



Unlocking the potential



North Eastern Development Finance Corporation Limited

Annual Report 2008

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**Boundaries define
Walls are barriers
Doors need to open**

We act

We interact

We connect

We interconnect

We Connect ideas

We Connect business

We Connect people

We have the key

We open doors

We facilitate

We unlock potential

We are NEDFi





Message from the Chairman and Managing Director

Unlocking the potential

Our twelfth year of operations was a significant one in the Corporation's evolution, in which we made important progress towards more challenging heights. We at NEDFi have completed a highly satisfactory financial year, achieving new highs in all key performance parameters.

The financial year ended with highest gross income as well as net profits. The Corporation's reach was further improved and a significantly large number of borrowers with viable projects were financed. While sanctions and disbursements increased by 101 per cent and 23 per cent respectively, NPAs were reduced to 2.35 per cent from 4.93 per cent. This was the fourth consecutive year when the NPAs were brought down. As usual, aggressive business was done while ensuring prudential norms were maintained.

The Corporation has established a distinct business franchise and profile and is becoming a premier multi-faceted financial institution structured to bring in development in the Region. Within wholesale financial markets, we have emerged not only as a leading provider of credit to a variety of clients but also of risk-equity to the sector.

Significantly, the Corporation has been able to extend financial assistance to projects spread all over the eight North Eastern states in

keeping with the market demand. Projects in a wide spectrum of sectors, ranging from large projects in power, hospitality, infrastructure, manufacturing sectors, etc. to small projects in agriculture and allied activities have been financed to trigger a meaningful development process in the Region, while at the same time reaching out to the grassroots through our microfinance initiatives. Our exposure in all the eight states increased to Rs.332 crore as at 31st March, 2008 as compared to Rs.276 crore a year ago. The size of our overall balance sheet has increased by 20 per cent to Rs.475.5 crore at year end.

These numbers do not adequately convey the transformational changes that we at NEDFi have been creating in the eight states of the North East. We consistently endeavour to align the organization to the needs of the people of the Region and make concerted thrust in developmental initiatives. Our objectives are clear: we wish to unlock the potential of the Region and see prosperity in the people of the North East; we shall

continue to connect the dots in surging ahead on the route to development while striving to create a shared vision of collective regional wellbeing. We shall also do our best to bring all other developmental agencies on board to create the required synergy.

In pursuing this objective, NEDFi has taken a few pioneering steps to facilitate infrastructure and boost the massive construction programmes in roads, railways, airports, and in power, oil and gas sectors in North East India. NEDFi has proposed to set up an equipment bank to enable local infrastructure developers/contractors to compete with the big players in the field. The Corporation will also help set up a first of its kind training institute, NE Institute of Construction Technology and Research (NECTAR) for construction workers in the North East.

NEDFi has also taken a bold initiative to set up a Rural Development and Self Employment Training Institute (RUDSETI) type training institute named, "Centre for Practical Livelihood Training (CPLT)" in the Region for developing rural entrepreneurship, in collaboration with NABARD and the Government of Assam.

The North East Industrial and Investment Promotion Policy, 2007 as well as the concerted initiatives of the Central Government especially Ministry of DoNER, Ministry of Commerce and others have already created conditions for a resurgence in the Region. The Region is turning buoyant and there is renewed interest amongst entrepreneurs to set up industries.

Moreover, the governments' stress on the Look East Policy would bring about the transformation of North East India by throwing up



As part of the North East India Trade & Investment Opportunity Week organised at Bangkok in October 2007, a Memorandum of Agreement was signed between NEDFi and India Thai Business Forum for promoting investment and trade between the two countries. Sri K.N. Hazarika, Chairman & Managing Director and Sri Dato Satish Sehgal, Chairman of India Thai Business Forum signed the document on behalf of their respective organisations in the presence of Sri Mani Shankar Aiyar, Minister of DoNER & Panchayati Raj.

Income Rs.Crore

<u>27.53</u>	<u>31.20</u>	<u>36.58</u>
2006	2007	2008

opportunities for economic integration within the Region as well as with its trans-national neighbours. Multiplier effect will add to the demand for new ventures and funding requirements. NEDFi is gearing up to meet these challenges by positioning itself as a catalyst in the economic development of the North East.

The Corporation has also tried to foster foreign investment in this Region. A new chapter on joint collaboration has started with NEDFi signing a number of MoUs with various organizations across the globe. It started with the Investment Meet in the USA in September 2007, where NEDFi presented the idea of 'Networking', followed by the Bangkok meet in October last year where an MOU for business collaboration was signed with the Indo-Thai Business Forum, and subsequently by other such meets in New Delhi and Guwahati.

Going forward, we shall consolidate our focus on our core activity of project finance, promote the MSME sector, handlooms & handicrafts and food processing sectors. We shall continue to lay emphasis on supporting women entrepreneurs at concessional rates of interest to make it easier for them to be competitive.

From inception, we have laid more emphasis on first generation entrepreneurs with various self-employment schemes at competitive rates of interest and had started conducting a special awareness cum promotional programme for business facilitation in all the states of the Region. We have not allowed the difficult environment to come in the way of development.

We believe our efforts have created an enabling business environment for growth of a healthy industrial climate throughout the North Eastern Region. We have also enabled employment generation and several thousand homes in the Region have benefited by NEDFi's financing activities of new and old projects.

Profit after tax

Rs. Crore

<u>14.13</u>	<u>15.61</u>	<u>24.34</u>
2006	2007	2008

NPA

Per cent

<u>6.81</u>	<u>4.93</u>	<u>2.35</u>
2006	2007	2008

We have made a lot of progress over the course of a decade under challenging conditions, and there is a lot more progress to be made. Having made good our commitments, we now make fresh promises : we would like to be in the forefront making a positive and energetic impact on the North East economy. NEDFi has a vested interest in the success of the North East, and will make the difference.

Although the Corporation is predominantly engaged in lending, it has been able to make a mark as a socially responsive organization in the region through its numerous welfare and socially relevant activities and matters of public interest. We have a very vibrant policy of corporate social responsibility.

We believe that there is considerable expectation from the people of the Region and there are several opportunities for creating economic growth. NEDFi would stay aligned with the aspirations of the people, and as a socially responsive organization would reciprocate the



Sri K. N. Hazarika, Chairman and Managing Director with Sri Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission at North East India Investment Conference held at New York on 26th September, 2007. At the Conference, Sri Hazarika made a presentation on 'Emerging Sectors in North East India and Value of Networking.'

confidence of the entrepreneurs. We see enormous opportunities for growth in the Region and for our own business.

As an organization we would need to build capacity on all fronts and be in a position to support developmental activities. We need to build on our managerial bandwidth, people skills and have larger resources to assist new ventures, review progress, manage risks, provide exceptional service to support our innovative products and build business confidence.

We shall leverage on our understanding of the North East, help stimulate trade and commerce and participate in the growth of the Region's economy. As the business increases, it will be essential to capitalize the balance sheet appropriately. The Corporation is therefore exploring funding options to fund the future requirements. We need to be ready with funds and be ahead of the curve.

At NEDFi, we have a supportive Board that is guiding and encouraging our initiatives and substantial credit for our success should go to our young team of professionals who work with entrepreneurial spirit. Together, I look forward to maintain the momentum and take NEDFi to greater heights.

Warm regards,

K. N. Hazarika

Chairman and Managing Director



Path breaking initiatives

UPCOMING VENTURES, PROJECTS & NEW THRUST AREAS

Transformatory changes are taking place in the North East. There is renewed optimism and improved business confidence amongst the entrepreneurs. There is traction in developmental activity and growth is visible. Incomes of the people are rising which in turn is increasing their purchasing power.

The North East Industrial and Investment Promotion Policy (NEIIPP) 2007 has acted as a driver and the business environment is healthier. The Government is planning to invest around Rs.1,50,000 crore in infrastructure projects over a period of five years, which is expected to create 27 lakh additional employment in construction industries alone. These will spawn further entrepreneurial activities and fresh opportunities for the people of North East.

It is worth noting the developmental initiatives being made by NEDFi to further add to the momentum:

North East Institute of Construction Technology and Research (NECTAR) NEDFi in association with Construction Industry Development Council [CIDC] and Government of Nagaland proposes to set up this first of its kind training institute at Dimapur for construction

workers in the North East. Meanwhile, CIDC and NEDFi have prepared the Detailed Project Report for NECTAR.

North East Equipment Bank

In view of the massive construction programmes and investments in transportation, power, oil, gas etc on-going in the North East, the Corporation has proposed to set up an equipment bank, with its headquarter in Meghalaya, in collaboration with suitable partners. This special purpose bank will enable local infrastructure developers to compete with big players from outside the Region. The business advisory services and technical expertise for setting up the North East Equipment Bank are being provided by Construction Industry Development Council (CIDC), a wing of Planning Commission, Government of India. Leading infrastructure development companies have submitted their bids to partner with NEDFi in the project.

Centre for Practical Livelihood Training (CPLT)

In line with the recommendations of the RBI Committee on Financial Sector Plan for the North East for training potential entrepreneurs/borrowers in the SME sector, NEDFi has taken the initiative to set up a

RUDSETI type institute to be named as Centre for Practical Livelihood Training (CPLT), in the district of Nalbari, Assam, in collaboration with the Government of Assam.

We have since taken up with Government of Tripura for setting up a similar institute in the state. The programme may be replicated in the other states of the Region depending on the success of these pilot projects and availability of funds.

New business initiatives

Consultancy and advisory services: The demand for fee based services like consultancy and advisory is growing especially from the central and state governments who are increasingly looking to set up projects through Public Private Participation. NEDFi is working with SREI Capital Markets on an assignment titled "Asset verification and financial restructuring of Guwahati Municipal Corporation." NEDFi has completed a few assignments for NERAMAC and is presently discussing with the Government of Meghalaya for a consultancy project on energy efficiency and solid waste management in association with ILFS Ecosmart.

Insurance: NEDFi sees value in providing insurance products to its customers. Widening the scope of activity and bringing these under its umbrella would not only serve as a one stop shop for financial products but also complement the term lending activities. While generating stable income, insurance products would help moderate the risk and

possibly add to the assurance levels on term loans. NEDFi is presently in discussion with several general insurance companies for possible tie-ups.

R&D Centre - Bio-diesel Project & others: The R&D Centre on medicinal and aromatic plants had taken up a project on bio-diesel for its propagation and commercial application in the Region. Three new projects were sanctioned during current year by three central government departments, Department of Science & Technology, New Delhi; NMPB, New Delhi and DBT, New Delhi for Jatropha (bio-diesel plant), medicinal plant and genetic improvement of Patchouli respectively.

An interactive window for investors

NEDFi has opened a gateway under the website <http://northeast.nedfi.com> to share pertinent information about the North East, investment opportunities, necessary links, etc for facilitating and creating a value chain in the development process for prospective investors. More than 300 individual participants who attended an investment summit at New York, some of whom had shown keen interest, have been registered in this gateway. It is a investor friendly interactive platform for sharing of reliable and authentic data on the Region, technical know how, policy directions, business trends, investor expectations and experiences and such other useful information.

Networking for foreign collaborations

NEDFi proposes to act as a touch point for potential foreign investors seeking opportunities in the Region and develop off-the-shelf packages for their benefit.

It started with the investment meet in the USA in September 2007, where Mr. K. N. Hazarika, the Chairman and Managing Director of NEDFi, delivered a presentation on 'Networking', which was followed by the Bangkok meet in October 2007, and another such meet in New Delhi. These summits have strived to draw NRI investment to this Region and create a credible network to attract international investors, mobilize resources and promote joint ventures.

Such endeavours facilitate inflow of NRI savings into the North East, especially in the fixed income instruments. The summits are also intended to create market access and awareness for the products from the Region and enable technology transfer to suit local needs.

One more meet was held, at Guwahati, to renew investor interest in January 2008 at the North East India Investment Summit, where a sizeable number of NRIs from a wide spectrum of interests across the globe attended and showed enthusiasm in participating in the development of the Region.

A new chapter on joint collaboration has started with NEDFi signing a number of MoUs with various organizations. The Corporation will facilitate coordination with concerned state governments and their agencies on behalf of the investors.

Another area of focus will be to facilitate institutional funding of projects with like minded financial institutions & commercial banks and where necessary find local partners in the North East to assist investors to set up joint ventures with Indian companies/entrepreneurs.

In order improve communication channels, NEDFi is hosting an interactive website at <http://northeast.nedfi.com> to facilitate networking of like-minded people and organisations on issues relating to the Region.

The summits and the interactive website are platforms to create network of individuals, institutions, organizations, entrepreneurs, potential investors, academicians, researchers, policy/development planners and more particularly, those who are concerned about economic, social and cultural well-being of the people of the North Eastern States of India.



At the India International Trade Fair held in November 2007, NEDFi was awarded the prestigious Special Commendation Prize in the public sector undertaking category.



Padmasree Smt. Naorem Ongbi Nilamani Devi, a master craftsperson of repute inaugurated the North East Handloom & Handicraft Fair 2008 organized by NEDFi to showcase the products of Manipur.



The Thai business delegation headed by Sri Krirk-Krai Jirapaet, Minister for Commerce, Thailand visited the North East in June 2007 to explore possible investment in the Region. The Minister is seen visiting one of the stalls exhibiting North East products.

Sri Jairam Ramesh, Minister of State for Commerce and Industry at a North East handicrafts exhibition organised by NEDFi at Sarusajai National Stadium, Guwahati.

Encouragement to innovators

NEDFi has provided a marketing platform to the grassroots innovators of North East to showcase, develop marketing network and sell their products.



Zero Head Water Turbine



Multi-Bobbin Charkha



Paddy Huller (Dehusker of paddy)



North Eastern Development Finance Corporation Ltd.
Workshop cum Training Program on
"Managing Micro Finance for NGOs-Module I"
During 5th to 7th July'2007
Sponsored By DoNER



Micro finance sustaining livelihoods

We believe the marginalised are trustworthy; they are often creditworthy. Those at the bottom-of-the-pyramid have aspirations and are willing to toil to improve their lot. What they need is financial support to organise earning streams. NEDFi is known to encourage all those who have inclination to set up productive assets and have viable projects, however small they may be.

