000
Issued, Subscribed & Paid-up Capital	:	Rs. 15,00,00,000

DIRECTORS

Shri Y C Nanda	Chairman, Agricultural Finance Corporation Ltd. (Ex-Chairman, NABARD)
Dr Jayant Patil	Former Member, Planning Commission, Government of India
Shri Umesh Chandra Sarangi, IAS	Chairman, National Bank for Agriculture & Rural Development (21-10-08)*
Shri T C Venkat Subramanian	Chairman & Managing Director, EXIM Bank
Dr A K Khandelwal	Chairman & Managing Director, Bank of Baroda
Shri M Balachandran	Chairman & Managing Director, Bank of India (30-04-2007)*
Ms H A Daruwalla	Chairperson & Managing Director, Central Bank of India
Shri M V Nair	Chairman & Managing Director, Union Bank of India
Shri V Sridar	Chairman & Managing Director, UCO Bank (31-07-2007)*
Shri S C Gupta	Chairman & Managing Director, Punjab National Bank (31-05-2007)*
Shri M B N Rao	Chairman & Managing Director, Canara Bank
Shri P L Gairola	Chairman & Managing Director, Dena Bank
Ms P Bolina	Director, Ministry of Finance, Government of India (28-10-2007)*
Shri Satish Chander	Joint Secretary, Ministry of Agriculture, Government of India (28-10-2007)*
Dr V V Sadamate	Adviser (Agriculture) Planning Commission, Government of India
Shri A K Garg	Managing Director, Agricultural Finance Corporation Ltd.

+ Indicates Date of Appointment

* Indicates Date of Cessation

Auditors
M/s MA SHAH & Co.,
Chartered Accountants

Bankers
CENTRAL BANK OF INDIA
M. G. Road,
Mumbai -400 023

HDFC Bank Ltd
Fort, Mumbai -400 001

Incorporated : 10th April, 1968

REGISTERED OFFICE

Dhanraj Mahal, 1st Floor, Chhatrapati Shivaji Maharaj Marg, Mumbai – 400 001
Tel : 91-22-22028924 / 2202 8987 . Fax : 91-22-2202 8966
e-mail : afcl@vsnl.com . Website : www.afcindia.org; www.afcindia.com