Over the past eight years, the Corporation has consolidated its position to reach out to the bottom-of-the-pyramid through its Micro Finance scheme in the various nooks and corners of the North East and is now looking forward for greater depth in its interventions through a 3-tier strategy briefly noted below:

- ✓ A more focused and customized capacity building program with its partner institutions like NGOs, CBIs etc - at the intermediary level.
- ✓ Fulfill the financial demands in the BOP market through repeat loans, and reach the grass root borrowers.
- ✓ NEDFi will also focus on developing its systems and processes and also of the partner NGOs/MFIs, which will facilitate the delivery of sustainable Micro-Finance by developing new products & services, strengthening & monitoring recovery process etc - at

the organizational level. This will ensure a healthy growth of the Micro-Finance services.

To achieve the desired objective, NEDFi has already started capacity building of the partner institutions through exposure visit to different MFIs in India, and by holding workshops for training. Till date, 62 participants from 36 NGOs were sent for 3 exposure visits to Andhra Pradesh; 46 participants from 27 NGOs were imparted trainings in 2 ToT programs held in Guwahati and Imphal in collaboration with IIBM; and 91 participants from 50 NGOs took part in 5 Workshop-cum-Training Programs on "Managing Micro Finance-Module" held at different centres at Kohima, Guwahati, Imphal and Agartala.

The Workshop-cum-Training Program focused on developing systems and processes especially for managing delinquency and risk for NGO/MFIs. The issues covered included challenges in delivering credit to the poor, the reasons for delinquency faced by NGOs, costs of delinquency, managing delinquency, effective products, fund flow monitoring, etc.

A cluster approach has been initiated in the states of Manipur, Tripura, Assam and Arunachal Pradesh. These clusters have been developed and financed by NEDFi with the NGO as the intermediary and with additional support from concerned agencies.

Initiatives in financing industrial projects

NEDFi has been in the forefront of marketing and encouraging industrial projects. A selection of projects are detailed below:



Premier Cryogenics Limited

Premier Cryogenics Limited has an installed capacity to produce 44.52 lakh cu mt per annum of industrial gases consisting of liquid nitrogen and oxygen and compressed air, primarily to cater to the needs of industries and medical establishments of the North East. The company successfully made a public issue for Rs.217 lakhs in 1996 for part financing the project.

The main application of the company's products are in the core sector oil industries for crude oil production, industrial and medical users, research laboratories, state veterinary departments and Indian Air Force. The company's products are critical inputs in the core sector applications especially in oil exploration of the main end users ONGC and Oil India Limited. The company is only one of the four manufacturers

in the country approved by the Indian Air Force for supply of aviation gases to the Air Force.

This was one of the first projects financed by NEDFi where NEDFi took equity exposure of Rs.20 lakhs and the company has been paying dividend @ 10% p.a. for the last several years.

The company has 100% local employment at all levels comprising of about 200 employees out of whom about 90 are permanent employees and the rest casual employees. The company has also generated indirect employment of about 200 people. The company was the first unit in the NE region to make liquid industrial gases and even today it is the only manufacturer of liquefied oxygen and nitrogen. The company also manufactures medical oxygen gas and has a distribution network for supplying medical oxygen gas throughout the North East Region.

Excellent Gravure Industries Limited

Excellent Gravure Industries Limited has set up a unit to manufacture flexible packaging laminates with an installed capacity of 1080 MT per annum at Kalapahar Industrial Area (C.I.T.I. campus), Gopinathnagar in Guwahati in the year 2003.

The company makes two ply and three ply laminates which are used for packing consumer goods like shampoo, pan masala, tea, biscuits, etc which are being manufactured in the region by various industries set up under the North East Industrial Policy. The company was the first such unit in the Region which was set up with term loan assistance from NEDFi. Till this unit was set up, the entire flexible packaging materials requirement was met from outside the North East. The company presently employs 49 permanent employees. The plant suffered a devastating fire in May 2006 in which most of the plant and machinery were destroyed, but the promoters could restart the plant within six months.



Prithvi Dairy Private Limited

The company has set up a project to implement a dairy and allied products unit at Majir Gaon, Agsia Chowk, Palasbari, District Kamrup, Assam, with an annual installed capacity of 6,600 Kilo Litres (KL) of toned milk, 8,250 KL of double toned milk, 165 KL of dahi, 495 Metric Tonnes (MT) of Ghee and 165 MT each of pasteurised cream, khoa and paneer. The company presently markets its products under the brand 'Prithvi' and has emerged as the market leader in the pouch milk market in Guwahati.

The company presently is sourcing its raw milk requirement from societies in Hajo and nearby areas in Lower Assam and is actively encouraging formation of milk farmer societies and supporting them by the buying back the milk.



B.N. Industries Private Limited

The company was set up in 2001 for manufacturing packaged drinking water at Kalapahar Industrial Area (C.I.T.I. campus), Gopinathnagar in Guwahati with financial assistance from NEDFi. The company has been successful in its business and sells its product under the brand 'Refresh' all over the Region. The company has repaid the entire term loan availed from NEDFi.



CMCL Limited has set up one of the largest cement projects in the North East at Lumshnong, Meghalaya with part financial assistance from NEDFi. It sells its cement under the brand name 'Star.'



Grihashakti Steels Private Limited is setting up a project at Amingaon, Assam for manufacturing TMT bars with installed capacity of 60,000 TPA.



Raghav Industries has set up a project at EPIP, Amingaon for manufacturing black wires and wire nails with installed capacity of 2,280 TPA.

Janambhumi Hotels and Resorts (P) Limited promoted by Shri Subroto Sharma has set up a 42 room resort with facilities like swimming pool, spa, health club, restaurant, conference hall, shopping outlets and special and customized packages to offer a complete holiday with fun, adventure, learning, wellness and healthcare etc. at Village Bogorijuri, Kaziranga, District Golaghat. The project cost estimated at Rs.453.61 lakhs is financed by promoter's contribution of Rs.158.76 lakhs and rupee term loan of Rs.294.85 lakhs from NEDFi. Besides providing employment to many, this project has been able to offer world class facilities to attract tourists to this natural paradise.



Balijan Tea Co. is a partnership firm promoted by five partners from Goyal & Modi families based at Tinsukia, Assam and having business in Assam and Arunachal Pradesh for the past 20 years. This is the first time that NEDFi has financed such a project in a nontraditional tea growing area. This CTC tea processing unit has been set up with latest technology at Vill. Gidding, Balijan, Changlang District and has an installed capacity of 5 lakh kg tea per annum at an estimated project cost of Rs.261 lakhs. The project cost is financed by promoters' contribution of Rs.120 lakhs and term loan of Rs.141 lakhs from NEDFi.

This project has generated employment for 25 persons directly and indirectly it creates employment opportunities for several more. As the firm procures some amount of green leaf from small tea growers, it helps in the development of these growers in the nearby areas which in turn benefits workers in these gardens. This project has encouraged similar industries to come up in non-traditional areas. It has created a demonstrative effect in the area.



Brief review of the initiatives in the states

NEDFi strives to make an impact in all the eight states. Every viable proposal is examined, supported and financed. More often, the Corporation has been handholding the entrepreneurs, and encouraging them to succeed.

In order to promote the MSME sector in the North East, the Corporation has adopted several innovative strategies which include:

- ✓ Lending to MSMEs through novel loan products such as quasi-equity with specially designed products like NEEDS, WEDS, SNEHH etc;
- ✓ Innovative loan securitizing through joint risk sharing mechanism with the community institutions and backed by equity fund;
- ✓ Handholding the entrepreneurs to prepare Detailed Project Reports, assistance in legal compliance, providing need based consultancy;
- ✓ Creating an enabling environment for MSMEs by providing information about technology sourcing, imparting design & product development inputs, equipment supply & facilitation of negotiations with suppliers.

A few glimpses into our rewarding ventures are detailed below:

ARUNACHAL PRADESH

Total sanctions during the year 2007-08 in Arunachal Pradesh were Rs.1230 lakhs and disbursements were Rs.118 lakhs. Cumulative sanctions and disbursements at the end of the financial year 2007-08 were Rs.6943 lakhs and Rs.3604 lakhs, respectively.

Women have been showing interest and venturing to set up businesses, and NEDFi has loan products designed especially for such enterprising women. Most of them have succeeded as can be seen from a selection of projects that follow:



Todek Dental Clinic

Dr. Minge Tato did her BDS from Regional Dental College, Guwahati. Initially she was working as an assistant doctor at a clinic near the capital complex but she always wanted to have her own clinic at Itanagar where she could serve patients. Having failed to get funds elsewhere, she approached NEDFi for financial assistance for setting up of a dental clinic and she got assistance of Rs.4.25 lakh under WEDS (Women Entrepreneur Development Scheme).

Now, her long cherished dream of having her own clinic at Itanagar has been realised and Todek is considered as one of the best clinics in the city.



Amity Public School

The promoter is a young educated woman entrepreneur and has been running a Middle School for the past six years at Itanagar. In order to upgrade the curriculum, she has introduced a computer course at the school. Now with financial assistance of Rs.4.25 lakhs under the WEDS, she has succeeded in her mission.

Desire

Smt. Kabak Yayum is an able local woman entrepreneur who always desired to have her own clothes showroom at Itanagar. Being aware of NEDFi's WEDS product, she approached and has been granted a financial assistance of Rs.4.25 lakhs. Now she is a proud owner of a branded showroom for ladies, gents and kids wear, giving her good dividends.

Glamour Fashion Cloth

Smt. Joram Nunu was running a readymade garment shop at Legi Complex, Itanagar. Her business was under pressure due to low capital investment. She approached NEDFi for financial help and was sanctioned Rs.1.28 lakhs under WEDS. This pulled her out of the financial crises and she was able to avail a second loan for an amount of Rs.4.25 lakh for further expansion of the unit which has turned out to be a flourishing business venture.

Bogum Wooden Furniture Unit

Sri Domo Dini Bogum has undergone entrepreneurship development training programme sponsored by NEDFi and conducted by IIE, Guwahati, at our Itanagar branch office. He has been running a carpentry unit for the last 5 years. The training programme has motivated him to expand his unit. He sought help from NEDFi for financial assistance and was sanctioned an NEEF Loan assistance of Rs.1.50 lakhs. Now the unit is running profitably.

Modest Look

Ms. Tana Messo has undergone a beautician course from VLCC, New Delhi. She was working as a beauty consultant in New Delhi but she always dreamt of opening a state of the art parlour at Naharlagun at the Capital Complex. She approached NEDFi for financial support for setting up of a beauty parlour equipped with latest technology at Naharlagun and was granted an assistance of Rs.4.25 lakhs under WEDS. The unit is considered as one of the best parlours in town.

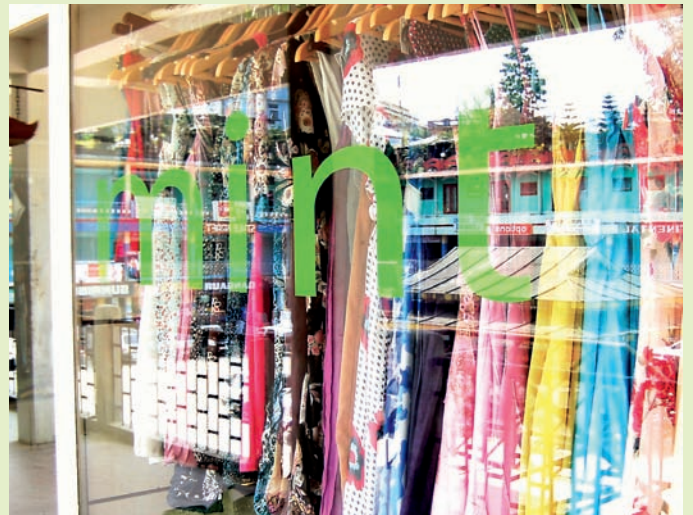


Style Kraft

Smt. Topi Ete is an experienced and educated local entrepreneur. She has been involved in garment business for the last 5 years and has established a chain of garment outlets. She opted for a loan of Rs.3.50 lakhs under WEDS during 2007. The Boutique is considered to be the most exclusive branded store of capital complex of Itanagar/Naharlagun as the garments are sourced from Bangkok, Delhi, Siliguri, Darjeeling etc.

Mint

Ms. Sunita Namchom, a young educated entrepreneur of Itanagar applied for a loan under NEDFi's popular product WEDS. She got a loan assistance of Rs.4.25 lakhs from NEDFi during 2007. Ms. Namchom has successfully set up her long cherished showroom of exclusive items for home decoration and garments for ladies and children at Itanagar. At present, the promoter is running the business successfully and her unit is considered to be one of the best in its line.



Sitam Sicho Society

The society established in 2001 with its headquarter at Joram Village, Lower Subansiri District, Arunachal Pradesh, worked for all-round development of rural poor. In 2004, the society was sanctioned an amount of Rs.2 lakhs for setting up a poultry farm and fishery pond. The society has successfully implemented the project and is repaying its dues regularly.

Lagun Mini Market

Promoter Smt. Hage Yami is a young dynamic woman entrepreneur. She has been sanctioned under Rupee Term Loan for an amount of Rs.20.00 lakhs. The unit is a shopping complex located at G-extension, Naharlagun.

The unit is doing quite well as it has offered built-up spaces for shops, accommodation, office spaces etc. is considered to be the main shopping centre of the town.

Nime Welfare Society

The Nime Welfare Society was established in the year 1996 with its headquarter at Old Ziro, Lower Subansiri District, Arunachal Pradesh. It works for the all-round development of the backward classes living in rural areas and for the welfare of women and children through vocational training, establishing educational institutions, family counseling centres and organising self help groups.

During the year 2002, the society approached NEDFi for setting up of a poultry unit at Ziro. NEDFi sanctioned an amount of Rs.2.50 lakhs. The project has been successfully implemented and it has assisted 10 beneficiaries. The society cleared all its dues.

In the year 2006, NEDFi gave a second loan to the society for expansion of the poultry unit and for setting up a piggery and a restaurant. Altogether 10 beneficiaries have been supported by this project which improved the quality of life of several rural poor men and women. The repayment of the society is quite good and forthcoming.

ASSAM

During 2007-08, total sanctions and disbursements were Rs.16588 lakhs and Rs.8872 lakhs respectively in Assam. Cumulative sanctions and disbursements at the end of the financial year 2007-08 were Rs.55190 lakhs and Rs.36981 lakhs respectively. A cross section of ventures supported by NEDFi is detailed below:

Tanuja's Creations

What started as a hobby became a passion and 'Tanuja Creations' is a thriving business now. The unit deals with fabric painting and the designs are unique and exquisite in style. Initially on her own, Tanuja started employing others to help with the work. Gradually with more orders pouring in, she had to employ more and presently the number of girls assisting her has grown to seven. With NEDFi's assistance, the entrepreneur has been able to deliver different types of fabric to suit her customers. Her creations have been appreciated and bought by international customers across US, UK, Germany and Australia.



M/s. Allied Services owned by Sri Uddipan Dutta, Sivasagar, Assam is engaged in effluent treatment works of oil field equipment services to ONGC. NEDFi has helped him by way of financing the equipment and the project is progressing very well.



Asomiya Jalpan of Nalbari was started by Mrs. Rinku Mahanta in 2005 with a motto to establish Assamese traditional snacks in the market. She approached NEDFi for financial assistance and was granted a loan of Rs.3.44 lakhs to the unit under WEDS. With this assistance, she has been able to install equipments to meet the growing demand for her products. The unit provides employment to 20 people, both male & female, mostly from the BPL category.

Sahar Scan & Research Center

This is an existing unit running an ultrasound facility at Babupatty, Sivasagar, Assam. The firm has established the Sampreeti Hospital at Kanak Nagar, Sivasagar, a unit of Sahar Scan & Research Center. It is equipped with all modern medical facilities with 80 beds of different categories ranging from general wards to special rooms.

The project has turned out to be a profitable venture. It has generated direct employment to 90 technicians and staff in addition to the doctors. This well-known project will encourage other small diagnostic centres. It caters to a large population including the ONGC staff that otherwise would have to visit Guwahati for medicare.



Gandhinagar Socio Economic Development Centre

The organisation has a credible track record; the first loan of Rs.2.44 lakhs sanctioned in November 2002 was liquidated in May 2006. The second loan of Rs.5 lakhs was sanctioned in July 2005. The organisation's third micro finance proposal to NEDFi of Rs. 10 lakhs was sanctioned in 2007-08.

The NGO has taken the initiative to on-lend to individual un-registered micro enterprises involved in tailoring, cloth shops, readymade garments and to SHGs for varied activities such as weaving, stationery, grocery, carpentry, poultry, vegetable vending etc. With NEDFi's assistance, the NGO has been able to provide for many and nurture a young breed of entrepreneurs in the rural areas. The NGO plays the dual role of business facilitator for NEDFi in the district of Barpeta in Assam.



Social Action for Appropriate Transformation and Advancement in Rural Areas (SATRA) a non-governmental organization located at Sipajhar of Darrang District was started by a few social activists with hopes and aspirations to create self-employment for the rural people by developing and utilizing the resources available locally with scientific management. The secretary of the society Shri Nani Kumar Saikia has about 10 years of experience in Micro Finance.

In 2005, NEDFi sanctioned a loan of Rs.2.50 lakhs for on-lending to 15 beneficiaries for taking up various income generating activities under its Micro Finance scheme. Seeing their performance, again in the year 2007, a second loan of Rs.10 lakhs was sanctioned for on-lending to 500 beneficiaries for taking up various farm and non-farm based activities for their livelihood. All the 500 beneficiaries are women and out of them about 24% are SC and ST. Although the NGO intends to cover the entire North Eastern Region, initially under these projects, they have covered two blocks under Darrang and Odalguri districts which have about 40% BPL population.



MANIPUR

During the year 2007-08, total sanctions and disbursements were Rs.520 lakhs and Rs.106 lakhs respectively, in Manipur. Cumulative sanctions and disbursements at the end of financial year 2007-08 were Rs.1687 lakhs and Rs.1128 lakhs, respectively.

M/s Mawi's Tailoring & Embroidery Centre

With an urge to become an entrepreneur she started learning the art of tailoring and embroidery while in the business of meat vending. With the little savings that she had accumulated from her meat vending business, she was able to buy a second hand sewing machine and started her own enterprise M/s. Mawi's Tailoring & Embroidery Centre. Recognising her zeal in the enterprise, NEDFi sanctioned a loan of Rs.0.85 lakh in 2006 to enable her to acquire machines and to meet her working capital needs.

Today, she has become a dynamic women entrepreneur with 2 fashion makers and 4 sewing machines. Apart from job work, she also imparts training to newcomers in the field. A skill up gradation training programme on embroidery design and tailoring was also sanctioned to her by NEDFi recently whereby 20 tribal ladies benefited.



Organization for Rural Improvement (ORI)

It has always been a big challenge to identify credible NGO/CBO/MFI for partnering. NEDFi's Micro Finance Department has been continuously visiting the North Eastern States meeting NGOs/CBOs/MFIs and conducting field visits, surveys, appraisals, identifying potential partners and imparting training and guidance.

NEDFi's Micro Finance team identified Organization for Rural Improvement (ORI) of Manipur as one of the partners in 2007. ORI was promoted by a group of young, hardworking and genuine followers of Bangladesh Grameen Bank model of operation, which was active in a small village of Nambol under Imphal district without taking any financial help from any source.

NEDFi provided training on Management of Micro Finance-Module I. In August 2007, NEDFi sanctioned a loan of Rs.20.00 lakhs to the NGO for on-lending to women groups. So far, ORI's overall performance is one of the best with 100% timely repayment. Today, ORI has grown in strength and is a 15 member staffed NGO-MFI with portfolio of Rs.92.00 lakhs.

But, the more satisfying achievement is that today, ORI has been able to service 2,279 poor women clients.

MEGHALAYA

During 2007-08, total sanctions and disbursements were Rs.8510 lakhs and Rs.1405 lakhs respectively in Meghalaya. Cumulative sanctions and disbursements at the end of the financial year 2007-08 were Rs.30871 lakhs and Rs.13370 lakhs, respectively.

Hi-Tech Furniture - Shillong

The unit is promoted by Ms. Christine Z. Pachau. The promoter runs a furniture outlet, a franchised unit of a Mumbai company which is selling a wide range of imported furniture. The outlet is one of its kind in Shillong. The shop is centrally located in Laitumkrah and markets the latest designs in furniture at low cost.



Sunsilk Hair "N" Beauty Salon - Shillong

This is a beauty salon for ladies, promoted by Ms. Gunni Kamson. She holds a diploma in beauty culture and has been trained in skin care, hair care and styling. She had 10 years of experience at a beauty parlour in Delhi before starting her project in Shillong.

She was assisted by NEDFi under the special scheme for women. She is providing beauty, skin care, bridal make up and other personal styling. Her main objective is to be self employed, self sufficient and practice as a professional. Moreover, the parlour will train interested youngsters so that they can also be self-employed.

Farm Fresh - Shillong

Promoted by Ms. Lalsangpuii, aged 25 years, a first generation entrepreneur was supported under the special scheme for women entrepreneurs. The outlet is the first to sell frozen meat products in Shillong and is basically a replica of a departmental store. It employs two people besides the promoter. The objective is to provide a platform for the farmers to sell their product directly and realize higher profit. Thus, the outlet is generating employment, creating market, providing experience and economic returns.

Daniel's Den - Shillong

The unit is promoted by Ms. Eratha Syiem, aged 45 yrs, a first generation entrepreneur, was supported under the special scheme for women entrepreneurs to set up a boutique to produce designer wear and cater to the need of fashion industry in the Region. The promoter is assisted by her son who has 4 years of experience in fashion designing and awarded "North East Best Designer 2000." Since inception, the unit has made remarkable progress in product quality, employment generation and provided the latest in fashion.

MIZORAM

During the year 2007-08, total sanctions and disbursements for customers in Mizoram were Rs.350 lakhs and Rs.539 lakhs, respectively. Cumulative sanctions and disbursements at the end of financial year 2007-08 were Rs.1605 lakhs and Rs.1299 lakhs, respectively.

Satyam Construction

Satyam Construction was sanctioned a short term loan of Rs.350 lakhs for construction business. The promoter of the firm Shri Akshat Jhunjhunwala is engaged in construction business for the past couple of years and is gaining experience by completing projects on time and efficiently.



El-Cee Fashion

Smt. Catherine Khawlhring is a young graduate who had undergone training in cutting, tailoring and embroidery from Mizoram. She has been in the business for the past 5 years. Her fine embroidery works and specialized tailoring has earned her a good reputation in the Capital Complex. She approached NEDFi for further expansion of her unit and was sanctioned an amount of Rs.4.25 lakhs under WEDS. The project has been successfully implemented.

NAGALAND

During the year 2007-08 total Sanctions and disbursements were Rs.195 lakhs and Rs.252 lakhs respectively in Nagaland. Cumulative sanctions and disbursements at the end of FY 2007-08 were Rs.1857 lakhs and Rs.1550 lakhs, respectively.

M/s. Ivy

Promoted by Akhrole Doulo, Ivy was sanctioned Rs.1.81 lakhs, consisting of Rs.1.28 lakh Term Loan and Rs.0.53 lakh soft loan under WEDS in June 2007. The unit deals in garments and accessories and the promoter used the loan amount to purchase goods from Japan. The unit is running successfully with average daily sales of more than Rs.2,000.



M/s. Creative Beauty Salon (Promoter - Smt. Rachel Kath)

Ms Creative Beauty Salon was sanctioned Rs.0.71 lakhs under WEDS in September 2007. The promoter is a qualified beauty technician and the unit provides hair and facial care to lady clients. The promoter used the loan amount from NEDFi to purchase hair and skin beauty treatment equipments. The unit is running successfully and treating 10 clients on an average day.



M/s Vesheli Handloom (Promoter Vesheli Achumi)

Ms Vesheli Handloom was sanctioned Rs.1.40 lakh, consisting of term loan Rs.0.99 lakh and Rs.0.41 lakh soft loan under WEDS in May 2006.

The promoter is an experienced weaver and the unit mainly produces shawls and mekhalas. The promoter used the loan amount from NEDFi to purchase a sewing Machine and other assets and for Working Capital. The unit is running successfully and produces 50 shawls and mekhalas in an average month.

M/s. Nagaland MuayThai Institute (Promoter - Smt Bendangjungla)

Ms. Nagaland Muaythai Institute was sanctioned under WEDS in June 2007. The sanctioned loan amount was Rs.1.83 lakh, consisting of Rs.1.29 lakh term loan and Rs.0.54 lakh soft loan. The promoter is a Bronze Medalist at MuayThai World Championships held at Bangkok in the year 2006.

The promoter sought to start a Muaythai Training Institute under certification from MuayThai Federation of India and she approached NEDFi. The total fund required by her for purchase of training equipments came to Rs.2.15 lakh, out of which NEDFi provided loan amount of Rs.1.83 lakh and the balance with her own contribution. The training institute started classes in August 2007 and presently has 21 trainees.



SIKKIM

During the year 2007-08, total sanctions and disbursements were Rs.159 lakhs and Rs.103 lakhs respectively for the borrowers in Sikkim. Cumulative sanctions and disbursements at the end of the financial year 2007-08 were Rs.1078 lakhs and Rs.688 lakhs, respectively.

Multi Media Internet café - M/s Multimedia Infosys

This venture was started by Miss Rupa Sarma, an unemployed graduate girl with a diploma in DTP and computer application from the suburb of Development Area, Gangtok. Without much opportunity and hardly any help from other funding sources, she remained undeterred in her resolve to be self employed rather than venturing out and hunting for a job. With NEDFi's assistance of Rs.1.50 lakhs under the WEDS scheme, an internet café and a computer sales & services unit was set up. Now she is forging ahead with zeal and enthusiasm having been able to fulfill her dream of being a self sustaining independent woman.



M/s. Hope Meadows

A veterinary clinic cum medical shop, M/s. Hope Meadows had been assisted with Rs.4.25 lakhs under the WEDS scheme of the corporation. A dynamic veterinarian Dr. Diki Palmu has been running successfully her veterinary clinic-cum-medicine shop at Deorali, Gangtok, Sikkim. She as a true animal lover has been providing services and much needed support to various pet and cattle owners and has earned much acclaim for her work.



M/s. Pradhan Flooring and Furnishing

Smt. Munna Pradhan has moved a long way from just being a housewife to a successful woman entrepreneur through her venture M/s. Pradhan Flooring and Furnishing at Tadong.



TRIPURA

During the year 2007-08 total Sanctions and disbursements were Rs.394 lakhs and Rs.249 lakhs respectively, in the State of Tripura. Cumulative sanctions and disbursements at the end of the financial year 2007-08 were Rs.3511 lakhs and Rs.2208 lakhs, respectively.

Sishir Garments (Promoter: Mrs. Anindita Chakraborty)

Sanctioned Rs.2.28 Lakhs under WEDS to set up a readymade garment unit at Agartala. Her repayment record is 100%.



Business done todate

Summary of statewise sanctions as on 31st March, 2008

Rs. Lakhs

State	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
Arunachal Pradesh	-	518	235	38	418	291	136	942	762	1593	780	1230	6943
Assam	682	1164	2198	1725	3945	3166	3401	2639	4084	7053	8545	16588	55190
Manipur	-	66	49	263	350	80	59	76	65	50	109	520	1687
Meghalaya	-	-	173	772	2659	2582	2114	4607	3458	2874	3122	8510	30871
Mizoram	-	25	51	208	156	45	114	152	40	102	362	350	1605
Nagaland	-	110	34	234	490	124	80	102	63	167	258	195	1857
Sikkim	-	-	-	-	-	-	-	97	358	75	389	159	1078
Tripura	-	40	58	255	306	16	460	355	102	1218	307	394	3511
Total	682	1923	2798	3495	8324	6304	6364	8970	8933	13132	13872	27945	102742

Summary of statewise disbursements as on 31st March, 2008

Rs. Lakhs

State	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
Arunachal Pradesh	-	9	24	150	206	397	246	341	778	610	725	118	3604
Assam	615	227	1062	932	3360	2472	2170	2964	2285	5342	6680	8872	36981
Manipur	-	39	31	153	285	152	68	70	105	50	69	106	1128
Meghalaya	-	-	4	62	618	1467	2404	1349	1542	3199	1320	1405	13370
Mizoram	-	-	25	30	60	192	87	96	85	70	115	539	1299
Nagaland	-	80	34	41	323	259	97	175	152	32	105	252	1550
Sikkim	-	-	-	-	-	-	-	14	88	128	354	103	688
Tripura	-	-	37	95	194	140	38	200	200	1000	55	249	2208
Total	615	355	1217	1463	5046	5079	5110	5209	5235	10431	9424	11643	60827

No. of projects sanctioned as on 31st March, 2008

State	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
Arunachal Pradesh	-	2	2	1	4	4	10	11	21	37	55	16	163
Assam	2	12	13	25	37	49	69	91	129	110	98	66	701
Manipur	-	2	4	12	20	7	9	8	10	8	15	18	113
Meghalaya	-	-	2	3	7	12	20	19	19	16	14	10	122
Mizoram	-	1	3	5	12	3	7	48	5	45	17	1	147
Nagaland	-	1	3	12	19	9	11	8	9	8	19	20	119
Sikkim	-	-	-	-	-	-	-	12	36	23	27	18	116
Tripura	-	1	1	2	2	2	5	7	9	38	55	20	142
Total	2	19	28	60	101	86	131	204	238	285	300	169	1623

Board of Directors



Sri K. N. Hazarika

Chairman and Managing Director of NEDFi has been a professional banker having served State Bank of India for over three decades. He has worked extensively for many years in the North East during his tenure with the bank. He is a post graduate in Arts and has been trained in the Wharton School, Pennsylvania, USA, on 'Strategic Thinking for Competitive Management'

Sri K. N. Hazarika has been nominated by the Ministry of Commerce & Industry, Government of India to all the commodity boards viz. Tea Board, Coffee Board, Rubber Board, Spices Board and Agricultural and Processed Food Products Export Development Authority. He is a Member in the NEIIPP Committees of Government of India (under NEIIPP-07).



Dr. Dharendra Nath Borthakur

an eminent agricultural scientist of national repute and retired as the Vice Chancellor of the Assam Agricultural University. Dr. Borthakur is well-known for his outstanding contribution in research & development in the field of agriculture



Sri R.R. Dash

is the Zonal Manager Life Insurance Corporation of India, Kolkata. Prior to this posting, he was Executive Director (Inspection) at the Central Office, Mumbai



Sri Houkhum Hauzel

is the Chief Secretary, Government of Mizoram. He belongs to the Indian Administrative Service (1974 Batch). Earlier he was Principal Secretary to the Government



Sri Jarnail Singh

is the Chief Secretary, Government of Manipur. He belongs to the Indian Administrative Service (1974 Batch). Earlier he was Joint Secretary in the Prime Minister's Office



Sri B.P. Muktieh

is the General Manager, IDBI Ltd., North East Zonal Office, Guwahati



Sri Nikhil Pandey

is Director, Ministry of Development of North Eastern Region (DoNER), New Delhi. Earlier he served as Director, Safety at Railway Board in Indian Railway Service, Delhi



Sri Falguni Rajkumar

is Secretary, North Eastern Council. He belongs to the Indian Administrative Service (1972 batch). Prior to joining this assignment, he was Additional Chief Secretary, Government of Karnataka



Sri S. Vishvanathan

is Chief General Manager of State Bank of India, North East Circle, joined as a Probationary Officer in 1976 and has served the Bank at New York Branch, as Regional Manager at Agra and as Deputy General Manager, Chandni Chowk, New Delhi. Earlier he was General Manager (Global Markets) managing treasury operations at the Corporate Office at Mumbai.

Directors' Report

The Directors of your Company have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 2008.

Financial Review

The financial results of the year are highlighted below:

	Rs. Lakhs	
	2007-2008	2006-2007
Gross Income	3658	3120
Expenditure	515	481
Provisions	519	700
Profit before Tax	3042	1939
Net Profit after adjustments	2434	1561

The Corporation sustained the growth in business and reached new heights in key parameters such as gross income, profits, sanctions, disbursements and the number of borrowers as at the end of March 2008. While increasing the business, as in the past, prudential and exposure norms were meticulously observed. Recoveries were higher and both gross and net NPA levels were again brought down for the fourth consecutive year.

Operating profit as a percentage of average working funds was 5.78% in comparison to 4.64% in the previous year. Return on average assets was 5.66% in the year under review as compared to 4.53% in 2006-2007. Profit before tax was higher at Rs.30.42 crore, an improvement of 56.88% over the previous year. Net profit increased by Rs.8.73 crore to Rs.24.34 crore as against Rs.15.61 crore in 2006-2007.

The Board of Directors of your Company has recommended a dividend of Rs.0.30 per share for the financial year 2007-08. The payout ratio is 14.4% of the net profit and total outgo on account of dividend and tax thereon is Rs.350.99 lakhs.

Operations Review

The best ever financials were achieved primarily because of positive efforts to respond to the rising market demand and to constantly improve and maintain quality of assets, while being conscious at all times of our basic objective of reaching out to the entrepreneurs and to showcase and market the potential of the Region. The impact of stepping up of sanctions and disbursements in the past few years are translating into rising revenue and higher earnings. To put this matter in perspective, it is necessary to observe the disbursements in the last four years:

Year	Rs. Lakhs
2004-05	5235
2005-06	10431
2006-07	9424
2007-08	11644

Higher income stream is a function of increasing book size. At the year end, the Corporation had cumulative book size i.e. net portfolio of loans and other credit facilities aggregating to Rs.331.73 crore. This is 19.97% higher as compared to Rs.276.49 crore as at 31st March, 2007. Credit exposure to five sectors - services, cement, steel, food products and power - constituted Rs.172.47 crore, approximately 52% of the loan book.

The sanctioned figure in 2007-08 was approximately 101% higher than the previous year. 169 new and viable projects were sanctioned in the year under review. More significant, overdue was reduced and the recoveries totaled Rs.81.37 crore during the year.

Out of the 34 sectors financed by the Corporation, the maximum recovery has been from the industries engaged in capital goods, ferro alloy, industrial gases, power, all at 100%, followed by contract finance (99.99%), cement (99.03%), iron & steel (98.81%), real estate (98.66%), coke (96.32%), petroleum products (94.79%) and hotels (90.99%).

Lowest recovery has been in sectors such as textiles and yarns (6.63%), medicinal and aromatic oil (13.82%), jute based industries (15.68%), bamboo based industries (15.89%), agri & allied (16.20%), tea (24.06%), handloom & handicraft (25.26%), agri food processing (26.68%) and paper & paper products (28.98%).

Net NPAs to net loans & advances stood at 2.35% as at 31st March 2008, much lower than 4.93% as at March 31, 2007. At year end, the Corporation continued with its conservative policies as well as met the Reserve Bank of India's prudential norms and made an additional provision of Rs.5.19 crore against its standard, sub-standard, doubtful and loss assets.

The Corporation is aware of the ground realities and wherever necessary, adopts a flexible approach especially required for start up projects or first time borrowers, to enable them to reschedule their cash flow. While the Corporation adheres to the Reserve Bank of India's prudential norms, the situation in the North East at times calls for unavoidable but reasonable deviations. However, necessary managerial intervention and monitoring is critical to stay within the norms and care is taken to support the borrowers and protect the Corporation.

The Commitment

The Corporation is committed to promote the North East economy and will strive to widen the development options, encourage entrepreneurial activity and support the vulnerable and sensitive sections of society by financing their viable business needs. Conscious efforts are made to finance the acute needs of the Region and develop infrastructure, agriculture, and small and medium enterprises without compromising the Corporation.

The loan book is healthy and necessary follow-up is done to keep the balance sheet clean. In order to carry forward the momentum, the

Corporation is conducting various facilitation and awareness programs, business development initiatives and also a wide spectrum of activities under Corporate Social Responsibility. Region specific techno economic feasibility studies, as well as seminars and discussions were held at various locations.

Initiatives under Techno Economic Development Fund (TEDF)

Out of 56 studies commissioned under TEDF, 54 studies have since been completed and their final reports have been received. Two studies which are in various stages of progress are,

- a. Preparation of DPRs for assessment of soil erosion, its nature and extent and suitable control measures for seven districts of Assam viz. Dhemaji, Dibrugarh, Goalpara, Jorhat, Kamrup, Nalbari and Sonitpur by NERIWALM, Tezpur; and,
- b. Feasibility study to set up a comprehensive agricultural cooperative marketing structure in the districts of Dibrugarh & Tinsukia by TATVA, Guwahati.

Other associated on-going activities include:

- a. Handloom cluster mapping & base line survey report of Kokrajhar, Bodoland Territorial Council, Assam, by Nedan Foundation Kokrajhar;
- b. Study on "river controlling by plastic net & bio system" on the banks of River Dikrong at two sites viz. Maricha Pathar and Braikhana Bengali Gaon, Lakhimpur District by Polygon Foundation (NE), Guwahati; and,
- c. Study for revival package for Assam Tea Corporation Limited (ATC).

NEDFi extended R&D support for product development and encouraged innovations to:

- a. Sri Uddhab Bharali, Lakhimpur: Torja Bera (bamboo walls) making machine;
- b. Sri Pritam Rajkhowa: To develop technology for flattening of bamboo;
- c. Sri Lalbiakzuala Ralte and Sri Lalpianliana Sailo from Mizoram: support was provided to continue their innovation and also to develop turmeric grinding machine, ginger slicing machine, betel nut peeling machine; and,
- d. Sri Sanjiv Sabhapandit, (Maanpee Creation): to develop an improved prototype of a flood relief camp capsule - "Mother Shelter"

Other Notable Activities under TEDF

- a. NEDFi Haat activities

Total of 165 Fairs/Exhibitions have been held since inception of NEDFi Haat in December, 2002. During the year under review, the total business generated by the SHGs/artisans was Rs.1247.75 lakhs. Apart from routine events/exhibitions, NEDFi organized the North East Grassroots Innovators Exhibition (8-10 August,

2007), North East Handloom and Handicraft Fair (Aug 20-27, 2007), Pre-Diwali Fair for the physically challenged persons (1-2 November, 2007), Organic Fruits & Vegetables Festival (28-30 December, 2007) and North East Handloom & Handicraft Fair with special focus on Manipur (9 - 18 February, 2008).

- b. Other Promotional Ventures:

- The Corporation participated in Handloom & Handicraft Fair (1-10 April, 2007) at Gangtok, Sikkim, organized by the Handloom & Handicraft Department of Sikkim on their Golden Jubilee Celebration;
- NEDFi showcased products of all North Eastern states in the Ravangla Tourist Festival at Rabong, South Sikkim (8-13 April, 2007) in which units from each state displayed their skills;
- On the occasion of the visit of the Thai Delegation to the North East, a Handloom & Handicraft exhibition was organised at Assam Administrative Staff College, Guwahati on 23rd June 2007. The visitors included Sri Kirik-Krai Jirapaet, Hon'ble Minister of Commerce, Government of Thailand along with the Thai delegates, Sri Mani Shankar Aiyar, Hon'ble Minister of Development of North Eastern Region (DoNER), Government of India, Sri Jairam Ramesh, Hon'ble Minister of State for Commerce, Government of India and Sri Tarun Gogoi, Hon'ble Chief Minister of Assam;
- The Corporation participated in the India International Trade Fair (IITF) 2007 at Pragati Maidan, New Delhi and sponsored 36 borrower units (handloom & handicraft, food processing etc.) from all the eight states of the North East. NEDFi was awarded the Bronze Medal in the PSU category for design and display of the NEDFi Haat pavilion.
- The Aggressive International Marketing Project specially designed for the handloom/handicraft artisans of North East to upgrade their skills, develop new product range and introduce diversification of designs to enhance the export potential of these products, is jointly implemented by NEDFi and EPCH with financial support from the Ministry of Commerce & Ministry of DoNER. During 2007-08, 17 workshops were conducted in different parts of the Region and 58 entrepreneurs, after being trained under the project, were sponsored to participate in the Indian Handicraft & Gift Fair (IHGF) held in October 2007 and February/March 2008 in Delhi. The project has three components - human resource development, design development services and international marketing.
- During the North East India Investment Opportunities Week, held at Bangkok between 1-4 October 2007, 23 participants were sponsored by NEDFi in association with Indian Chamber of Commerce for participation in the exhibition.
- A Memorandum of Agreement was signed on 3rd October, 2007 between NEDFi and India Thai Business Forum,

Bangkok, Thailand represented by its Chairman Dato Satish Sehgal to explore/facilitate trade and investment opportunities in the respective countries for mutual benefit.

- During the North East India Investment Summit which was held on 11th and 12th January, 2008 at Sarusojai Sports Complex, Guwahati, an exhibition was arranged by NEDFi not only to showcase the handloom and handicraft products, but, also the potential of core industries such as cement and infrastructure. An art gallery was also arranged to display contemporary art by local artists.
- NEDFi has brought out a comprehensive booklet on NEIPP-2007 which covers all the circulars issued in this regard. The book was widely appreciated by the participants at the North East India Investment Summit.
- NEDFi signed an MOU with Friends of Assam and Seven Sisters (FASS) on 21st January, 2008 for overall development initiative for the North East and in particular, using the resources and experiences of Non-Resident Indian and Resident Indian members of FASS.
- Several skill upgradation training programmes were conducted to give design inputs in cane and bamboo craft, handloom products, handicrafts, leather shoes, mask making etc. at various locations in all the states of the Region.

R&D Centre for Medicinal & Aromatic Plants (MAP)

R&D Centre at Nagicherra, Agartala

NEDFi signed an MoU with the Government of Tripura on 27th December, 2006 to set up a R&D Centre in Nagicherra, Tripura, on a one hectare plot of land allotted by the Government, on the lines of the existing one in Khetri, near Guwahati. An office room was also provided at the Horticulture Research Complex, Nagicherra, Tripura, for utilization by the Centre.

On 5th May, 2008, the R&D Centre, Nagicherra, was inaugurated by the Chief Minister of the state in the presence of other ministers in his cabinet. A herbal garden was developed at the project site of R&D Centre, Nagicherra, with 30 different medicinal & aromatic plants to create awareness among the farmers. A steam distillation plant with a capacity of 200 kilograms per batch was also set up at the Centre for demonstration to the farmers.

Government of Tripura has also allotted over 25 acres of land to the Corporation in Kailasahar, on long term lease for setting up an entrepreneurs' park on medicinal and aromatic plants.

R&D Centre, Khetri, Assam

• *Training*

Two training programmes were conducted on medicinal and aromatic plants (MAP) during the period and were attended by 50 participants from Arunachal Pradesh and Assam.

• *Field Activity*

Several R&D initiatives were undertaken during the year. Some of them are ongoing and almost all of them are expected to have positive impact on the cultivation of medicinal and aromatic plants in the long run. In brief, the projects on hand are listed below:

- Trial cultivation of Patchouli as a seasonal crop.
- Trial and curing of Patchouli to ascertain yield and quality under different conditions. Results are awaited.
- Effect of bioactivator and biomanure on yield of Patchouli.
- Studies on the effect of ageing on oil quality of Patchouli.
- Three varieties of Citronella were cultivated as irrigated crop where Jalpallavi has been found to be superior, followed by Jorlab C2 and Medini.
- Feasibility studies on the commercial cultivation of Stevia rebaudiana in the North East.
- Studies on oil-recovery, oil-quality as influenced by stem/leaf ratio of Patchouli.
- Microbes mediated compost (MMC) is being prepared with soft herbs. These are as yet incomplete.

• *Extension activity*

Extension work of different MAP crops is underway in several places. For instance, these include Patchouli, Vetiver and Lemongrass cultivation in Pasighat; extension of Patchouli at Salna and Nagaon both as inter crop and mono-cropping. Patchouli and Lemongrass at Biswanath Chariali; Introduction of Patchouli in Char areas of Dhubri District as annual crop, Lemongrass in Senapati District of Manipur, Lemongrass and Citronella in Along and Basar of Arunachal Pradesh.

Status of projects initiated by Central Government

The following new projects were sanctioned during the current year by three Central Government organizations. These complement NEDFi's research initiatives and are expected to further improve traction in cultivation of medicinal and aromatic plants:

- a. Networking of indigenous medicinal and aromatic plants of the North East under National Medicinal Plants Board (NMPB), New Delhi, in which germplasm of some endangered medicinal plants will be collected and conserved in our herbal garden.
- b. A project sanctioned by Department of Biotechnology, Government of India on varietal improvement of Patchouli by genetic manipulation, is being carried out with the ultimate aim to popularize Patchouli amongst the farmers of the Region.
- c. A biodiesel project sponsored by Department of Biotechnology, Government of India, is expected to be started after installation of plant and machinery in the newly constructed factory shed by September 2008.

The R&D Centre is also collaborating with State Agriculture Department of Assam Government for implementation of a project on large scale cultivation of MAP under Joint Forest Management Committees (JFMC).

Studies conducted by outside agencies during the period

A collaborative research work was carried out by IIT, Guwahati, on Development of Micropropagation Technology for large scale cultivation of Jatropha, a potential bio-fuel plant. The study is completed, protocol is developed and submitted to NEDFi.

Micro Finance Scheme

The Corporation has been successful in creating a market for micro finance and has developed a group of NGOs/CBOs to administer and monitor on lending activities. A large number of women have joined the micro finance route to set up tiny business enterprises. Repayment schedules have been adhered to by almost all the beneficiaries, with low default ratio.

During the year ended 31st March 2008, loans sanctioned under the scheme aggregated to Rs.12.16 crore and disbursement was Rs.6.73 crore covering 11 projects and 20,868 beneficiaries.

In micro credit dispensation, training and capacity building of partner institutions are crucial interventions for attaining long term sustainable objectives. With this end in view, exposure visits to different MFIs in India, training and workshops are being organised for partner institutions on a regular basis, including organising Training of Trainers (ToT) from time to time.

Total 91 participants from 50 NGOs took part in five Workshop-cum-Training Programmes on "Managing Micro Finance-Module I" held at Agartala, Guwahati, Imphal & Kohima. The Workshop-cum-Training-Programmes were specifically focused on developing systems and processes for managing delinquency and risk for NGO/MFIs.

The Corporation is scaling up its micro finance outreach through infusion of Information Communication Technology (ICT) and Information Technology (IT) by possible integration with government schemes such as NeGS and also with private institutions like FINO, Srei Infrastructure, Zoom Developers etc.

Nodal Agency role

The Corporation has been again designated as the nodal agency for disbursement of Central Capital Investment Subsidy, Central Transport Subsidy, Central Working Capital Interest Subsidy and Central Comprehensive Insurance Subsidy for the North Eastern states. Cumulative disbursement under these schemes as on 31st March, 2008 stood at Rs.532.94 crore.

NEDFi's permanent office

Around 80% of the civil work has been completed and the rest is expected to be completed by November 2008. Other site developments such as interior and electric work are in progress.

Future Outlook

A number of policy initiatives have created an enabling environment in the Region. There is considerable excitement in the industry circles. The North East - Vision 2020, which is about to be unveiled, is being awaited with high expectations. In the new and emerging sectors in the Region, apart from avenues of large public investments,

opportunities have opened up for private investors as well. Banks and financial institutions are offering new products and services to tap these new businesses. NEDFi would seek to exploit this buoyancy and play its mandated role to create synergy and impetus to achieve the twin objectives of growth and consolidation.

The Way Forward

In order to meet the expectations of a growing market, the Corporation is aware that capacity building within the organization and resource augmentation would need to be addressed as priority issues. Some of the essential action plans include:

- **Capital augmentation:** Several growth inducing developments and rapid improvement in law and order have generated considerable interest among the investor community with rise in credit demand. With a view to tap these opportunities, the resource base of the Corporation would need to be substantially augmented by tapping market sources viz. private investments, promoters' contribution, strategic partnership with national level institutions, equity participation from various institutions as well as budgetary support from the Central Government. Earnest exploratory efforts have been initiated in the direction.
- **NPA:** Non Performing Assets have put severe strain on the internal resource generation and NEDFi has taken up as a challenge to bring down the gross NPA to below 5% within the next two years. Necessary steps are being taken to implement internal risk management system to assess credit worthiness of borrowers and improve credit quality.
- **Branch Strengthening:** In order to ensure that the Corporation maintains the growth momentum, it has become necessary to upgrade and empower the branch offices, in all the seven states, to fully functional growth & profit centres and make them efficient delivering platforms for our products & services. Necessary steps are being taken to delegate more responsibilities to the branches to operate independently with appropriate oversight and monitoring.
- **Technology:** To make use of the latest available Information Technology, a "Pilot Project on NEDFi Branch Office Connectivity" has been successfully tested and implemented for online connectivity of all the branch offices located at the state capitals.

The possibility of Real Time Branch Office connectivity is also being explored so as to enable the branch offices to operate independently and do real time business transactions. In this connection, NEDFi has availed of the expertise of technical experts from IIT - Guwahati, IIBM - Guwahati and IDRBT - Hyderabad for upgrading the existing IT infrastructure and prepare an IT roadmap. Moreover, an IT policy on data security and disaster recovery is also being prepared. The Corporation is consulting ILFS & ETS for obtaining their technical support in developing a dynamic web-portal for easy access to information by the existing as well as potential customers of NEDFi.

With the technical support from FINO (P) Ltd, Mumbai, NEDFi is also planning to implement a pilot project to assist the NGO MFIs in deployment of latest technology such as smart card, portable ATMs, bio-matrix web application etc. to scale up their operations for better financial inclusion.

Promotional activities for North East products

- The **NEDFi Haat** at Guwahati, a permanent exhibition cum marketing platform for artisans, cottage and small scale industries, has facilitated the local entrepreneurs & artisans to display, sell and develop marketing network of their products. Those units, which attain an acceptable benchmark in terms of quality, volume and product range, are assisted to access higher and more viable market linkages by facilitating their participation in domestic & international trade fairs. As a logical next step, NEDFi would seek to replicate this successful model in all the state capitals in the Region. The Government of Tripura has already allotted adequate space for NEDFi Haat in Agartala, which is likely to be inaugurated by the last week of September 2008.
- **Emerging areas of growth:** The MSME (Micro, Small & Medium Enterprises) sector plays an important role in the economy of the North East and covers a wide spectrum of activities with significant capital investments. Banks and financial institutions are now drawing up plans to meet the multiple needs of the MSME segments, creating an enabling environment for a new thrust in this area.

The North East Industries & Investment Promotion Policy, 2007 (NEIIPP 2007), is also creating a positive climate for investment. The Union Budget 2008-09 has provided for a risk capital fund by SIDBI to address the needs of the MSMEs. The Corporation would leverage these positive developments to boost the MSME sector in the Region.

- **Business Facilitation Programmes** for first generation entrepreneurs including women entrepreneurs, guidance and counseling on enterprise building, technical guidance and timely financial assistance are some of the ongoing measures taken up by NEDFi. The Corporation would also seek to explore the opportunities for investment in other emerging sectors to boost industrial activity in the Region, e.g. infrastructure, power, roads, food processing, agro-industries, health, hospitality and tourism sectors. It would be NEDFi's concerted effort to promote viable ventures in these sectors by way of long-term debt and equity support.
- **Reaching the Grassroots:** In order to reach the grassroots, the Corporation has developed a basket of products and services to cater to the needs of first generation entrepreneurs, women entrepreneurs, artisans and craft persons. As a logical step, NEDFi is working out a strategy for greater outreach and financial inclusion through the business facilitator/correspondent model.
- **Skill upgradation:** NEDFi recognizes the fact that skills and knowledge are essential push-factors for economic growth and

social development. Therefore, it is important that the large pool of human resource of the Region is effectively harnessed to enhance productivity and competitiveness. NEDFi would seek to promote greater investment in skill upgradation and capacity building through the vehicles of advocacy, training & knowledge development to leverage the human capital of the Region and catalyse economic activity.

As an initial endeavour in this direction, NEDFi, along with NABARD, has decided to set up **Centre for Practical Livelihood Training (CPLT)**, a RUDSETI type institute, in District Nalbari, Assam, in association with the Government of Assam. Discussions have been initiated with the Government of Tripura for setting up a similar institute in a suitable location in the State. The programme may be replicated in the other states of the Region depending on the success of these pilot projects, availability of resources and suitable partner-institutions.

- **Advocacy & Publicity on North East:** It has been observed that of late, there has been considerable excitement among the foreign missions, Indian Business Associations and the media regarding investment potential of the North Eastern Region. State governments with their multiple priorities are often unable to handle sporadic exploratory visits of such dignitaries and NEDFi was called upon on many occasions to do the needful. NEDFi, in the process, has gained valuable experience in handling such delegations.

Based on this experience, a more structured initiative is being proposed for the year 2008-09. To begin with, a few initiatives have taken off the ground:

- ◆ Coordinated the visit of a Thai-Japanese delegation comprising of Mr. Noritada Morita, Former Director-General, Asian Development Bank alongwith the Directors of Harmony Life Organic Farm, Thailand from 3rd April to 8th April'08. This is in line with the linkage developed during the North East Investment Opportunities Week held in Bangkok from 1st to 4th October, 2007. The delegation provided training on the use of effective micro-organism in organic farming and covered Assam, Meghalaya and Sikkim.
- ◆ Coordinated the visit of a Czech delegation led by H. E. Dr. Hynek Kmonicek, Ambassador of the Czech Republic from 16th to 19th April, 2008. The visit focused on potential business opportunities in sectors such as coal mining, food processing, aviation (portable airports/helipads) and small hydro power projects, to be followed by a business delegation from Czech Republic representing each of these sectors. NEDFi would seek to draw the maximum mileage for the Region out of these delegations and similar visits in future.
- **Alliances & Synergy:** The Corporation is strongly committed to synergistic alliances and has initiated the process of integrating activities with NEHHDC, NERAMAC, TRIFED and other similar organisations working at the grassroot level. Alliances will also

be created with organisations of repute and experience to provide infrastructural support facility to the unorganized sectors through different schemes of Government of India, including the Rural Business Hubs (RBH) Model of the Ministry of Panchayati Raj, Government of India, by engaging the local Panchayats in the endeavour.

- **NE Equipment Bank:** In view of the massive infrastructural development programmes in transportation, power, oil & gas sectors underway in the North East, NEDFi has proposed to set up an equipment bank, with its headquarter in Meghalaya, in collaboration with suitable partner/(s). The business advisory services and technical expertise for setting up the North East Equipment Bank are likely to be provided by Construction Industry Development Council (CIDC), a wing of the Planning Commission, Government of India. The project is expected to take off during the current financial year.
- **North East Institute of Construction Technology and Research (NECTAR):** NEDFi in association with CIDC and the Government of Nagaland proposes to set up this first of its kind training institute in Dimapur for construction workers in the North East. The Government of Nagaland is in the process of identifying the land for the institute. Meanwhile, CIDC and NEDFi have prepared the Detailed Project Report for NECTAR and submitted the same to Government of Nagaland.
- **Industrial Training Institute (ITI), Diphu:** The Government of India had launched a programme in 2004-05 to upgrade 500 Industrial Training Institutes (ITI) over the next five years at the rate of 100 ITIs a year into Centres of Excellence. The main thrust of the programme is to provide appropriate infrastructure, equipment, updated syllabi and introduce new trades. The Centres of Excellence will cater to the skill requirements of the cluster of industries in the particular areas by organizing multi-skill courses on a modular pattern.

Out of 46 ITIs in the North East, 15 ITIs will be upgraded as Centres of Excellence. In Assam, out of 24 ITIs, 7 ITIs are being upgraded as Centres of Excellence. ITI Diphu is one of the 7 ITIs identified by the Government of Assam for upgrading as Centre of Excellence for setting up Fruit Preservation Processing & Training Centre (FPTC). NEDFi is participating with Government of Assam for upgradation of ITI Diphu into a Centre of Excellence.

- **Thrust on Tourism Sector:** Enterprises in tourism sector has a multiplier effect on the economy and has far reaching benefits in terms of providing employment and sustainable livelihood. Realizing the importance of this sector in North-East India's economy, the Corporation has been promoting tourism as one of the thrust sectors. The Corporation has engaged a professional consultant for preparing a roadmap for development of tourism in North-Eastern Region and final report is expected to be presented soon. The broad objectives of this initiative are to bring about a change in the mindset of the stakeholders to look

at the Region as an integrated tourist destination and to offer value for money to the tourists by making attractive inter-state circuits.

Besides the above initiatives, the Corporation has been supporting small and medium enterprises in the tourism sector in the eight states of North East and will continue to support the growth of this sector in future years.

Board of Directors

NEDFi's Board has nine Directors of which all except one are Non-Executive Directors. In the last Annual General Meeting held on 21st September 2007, Dr. D.N. Borthakur retired as a Director retiring by rotation and was re-appointed. In the same meeting, Sarbasri S. Santhana Krishnan, R.R. Dash and Falguni Rajkumar were appointed as Directors.

During the year, Sri Santhana Krishnan relinquished his office as Director. The Board has placed on record its appreciation for the services rendered by Sri Santhana Krishnan during his tenure at NEDFi.

Sri S. Vishvanathan, Chief General Manager, State Bank of India, Local Head Office, North East Circle, Guwahati, has been appointed as a Director of the Company with effect from 4th June, 2008 and will hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received a notice from SBI (Member) signifying its intention to propose the candidature of Sri Vishvanathan for the office of Director. Necessary resolution in this regard has been incorporated in the notice for the thirteenth Annual General Meeting.

As per provisions of Section 256 of the Companies Act, 1956, Sarbasri Haukhum Hauzel, IAS, Chief Secretary, Government of Mizoram and Jarnail Singh, IAS, Chief Secretary, Government of Manipur, will retire by rotation at the ensuing Annual General Meeting.

Audit Committee

An Audit Committee of Directors comprising of non-executive Directors was constituted in 2001 to provide a direction to audit and risk management function of the Corporation. The responsibilities of the Audit Committee comprises, among others, overseeing the Company's financial reporting process to ensure proper disclosure of financial statements, reviewing financial statements before submission to Board, reviewing adequacy and compliance of internal control systems, reviewing findings of the internal investigation and discussions with external auditors. Three Audit Committee Meetings were held during the year.

Directors' Committee

The sanction and approval of loan proposals in excess of specific limits are vested with Directors' Committee. All the credit proposals having loan component above Rs.2 crore are placed before the Directors' Committee for approval. During the year under review five Directors' Committee Meetings were held.

Corporate Credit Committee

In conformity with the principle of Scheme of Delegation of Financial and Administrative Powers, the Corporate Credit Committee (I) and Corporate Credit Committee (II) have been constituted, for speedy disposal of proposals. Credit Proposals having loan component up to (i) Rs.2 Crore and (ii) Rs.25 Lakhs are placed before Corporate Credit Committee (I) and Corporate Credit Committee (II) respectively. Five Corporate Credit Committee (I) meetings and fifteen Corporate Credit Committee (II) meetings were held during the year.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations furnished to them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956:

- a. that in the preparation of the Profit & Loss Account for the year ended 31st March, 2007 and Balance Sheet as on that date, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed;
- b. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- c. that proper and sufficient care has been taken for the maintenance of accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance of these systems;
- d. that the annual accounts for the year ended 31st March, 2008 have been prepared on a going concern basis.

Auditors

On the advice of the Comptroller and Auditor General of India, Messrs O.P. Bhansali & Co., Chartered Accountants, Guwahati, were appointed by the Department of Companies Affairs, Ministry of Law, Justice and Company Affairs, as auditors for the years 2007-2008 under Section 619(2) of the Companies Act, 1956. They hold office until the end of the ensuing Annual General Meeting.

Human Resources

As on 31st March, 2008 the Corporation had on its roll 69 staff members. Employees from all the North Eastern states make NEDFi a mini North East where the people from remotest corner of the Region feel at home.

In order to improve the capability of the organisation in the face of its specialized developmental role and competitive business atmosphere and to keep its employees abreast of the latest developments, the staff at all levels are sent for training programmes, conferences, seminars and workshops conducted at various centers in the country covering all related fields of activity.

The team at NEDFi forms a cohesive group and has made remarkable efforts to carry the organization to high levels of performance. They remain the core strength of the Corporation.

None of the employees of the Corporation received, during the year, remuneration in excess of limit prescribed under Section 217 (2A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption, Foreign Exchange Income and Outgo

Being a financial institution, energy consumption at NEDFi is negligible. The organization, meanwhile, has been in the process of adopting the latest information technology to provide the best facilities to its customers. There has also been no foreign exchange income and outgo during the year.

Appreciation

NEDFi is grateful to its promoters, IDBI, SBI, SIDBI, IFCI, ICICI, Administrator of Specified Undertaking of Unit Trust of India, LIC, GIC and its subsidiaries for the support and encouragement extended by them to NEDFi since its inception. The organization is also indebted to the Office of His Excellency the President of India, Prime Minister's Office, Ministry of Development of North Eastern region, Government of India, the Banking Division, Department of Economic Affairs, Ministry of Finance, Ministry of Industry, Ministry of Commerce, Ministry of SSI and ARI, and other departments of the Central Government, the state governments and all India institutions, Reserve Bank of India, commercial banks and others for the magnanimous support it has received from all of them. NEDFi has considerably benefited from their support, cooperation and guidance for its sustainable economic growth.

By order of the Board



K. N. HAZARIKA

Guwahati
18th August, 2008

Chairman and Managing Director

Auditors' Report

The Members,
North Eastern Development Finance Corporation Limited,
Guwahati

1. On the basis of the observations made by the Comptroller & Auditor General of India, this revised audit report has been prepared in lieu of the earlier report dated 12th June 2008, where the word Cash Flow Statement was inadvertently omitted in the audit report which has now been complied with.
2. We have audited the attached Balance Sheet of NORTH EASTERN DEVELOPMENT FINANCE CORPORATION LIMITED, Guwahati as at 31st March, 2008 the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards generally require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
5. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet and the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, according to the information and explanations given to us and subject to significant accounting policies disclosed in the notes on accounts, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - e. According to the information and explanations given to us and on the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the accounting policies and notes appearing in the Schedule annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and,
 - ii. in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **O.P. BHANSALI & CO.**
Chartered Accountants



O.P. BHANSALI
Partner

Membership No. 51532

Guwahati, 4th July, 2008

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our Report of even date on the accounts of North Eastern Development Finance Corporation Limited, Guwahati for the year ended 31st March, 2008)

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us the fixed assets of the Company have been physically verified by the management during the year which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. According to the information and explanations given to us by the management, no material discrepancies were noticed on such physical verification.
 - c. In our opinion the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. Since the Company does not carry any inventory, clause 4(ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.

3. a. The Company have not granted or taken loan to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. The Company has given loans to other parties in the normal course of business of lending.
- c. The Company has taken a loan of Rs.60.00 crore from Government of India during the year which is interest free and its terms & conditions are not prima facie prejudicial to the interest of the Company and repayments of loans taken has not fallen due yet.
4. In our opinion, and according to the information and explanations given to us, there are reasonable internal control system commensurate with the size of the company and the nature of its business with regard to the purchase of fixed assets and with regard to the sale of services.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956:
 - a. According to the information & explanations given to us there are no contracts or arrangements particulars of which need to be entered into the register maintained under Section 301 of the Companies Act 1956. Consequently the requirement of clause (V) (b) of pragraph 4 of the order is not applicable.
6. The Company has not accepted any deposits from the public.
7. The Company has an internal audit system which broadly commensurate with the size of the company and the nature of its business. **However, no system information audit was conducted during the year.**
8. As informed to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. In respect of statutory dues:
 - a. As per the information and explanations given to us by the management and according to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty and excise duty, cess and other material statutory dues have been generally regularly deposited with the appropriate authorities. According to the explanations and information given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding, as at the 31st March, 2008 for a period of more than six months from the date of becoming payable.
 - b. According to the record of the Company and as per the information and explanation given to us, no disputed amount payable in respect of the dues of sales tax/income tax/customs duty/wealth tax/service tax/excise duty/cess were outstanding as at 31st March, 2008.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, the Company has no dues to financial institutions, banks or debenture holders.
12. According to the information and explanations given to us, 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.
13. According to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. According to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments. The shares, debentures and other investments have been held by the Company under investment portfolio and are in its own name.
15. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. The Company has raised interest free term loans from Central Government. The term loan has been applied for the purpose of which it was raised. Pending utilizations, the funds were temporarily invested in short term investments and placed as fixed deposits with banks. The term loans outstanding at the beginning of the year were applied for the purpose for which they were raised.
17. According to the information and explanations given to us, and on overall examination of the Balance Sheet of the Company, we report that there are no funds raised on short term basis that have been used for long term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. As informed to us, the Company has not issued debentures.
20. As informed to us, the Company has not raised any money by way of public issue during the year.
21. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

For **O.P. BHANSALI & CO.**
Chartered Accountants



O.P. BHANSALI
Partner

Membership No. 51532

Guwahati, 4th July, 2008

Comments of the Comptroller and Auditor General of India

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF NORTH EASTERN DEVELOPMENT FINANCE CORPORATION LIMITED, GUWAHATI FOR THE YEAR ENDED 31st MARCH, 2008

The preparation of financial statements of North Eastern Development Finance Corporation Limited, Guwahati for the year ended 31st March, 2008 in accordance with the financial accounting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are 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 12 June, 2008.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of North Eastern Development Finance Corporation Limited, Guwahati for the year ended 31st March, 2008. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting record. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956

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

Kolkata
18th July, 2008

A. Roychoudhury
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-1

Balance Sheet as at 31st March, 2008

Rs. '000

Schedule		As at 31st March, 2008	As at 31st March, 2007	
I. SOURCES OF FUNDS				
SHAREHOLDERS' FUND				
	Share Capital	A	100,00,00	100,00,00
	Reserve & Surplus	B	181,21,07	161,93,44
	Techno Economic Development Fund	C	25,09,33	25,08,73
			306,30,40	287,02,17
LOAN FUNDS				
	Interest Free Unsecured Loan from			
	Government of India		169,11,00	109,11,00
	Deferred Tax Liability		10,97	13,05
	TOTAL		475,52,37	396,26,22
II. APPLICATION OF FUNDS				
FIXED ASSETS				
	Gross Block	D	6,30,81	6,15,54
	Less: Depreciation		3,07,14	2,73,99
	Net Block		3,23,67	3,41,55
	Capital Work in Progress		9,55,40	6,60,48
			12,79,07	10,02,03
	INVESTMENTS	E	62,57,95	44,90,35
	LOANS AND OTHER CREDIT FACILITIES	F	268,47,74	220,20,08
CURRENT ASSETS, LOANS & ADVANCES				
	Cash and Bank Balances		124,04,20	123,07,61
	Other Current Assets		9,67,91	8,82,66
	Loans & Advances		14,33,96	11,59,40
	TOTAL		148,06,07	143,49,67
LESS: CURRENT LIABILITIES AND PROVISIONS				
	Liabilities	H	5,50,69	14,83,84
	Provisions		10,87,77	7,52,07
			16,38,46	22,35,91
NET CURRENT ASSETS				
	TOTAL		131,67,61	121,13,76
			475,52,37	396,26,22
	Significant Accounting Policies and Notes to the Accounts Schedules annexed hereto form part of the Accounts.	K		

In terms of our Audit Report of even date

For **O.P. BHANSALI & CO.**
Chartered Accountants



O.P. BHANSALI
Partner


Guwahati
12th June, 2008



S.K. BARUAH
Company Secretary



D.N. BORTHAKUR
Director



K.N. HAZARIKA
Chairman and Managing Director
4th June, 2008

For and on behalf of the Board of Directors

Profit & Loss Account for the year ended 31st March, 2008

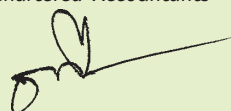
Rs. '000

	Schedule	2007 - 2008	2006 - 2007
INCOME			
Income from sale of Investment (Other than Trade Investments)		3,33,29	1,25,26
Interest on loans		23,03,61	19,59,24
Interest on Fixed Deposits and Bonds		9,08,90	9,45,64
Upfront Fees		75,24	65,23
Rental Income		15,78	7,16
Miscellaneous Receipts		6,45	6,15
Consultancy charges received		9,34	6,24
Dividend		5,40	5,40
TOTAL		36,58,01	31,20,32
EXPENDITURE			
Establishment Expenses	I	2,72,74	2,52,27
Administrative Expenses	J	1,95,14	1,87,21
Depreciation		33,15	36,07
Loans written off		6,03	-
Consultancy charges paid		7,75	5,17
Provision on Loans, Credit Facilities and Advances & Investments		5,19,24	7,00,12
TOTAL		10,34,05	11,80,84
PROFIT BEFORE TAXATION		26,23,96	19,39,48
Prior Period Adjustment		(4,17,67)	38,60
Fringe Benefit Tax of earlier year		-	15
Provision for Taxation:			
Deferred Tax Liability written back		(2,07)	(186)
Provision for Income Tax		6,04,00	3,36,67
Provision for Fringe Benefit Tax		6,06	437
PROFIT AFTER TAXATION		24,33,64	15,61,55
Proposed Dividend and Dividend Tax Written Back		2,92,49	-
Balance brought from previous year		72,09	1,03,03
Profit available for Appropriations		27,98,22	16,64,58
APPROPRIATIONS			
General Reserve		18,00,00	12,00,00
Statutory Reserve under RBI Act, 1934		4,86,73	-
Proposed Dividend		3,00,00	2,50,00
Additional Tax on Dividend		50,98	42,49
Social Support Fund		1,00,00	1,00,00
Balance Carried Forward		60,51	72,08
Significant Accounting Policies and Notes to the Accounts Schedules annexed hereto form part of the Accounts.	K		

In terms of our Audit Report of even date

For and on behalf of the Board of Directors

For **O.P. BHANSALI & CO.**
Chartered Accountants



O.P. BHANSALI
Partner



S.K. BARUAH
Company Secretary



D.N. BORTHAKUR
Director



K.N. HAZARIKA
Chairman and Managing Director
4th June, 2008

Guwahati
12th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Rs. '000

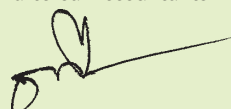
	2007 - 2008	2006 - 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before Income Tax	26,23,96	19,39,48
Adjustment for:		
Depreciation charge for the year	33,15	36,07
Loans written off	6,03	-
Loan loss provisions	5,19,24	7,00,12
Net income/(expenditure) of Social Support Fund	93	-
Net income/(expenditure) of TEDF	60	(49,33)
Other Provisions and Contingencies	13,20	32,18
(Profit)/Loss on sale of Fixed Assets	-	47
	<u>31,97,11</u>	<u>26,58,99</u>
Adjustments for:		
(Increase)/Decrease in Investments	(27,25,00)	(25,99,55)
(Increase)/Decrease in Advances	(53,53,74)	(31,61,80)
(Increase)/Decrease in Central Subsidy & Growth Centre Fund	(5,87,96)	(4,22,19)
(Increase)/Decrease in Other Assets	(1,15,41)	(3,72,18)
Increase/(Decrease) in Other Liabilities and Provisions	(3,45,19)	-
	<u>(59,30,19)</u>	<u>(38,96,73)</u>
Direct Taxes paid	(5,95,31)	(4,37,40)
Cash flow before extra ordinary items	<u>(65,25,50)</u>	<u>(43,34,13)</u>
Prior Period Adjustments	(15,12)	(38,61)
Net cash flow (used in)/from operating activities	<u>(65,40,62)</u>	<u>(43,72,74)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of Fixed Assets	-	2,59
Increase in Capital Work in Progress	(2,94,92)	(1,46,08)
Purchase of fixed assets	(15,26)	(20,01)
Net cash (used in)/from Investing activities	<u>(3,10,18)</u>	<u>(1,63,50)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Borrowings	60,00,00	31,48,00
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(8,50,80)</u>	<u>(13,88,24)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	138,87,95	152,76,19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	130,37,15	138,87,95

Rs. '000

	2007 - 2008	2006 - 2007
Note:		
Cash and cash equivalents consist of cash in hand and balances with banks, and investments in mutual funds.		
Cash and cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts:		
Units of Mutual Funds	6,32,95	15,80,35
Cash and Bank Balances		
Cash in hand	1,58	4,82
Balance at Bank		
With Scheduled Bank		
i. In Current Account	15,71,62	4,00,45
ii. In Fixed Deposits	95,00,00	105,82,22
Balance at Bank (TEDF)		
With Scheduled Bank		
i. In Current Account	31,00	20,11
ii. In Fixed Deposits	13,00,00	13,00,00
	130,37,15	138,87,95

In terms of our Audit Report of even date

For and on behalf of the Board of Directors

For **O.P. BHANSALI & CO.**
Chartered Accountants

O.P. BHANSALI
Partner

S.K. BARUAH
Company Secretary

D.N. BORTHAKUR
Director

K.N. HAZARIKA
Chairman and Managing Director
4th June, 2008Guwahati
12th June, 2008

Schedules annexed to and forming part of the accounts

Rs. '000

	As at 31st March, 2008	As at 31st March, 2007
A		
SHARE CAPITAL		
AUTHORISED CAPITAL		
(50,00,00,000 Equity Shares of Rs.10 each)	500,00,00	500,00,00
ISSUED,SUBSCRIBED,CALLED UP & PAID UP CAPITAL		
(10,00,00,007 Equity Shares of Rs.10 each, fully paid up)	100,00,00	100,00,00
B		
RESERVES & SURPLUS		
GENERAL RESERVE		
Balance brought forward from previous year	142,95,86	130,95,86
Add: Transferred from Profit & Loss Account	18,00,00	12,00,00
Less: Transferred to Statutory Reserve under RBI Act, 1934 (for the year 2002 - 03 to 2006 - 07)	8,54,55	-
	15,24,131	142,95,86
RESERVE FOR MARKET & ENTREPRENEURIAL DEVELOPMENT		
Balance brought forward from previous year	1,19,28	1,19,28
Add: Transferred from Profit & Loss Account	-	-
Less: Utilised during the Year	-	-
	1,19,28	1,19,28
SOCIAL SUPPORT FUND		
Balance brought forward from previous year	2,05,73	1,00,00
Add: Transferred from Profit & Loss Account	1,00,00	1,00,00
Add: Income	9,50	5,73
	3,15,23	2,05,73
Less: Utilised during the year	8,57	-
	3,06,66	2,05,73
NORTH EAST EQUITY FUND		
Balance brought forward from previous year	7,98,70	7,98,70
Less: Provisions against Soft Loans under NEEDS	4,48,45	-
	3,50,25	7,98,70
NHB-STRENGTHENING R&D AND TRAINING FACILITY	1,78	1,78
STATUTORY RESERVE UNDER RBI ACT, 1934		
Balance brought forward from previous year	-	-
Add: Transferred from General Reserve for previous years	8,54,55	-
Add: Transferred from Profit & Loss Account	4,86,73	-
	13,41,28	-
VENTURE CAPITAL FUND		
Balance brought forward from previous year	7,00,00	7,00,00
PROFIT & LOSS ACCOUNT	60,51	72,09
	181,21,07	161,93,44
C		
TECHNO ECONOMIC DEVELOPMENT FUND		
Balance brought forward	25,08,73	25,58,07
Add: Receipts and income from investments during the year	1,99,78	1,89,21
	27,08,51	27,47,28
Less: Utilised during the year	1,99,18	2,38,55
	25,09,33	25,08,73

D. FIXED ASSETS

Rs. '000

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Opening Balance	Additions during the period	Sale/disposal during the period	As at 31st March, 2008	Depreciation up to 31st March, 2007	Set on/off during the period	Depreciation during the period	Adjusted on Sale/disposal 31st March, 2008	Total as at 31st March, 2008	As At 31st March, 2008	As At 31st March, 2007
Interior Furnishing & Fittings	63,90	-	-	63,90	39,04	-	4,50	-	43,54	20,36	24,86
Computers	88,25	3,65	-	91,90	69,82	-	8,33	-	78,15	13,75	18,42
Electrical Installation	51,26	-	-	51,26	25,92	-	3,52	-	29,44	21,82	25,34
Furniture & Fixture	81,21	3,36	-	84,57	53,08	-	5,36	-	58,44	26,13	28,13
Land	1,69,70	-	-	1,69,70	-	-	-	-	-	1,69,70	1,69,70
Machineries	1,15,09	2,03	-	1,17,12	60,10	-	7,85	-	67,95	49,17	54,99
Office Equipments	39,84	6,22	-	46,06	21,96	-	3,01	-	24,97	21,09	17,88
Vehicle	6,30	-	-	6,30	4,07	-	58	-	4,65	1,65	2,23
TOTAL	6,15,55	15,26	-	6,30,81	2,73,99	-	33,15	-	3,07,14	3,23,67	3,41,55
Previous Year	6,03,54	20,01	8,01	6,15,54	2,42,87	-	36,07	4,96	2,73,99	3,41,55	

Rs. '000

	As at 31st March, 2008	As at 31st March, 2007
E. INVESTMENTS		
OTHER INVESTMENTS		
A. In Fully Paid up Shares-Non Trade		
Quoted		
Premier Cryogenics Limited		
Quoted at Cost		
(Fair value Rs.52,84 - Not traded 2007-08)		
(2,00,000 shares of Rs.10 each)	20,00	20,00
Unquoted		
Gauhati Neurological Research Centre Limited	25,00	25,00
(Unquoted at cost 25,00,00 shares @ Rs.10 per share, fair value Rs.42,45)		
Konoklota Mahila Urban Co-operative Bank Limited	5,00	5,00
(Unquoted at cost 5,000 shares @ Rs.100 per share, fair value Rs.6,15)		
Exotic Juices Limited		
(Formerly: Good Samaritan Social Service Association)	10,00	10,00
(Unquoted at cost 1,00,000 shares @ Rs.10 per share		
Less: Provision for diminution in value of investments	10,00	-
DSS eContact Ltd.		
(Unquoted 6,60,000 Equity Shares of Rs.10 each)	66,00	66,00
Less: Provision for diminution in value of investments	66,00	-

E. INVESTMENTS (Contd..)

Rs. '000

	As at 31st March, 2008	As at 31st March, 2007
B. In units of Bonds		
IDBI Omni Bonds (TEDF) (100 bonds @ Rs.10,00,000 per bond, FY 2007-08 Not traded)	10,00,00	10,00,00
IDBI Omni Bonds 2005A (50 bonds @ Rs.10,00,000 per bond, FY 2007-08 Not traded)	5,00,00	5,00,00
C. In units of Mutual Funds		
UTI Mutual Fund - MIS (2,50,000 units, Value as on 31st March, 2008 Rs.38,31)	25,00	25,00
UTI - Floating Rate Fund (1,632.0037 units, Value as on 31st March, 2008 Rs.21,27)	19,18	19,18
UTI - Floating Rate Fund (Others)	-	2,49,21
UTI - Liquid Fund (Others)	-	3,03,08
UTI - Liquid Fund	-	3,06,46
UTI G-Sec (STP) (2,50,000 units, Value as on 31st March 2008 Rs.31,17)	25,00	25,00
UTI - FMP (3,00,00,000 units, Value as on 31st March 2008 Rs.30,27,48)	30,00,00	3,00,00
UTI - FMP (50,00,000 units, Value as on 31st March 2008 Rs.5,14,76)	5,00,00	5,00,00
SBIMF - FMP (5,00,000 units, Value as on 31st March 2008 Rs.5,05,54)	5,00,00	-
SBIMF - Capital Protection Oriented Fund (2,50,000 units, Value as on 31st March 2008 Rs.24,21)	25,00	-
UTI Mutual Fund - Bond Fund (TEDF) (2,89,283.4832 units, Value as on 31st March 2008 Rs.67,78)	52,42	52,42
UTI Mutual Fund - Capital Protection Fund (TEDF) (5,00,000 units, Value as on 31st March, 2008 Rs.54,57)	50,00	50,00
Prudential ICICI- Liquid Fund	-	5,00,00
Reliance Mutual Fund - FMP	-	5,00,00
Reliance Mutual Fund - Liquidity Fund (42,11,241.5071 units, Value as on 31st March 2008 Rs.5,12,10)	5,11,35	-
Reliance Mutual Fund - Short Term Liquid	-	1,00,00
	62,57,95	44,90,35
F. LOANS AND OTHER CREDIT FACILITIES <small>Schedule</small> (Secured but considered good)		
Term Loans	323,28,90	269,80,60
Soft Loan under NEEDS	6,73,27	6,63,83
Term Loan under Venture Capital Fund	68	4,68
	330,02,85	276,49,11
Less: Provision	61,55,11	56,29,03
	268,47,74	220,20,08

Rs. '000

	As at 31st March, 2008	As at 31st March, 2007
G. CURRENT ASSETS, LOANS & ADVANCES		
A. CURRENT ASSETS		
a. Cash and Bank Balances		
Cash in hand	1,58	4,82
Balance at Bank		
- With Scheduled Bank		
In Current Account	15,71,62	4,00,45
In Fixed Deposits	95,00,00	105,82,22
	<u>110,71,62</u>	<u>109,82,67</u>
Balance at Bank (TEDF)		
- With Scheduled Bank		
In Current Account	31,00	20,11
In Fixed Deposits	13,00,00	13,00,01
	<u>13,31,00</u>	<u>13,20,12</u>
TOTAL (A)	124,04,20	123,07,61
B. OTHER CURRENT ASSETS		
Interest Receivable (Loan) accrued and due	2,57,69	-
Interest Receivable (Loan) accrued and not due	-	1,16,05
	<u>2,57,69</u>	<u>1,16,05</u>
Interest Receivable on Fixed Deposits	5,82,20	6,28,28
Interest Receivable on Fixed Deposits (TEDF)	1,13,89	1,27,42
Interest Receivable (Staff)	14,13	10,91
TOTAL (B)	9,67,91	8,82,66
C. LOANS AND ADVANCES		
(Recoverable in cash or in kind or for value to be received - unsecured but considered good)		
Advance to Others	73	40,73
Advance to Staff	9,66	4,35
Advance Income Tax	3,80,00	2,48,00
Advance Fringe Benefit Tax	5,14	4,43
Security Deposit	37	80
Loan to Staff	1,18,71	80,10
TDS Receivable	2,10,17	1,84,82
Income Tax Refundable	6,87,12	5,90,85
Other Receivables	17,58	84
MEFC - R&D Training Fund	2,61	2,61
UNDP Account	1,87	1,87
	<u>14,33,96</u>	<u>11,59,40</u>
Rent/Electricity charges receivable (Recoverable in cash or in kind or for value to be received - considered doubtful)	41,47	39,04
Less: Provision	41,47	39,04
	<u>-</u>	<u>-</u>
TOTAL (C)	14,33,96	11,59,40
TOTAL (A+B+C)	<u>148,06,07</u>	<u>143,49,67</u>

Rs. '000

	As at 31st March, 2008	As at 31st March, 2007
H. CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors (for expenses)	11,13	18,29
Other Liabilities	2,80,74	1,58,77
Growth Centre Fund from Government of India	2,20,00	4,50,00
Central Subsidies	38,82	8,56,78
TOTAL (A)	5,50,69	14,83,84
B. PROVISIONS		
Provision for Leave Encashment	61,18	47,98
Provision for Gratuity	–	18,23
Provision for Standard Assets	65,54	52,34
Provision for Income Tax	6,04,00	3,36,67
Provision for Fringe Benefit Tax	6,06	4,36
Proposed Dividend	3,00,00	2,50,00
Additional Tax on Dividend	50,99	42,49
TOTAL (B)	10,87,77	7,52,07
TOTAL (A+B)	16,38,46	22,35,91

Rs. '000

	2007 - 2008	2006 - 2007
I. ESTABLISHMENT EXPENSES		
Salaries (Director)	10,88	9,42
Salaries (Others)	1,54,62	163,46
Employer's Provident Fund	13,17	12,93
Medical Reimbursement	10,15	7,28
Recruitment Expenses	9,70	2,84
Local Conveyance	4,27	–
Vehicle Maintenance Reimbursement	14,20	3,63
LTC	73	2,68
Leave Travel Allowance	16,41	–
House Rent	(56)	3
Leave Encashment	18,82	27,10
Gratuity	4,23	11,21
Staff Welfare	16,12	11,69
TOTAL	2,72,74	2,52,27

Rs. '000

	2007 - 2008	2006 - 2007
J. ADMINISTRATIVE EXPENSES		
Advertisement & Publicity	5,21	4,47
Audit Expenses	2,34	1,83
Bank Charges	75	44
BOD Meeting Expenses	3,51	2,99
Books & Periodicals	1,38	99
Business Promotion	10,40	12,42
Car Hire Expenses	15,14	14,15
Conveyance	66	1,42
Databank Expenses	2,92	-
Donations	-	40
Electricity Charges & Electrical Expenses	8,00	5,87
Honarium	-	31
Insurance charges	1,40	1,03
Legal & Professional Fees	13,84	16,43
Licence & Registration Fees	5	1,45
Miscellaneous Expenses	3	1
Printing & Stationery	16,13	13,34
Rent (Premises)	33,58	30,28
Repairs & Maintenance (Machine)	8,63	10,63
Repairs & Maintenance (Security Service Charges & Others)	17,26	13,18
Seminar & Conference Expenses	5,80	4,79
Software Maintenance Charges	4,28	5,56
Service Tax Paid	1	-
Telephone Charges & Postage	11,52	9,13
Training Expenses	5,74	8,06
Travelling Expenses (Director)	5,10	4,61
Travelling Expenses (Others)	20,12	21,77
Loss on Sale	-	47
Internal Audit Fees	56	56
Auditors' Remuneration:		
Tax Audit Fees	11	6
Statutory Audit Fees	67	56
TOTAL	1,95,14	1,87,21

K. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Schedule

A. Significant Accounting Policies

Basis of Preparation

The financial statements are prepared on the historical cost convention, on the accrual basis of accounting and conform to statutory provisions and practices prevailing in India and in accordance with the generally accepted accounting principles.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities as on the date of financial statements and the reported income and expenses for the reporting period.

Revenue Recognition

- i. Interest income and charges on soft loan assistance is accounted for on accrual basis except where interest and/or instalment of principal is due for more than 90 days as on the date of Balance Sheet, as per RBI prudential norms for income recognition applicable to banks/financial institutions. Interest income and other charges in respect of such loans are taken credit on actual receipt basis.
- ii. Upfront Fees, Loan Syndication Charges, Appraisal Fees, Dividend, and other miscellaneous receipts are accounted for on cash basis.
- iii. All other incomes and expenses except, interest on refund of tax or on demand tax, rates, taxes & insurance, are accounted for on accrual basis.
- iv. The income from Techno Economic Development Fund is accounted on cash basis and appropriated to that account resulting in appreciation of fund.

Provision for Loans and Advances

As per prudential norms for advances issued by RBI from time to time, assets representing loans and other assistance portfolios are classified based on record of recovery as standard, sub standard, doubtful and loss assets and provision is made for assets as per the said guidelines as applicable to banks/financial institutions.

A general provision of 0.25% is made against Standard Assets.

Prior Period Adjustments

Prior period items have been accounted for separately as per accounting norms.

Investments

Investments are valued at lower of the cost or quoted / fair value on an individual investment basis. Provision for permanent diminution in the value of investments is accounted in the year of such diminution. Fair Value is computed in accordance with AS-13 issued by the ICAI. Cost includes brokerage, fees and duties, if paid, on acquisition of such investments.

Fixed Assets and Depreciation

Fixed assets are stated at cost, less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Depreciation on fixed assets is provided on Written Down Value Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on the fixed assets added/disposed off during the year is provided on pro rata basis with reference to the date of addition/disposal.

Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Retirement Benefits

Retirement benefit in the form of Provident Fund is charged to the Profit & Loss Account on accrual basis. Gratuity liability is covered by a scheme with Life Insurance Corporation of India. The Corporation's annual contribution under the said scheme is based on LIC's actuarial valuation. Leave Encashment is provided on the basis of actuarial valuation at the year-end.

Segment Reporting

The Corporation operates in two segments of business: "Lending and Financing Activities" and "Management of Surplus Funds."

The segments have been identified and reported taking into account the nature, returns and risks involved. The organization structure and internal reporting structure are taken into account for the purpose of determining segment results.

The revenues reported under "Lending and Financing Activities" segment include interest income and other charges on lending. The said segment being the major segment of business of the Corporation, all expenses of the Corporation are classified as expenses against the aforesaid segment.

The revenues reported under "Management of Surplus Funds" segment consist of interest income and profit/(Loss) on sale of investments of surplus funds.

Government Grants

Government grants are recognized as and when it is actually received. Revenue grants are recognized in the Profit & Loss Account. Other grants are credited to the fund accounts to which it pertains against which expenses and provisions & losses for diminution in value of assets representing the fund is charged.

Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward to the extent that there is a virtual certainty that the assets will be realized in future.

Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

B. Notes on Accounts forming part of the accounts for the year ended 31st March, 2008

1. Provision for taxation has been made in the accounts in accordance with the tax-relief status of the Corporation under Section 10 (23BBF) of the Income Tax Act, 1961.
2. In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS-22) issued by the ICAI, the major components of Deferred Tax Liability are:

Rs. '000

Particulars	31st March, 2008	31st March, 2007
Depreciation	6,17	13,05
Total	6,17	13,05

- 3 Total amount of Directors' remuneration charged in the accounts is set out below:

Particulars	31st March, 2008	31st March, 2007
Whole time Director		
Salary	10,88	9,42
Contribution to PF & other perquisites	1,84	89
Other retirement benefits	-	-
Total	12,72	10,31

4. Payment to Auditors:

Particulars	31st March, 2008	31st March, 2007
Statutory Audit fees	67	56
Tax Audit fees	11	6
Total	78	62

5. Loan due from directors Rs.2,00 and the maximum outstanding thereof at any time during the year was Rs.2,00 (Previous Year: Rs. Nil). The maximum amount outstanding at any time during the year for loans to staff was Rs.1,19,54 (Previous Year: Rs.85,99).
6. The estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.6,16,00 during the year (Previous Year: Rs.8,82,13).
7. The breakup of Capital Work-in-progress is as under: Rs. '000

Particulars	31st March, 2008	31st March, 2007
Construction of office building & civil works at Guwahati	9,54,23	6,59,31
Industrial Park at Guwahati	1,17	1,17
Total	9,55,40	6,60,48

8. In respect of shares/scrips/bonds quoted in recognized stock exchanges, latest quotation nearest to the Balance Sheet date is taken to ascertain the market value. Where the scrip is not traded during the year or no quotation is available, fair value is ascertained in respect of shares and cost is taken for debt instruments as fair value. In respect of unquoted shares/scrips/bonds, fair value is ascertained by dividing the net worth with the number of shares. In case of investment in mutual funds, fair value is taken as the declared NAV of the said scheme/fund, nearest to the Balance Sheet date.
9. The Corporation is a nodal disbursing agency for central subsidy and the fund received from Government of India is shown in the Current Liabilities to the extent of undisbursed amount.
10. An amount of Rs.69 was outstanding towards loan granted under Venture Capital Fund Scheme (Previous Year: Rs.4,68).
11. The Corporation does not have any related parties, save and except Sri Kashinath Hazarika, Chairman and Managing Director, as key managerial personnel to whom a total sum of Rs.12,72 as remuneration and to whom a loan of Rs.2,00 is granted against which Rs.2,00 is outstanding as on 31st March, 2008.
12. The North East Equity Fund (NEEF) has been created to help the first generation entrepreneurs who are short of equity. The gross amount of fund is Rs.7,98,71 and the soft loan granted out of this fund till 31st March, 2007 was netted off from the fund and was shown under Reserves & Surplus. The provision for NPA on the soft loan was netted against Industrial Loan. During this year, the financial assistance under this fund is shown, net of provision for NPA, under Loans and Other Credit Facilities as Soft Loan under North East Entrepreneurs Development Scheme (NEEDS). The provision for NPA against soft loan is charged to the Fund in the current year, which hitherto, was charged to the Profit and Loss Account, which has resulted in a change in the accounting policy of charging such provision. Due to this change, the profit of the current year before prior period adjustment is increased by Rs.32,48 and provision on this assistance upto 31st March, 2007 is written back to Profit & Loss Account amounting to Rs.4,15,97 as prior period adjustment.
13. The Corporation reports basic earnings per equity shares, which is computed by dividing net income by the weighted average number of equity shares outstanding for the period, in accordance with AS-20 issued by the ICAI.
14. Summary of the investment of the Corporation:

Particulars	31st March, 2008	31st March, 2007
Gross value of Investment	63.34	45.56
Less: Provision for diminution in value	0.76	0.66
Net book value	62.58	44.90

15. Previous year figures have been regrouped/rearranged/reclassified, wherever necessary.

16. As required under AS-17, the segment reporting is as under:

Rs. Crore

	2007 - 08	2006 - 07
1. Segment Revenue		
Lending and Financing Activities	23.79	20.24
Management of Surplus Funds	12.48	10.76
Total	36.27	31.00
2. Segments Results		
Lending and Financing Activities	13.53	8.48
Management of Surplus Funds	12.48	10.76
Total	26.01	19.24
Unallocated Income	4.49	0.20
Unallocated Expenses	0.08	0.44
3. Operating Profit	30.42	19.00
Income Tax	6.08	3.39
4. Net Profit	24.34	15.61
5. Other Information		
Segment Assets		
Lending and Financing Activities	314.79	248.13
Management of Surplus Funds	152.38	136.14
Total	467.17	384.27
Unallocated Assets	24.74	34.35
Total	491.91	418.62
Segment Liabilities		
Lending and Financing Activities	185.22	123.02
Management of Surplus Funds	-	-
Unallocated Liabilities	28.55	35.72
Total	213.77	158.74
Net Capital Employed	278.14	259.88

17. Additional information is disclosed in terms of RBI guidelines vide DBS. FID No. c-18/01.02.2000-01 issued on 23rd March, 2001.

Rs. Crore

A. Capital			
a.	CRAR, CORE CRAR & Supplementary CRAR	80%	
b.	The amount of subordinated debt raised and outstanding as TIER - II capital	Nil	
c.	Risk weighted assets - separately for on-and-off balance sheet items	On the Balance Sheet: 276.49 Off the Balance Sheet: Nil	
d.	The shareholding pattern as on 31st March, 2008	Equity Shares:	
		No of Shares	%
		FIs	55
		Bank	15
		Insurance Cos.	20
		Mutual Funds	10
		Total	100
B. Asset quality and credit concentration			
e.	Percentage of net NPAs to net loans & advances	2.35%	
f.	Amount and percentage of net NPAs to net advances under the prescribed asset classification categories	Category	%
		Sub Standard Assets	6.31 2.40
		Doubtful debts	Nil
		Loss assets	Nil
g.	Amount of provisions made during the year towards standard assets, NPAs investments (other than those in the nature of an advance), in income tax	Standard Assets	0.13
		NPA Loans incl.	
		Soft loan Assistance	5.39
		Investments	0.10
		Income Tax	6.04
h.	i. Movement in NPAs (Gross) of loans including soft loans	Opening Balance	67.14
		Deletions incl. upgradation	10.92
		Additions during the year	11.63
		Closing Balance	67.85
	ii. Movement of provisions for NPAs against loans including soft loan assistance	Opening Balance	56.29
		Less: write off/waiver/ Write back	1.19
		Additions during the year	6.45
		Closing Balance	61.55
	iii. Movement of provisions for investments	Opening Balance	0.66
		Additions during the year	0.10
		Closing Balance	0.76
i.	Restructured Accounts		
	Total amount of standard assets which have been subjected to restructuring/rescheduling		41.41
	Total sub standard assets which have been subjected to restructuring/rescheduling		0.90
	Total		42.31

j.	Credit exposure as percentage to capital funds and as percentage to total assets, in respect of:		
		% to Capital Funds	% to Total Assets
	The largest single borrower	7.13	3.93
	The largest borrower group	10.91	6.01
	The 10 largest single borrowers		
	No.1	7.13	3.93
	No.2	5.15	2.84
	No.3	3.22	1.77
	No.4	2.97	1.64
	No.5	2.92	1.61
	No.6	2.70	1.49
	No.7	2.58	1.42
	No.8	2.21	1.22
	No.9	1.99	1.10
	No.10	1.73	0.95
	The 10 largest borrower groups		
	No.1	10.91	6.01
	No.2	5.91	3.25
	No.3	5.41	2.98
	No.4	4.52	2.49
	No.5	4.08	2.25
	No.6	3.22	1.77
	No.7	2.92	1.61
	No.8	2.58	1.42
	No.9	1.99	1.10
	No.10	1.73	0.95
k.	Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets		
		Services	14.43
		Cement	12.86
		Steel	10.42
		Food Products	8.90
		Power	5.38

C. Liquidity

l.	Maturity pattern of Rupee assets & liabilities with reference to investments including fixed deposits:				Rs. Crore
	Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years
	Rupees Assets	97.30	5.00	0.25	–
	Total Assets	97.30	5.00	0.25	–
	Total Liabilities	–	–	–	–
m.	Maturity pattern of foreign currency assets & liabilities			–	

D. Operating results

n.	Interest income as percentage to average working funds	%	7.08
o.	Non-interest income as a percentage to average working funds	%	0.98
p.	Operating profit as a percentage to average working funds	%	5.78
q.	Return on average assets	%	5.66
r.	Net profit per employee	Rs. Crore	0.35

5. Borrower group-wise classification of assets financed as in (2) and (3) above:
Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
a. Subsidiaries	-	-	-
b. Companies in the same group	-	-	-
c. Other related parties	-	-	-
2. Other than related parties	26848	-	26848
Total	26848	-	26848

6. Investor group-wise classification of all investments in shares and securities (both quoted and unquoted):
Please see note 2 below

Category	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties**		
a. Subsidiaries	-	-
b. Companies in the same group	-	-
c. Other related parties	-	-
2. Other than related parties	101	50
Total	101	50

**As per Accounting Standard of ICAI

7. Other information

Particulars	Amount
i. Gross Non-Performing Assets	
a. Related parties	-
b. Other than related parties	6785
ii. Net Non-Performing Assets	
a. Related parties	-
b. Other than related parties	630
iii. Assets acquired in satisfaction of debt	-

Balance Sheet Abstract

19. INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956

a. Registration Details

Registration No. Date of Registration
 Corporate Identification No.
 State Code Balance Sheet Date
 Date Month Year

b. Capital raised during the year (Rs. '000)

Public Issue Rights Issue Bonus Issue Private Placement

c. Position of Mobilisation and Deployment of Funds (Rs. '000)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus, Others

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Loans & Investments

Net Current Assets & Advances

Miscellaneous Expenditure

d. Performance of Company (Rs. '000)

Turnover Total Expenditure Profit before Tax Profit after Tax
 Earnings per Share (Rs.) Dividend Rate (%)

e. Generic Names of three principal products of the Company (As per monetary terms)

Item Code (ITC Code)	Not Applicable
Product Description	Project Financing
Product Description	Financial Advisory and Consultancy Services

In terms of our Audit Report of even date

For **O.P. BHANSALI & CO.**
Chartered Accountants



O.P. BHANSALI
Partner

Guwahati
12th June, 2008



S.K. BARUAH
Company Secretary



D.N. BORTHAKUR
Director



K.N. HAZARIKA
Chairman and Managing Director
4th June, 2008

For and on behalf of the Board of Directors

NEDFi's Operational Region

NEDFi's charter permits it to extend financial assistance to projects located in the North Eastern region of India, which includes the eight states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

An architect's view of NEDFi's new office building



Products & Services

Financial Products

- Project Finance
- NEEDS
- Micro Finance
- Working Capital Term Loan
- Equipment Finance
- JEDS
- WEDS
- SNEHH

Services

- Administering of Central Subsidies
- R&D Center
- NER Databank
- TEDF
- NEDFi Haat

NEDFi's Investment Sectors

- Industrial projects
- Infrastructure
- Equipment Leasing / financing
- Agri-horticulture plantation
- Medicinal plantation
- Sericulture plantation
- Poultry
- Dairy
- Aquaculture
- Tourism / ITES
- Animal husbandry projects
- Advisory/ consultancy services

Concept, Research, Design & Production
Capricorn Associates
Hyderabad

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Come to the Land of Infinite Opportunities



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North Eastern Development
Finance Corporation Limited