

# Sundaram Finance Limited

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58th Annual Report  
2010-11



**SUNDARAM FINANCE**  
*Enduring values. New age thinking.*

## Board of Directors

|                       |                                |
|-----------------------|--------------------------------|
| S Viji                | Chairman                       |
| S Ram                 |                                |
| T R Seshadri          |                                |
| N Venkataramani       |                                |
| P N Venkatachalam     |                                |
| S Prasad              |                                |
| S Ravindran           |                                |
| Aroon Raman           |                                |
| Srinivas Acharya      |                                |
| T T Srinivasaraghavan | Managing Director              |
| Harsha Viji           | Director (Strategy & Planning) |

## Audit Committee

|              |          |
|--------------|----------|
| S Prasad     | Chairman |
| S. Ravindran |          |
| S Viji       |          |

## Share Transfer & Investor Relations Committee

|                       |          |
|-----------------------|----------|
| S Prasad              | Chairman |
| T T Srinivasaraghavan |          |
| Srinivas Acharya      |          |

## Compensation Committee

|                       |          |
|-----------------------|----------|
| S Ravindran           | Chairman |
| Aroon Raman           |          |
| T T Srinivasaraghavan |          |

## Risk Management Committee

|                       |          |
|-----------------------|----------|
| T T Srinivasaraghavan | Chairman |
| Srinivas Acharya      |          |
| S Venkatesan          |          |
| A N Raju              |          |
| M Ramaswamy           |          |
| Harsha Viji           |          |

## Asset Liability Management Committee

|                       |          |
|-----------------------|----------|
| T T Srinivasaraghavan | Chairman |
| Srinivas Acharya      |          |
| S Venkatesan          |          |
| A N Raju              |          |
| M Ramaswamy           |          |

## CFO & Secretary

S Venkatesan

## Auditors

M/s. Brahmayya & Co., Chartered Accountants  
48, Masilamani Road, Balaji Nagar, Royapettah, Chennai 600 014

## Information Security Assurance Services

M/s. Tejas Brainware Systems (P) Ltd.,  
'Lakshmi Bagh', New No.28, Old No.19, Second Main Road  
C.I.T. Colony, Mylapore, Chennai 600 004

## Registered Office

21, Patullos Road, Chennai - 600 002  
Tel: 044 2852 1181, Fax: 044 2858 6641  
Website : [www.sundaramfinance.in](http://www.sundaramfinance.in)

## Management Team

|                       |  |
|-----------------------|--|
| S Venkatesan          | CFO & Secretary  |
| P S Raghavan          | Executive Director & Head – Sundaram Business Services |
| A N Raju              | Executive Director                                     |
| Paramesh Krishnaier   | Executive Director                                     |
| K Swaminathan         | Executive Director (Sundaram Infotech Solutions)       |
| M Ramaswamy           | Executive Director & Head – Treasury                   |
| Malli J. Sivakumar    | Senior Vice President (Sundaram Infotech Solutions)    |
| V K Raman             | Senior Vice President & Head – Group Internal Audit    |
| P Viswanathan         | Deputy Secretary & Compliance Officer                  |
| S Ravindran           | Vice President (Operations)                            |
| S Srinivasan          | Vice President & Head – Leasing                        |
| S Sivakumar           | Vice President (Operations)                            |
| Shridhar Iyer         | Vice President   |
| M J Kulkarni          | Vice President & Head – Western Region                 |
| K Sankarakumar        | Vice President & Head – Distribution                   |
| D Ravindran           | Vice President (Sundaram Infotech Solutions)           |
| Rajesh Venkat         | General Manager & Head (Projects)                      |
| V P R V P Varma       | General Manager (Operations)                           |
| H Venkatesan          | General Manager (Audit)                                |
| Balachander Gopinath  | General Manager & Head – Kerala Region                 |
| S Krishnamurthy       | General Manager & Head – Tamil Nadu (South)            |
| C Balasubramanian     | General Manager & Head – Tamil Nadu (West)             |
| S Mahadevan           | General Manager & Head – Personnel and Administration  |
| G Vaikuntam           | General Manager & Head – Quality & Process Improvement |
| S Balasubramanian     | General Manager & Head – Andhra Region                 |
| N Ramachandran        | General Manager & Head – Central Region                |
| S Srinivasan          | General Manager (Operations)                           |
| N Veeraraghavan       | General Manager (Information Systems)                  |
| Venkatesh Kumaraswami | General Manager (Services)                             |
| S Sridhar             | General Manager (Treasury)                             |
| Subramaniam Ravi      | General Manager - Special Projects                     |

## Subsidiaries

|  |   |
|--|---|
| Sundaram BNP Paribas Home Finance Limited      | LGF Services Limited                        |
| Sundaram Asset Management Company Limited      | Sundaram Infotech Solutions Limited         |
| Sundaram Trustee Company Limited               | Sundaram Business Services Limited          |
| Sundaram Finance Distribution Limited          | Professional Management Consultants Limited |
| Infreight Logistics Solutions Limited –        | Sundaram BNP Paribas Fund Services Limited  |
| Sundaram Parekh Warehousing Services Limited – | Sundaram Insurance Broking Services Limited |

## Bankers

|                          |  |
|--------------------------|--|
| State Bank of India      | Axis Bank Ltd.                                     |
| State Bank of Travancore | HDFC Bank Ltd.                                     |
| State Bank of Patiala    | ICICI Bank Ltd.                                    |
| State Bank of Hyderabad  | The Hongkong and Shanghai Banking Corporation Ltd. |
| Bank of India            | Standard Chartered Bank                            |
| IDBI Bank Ltd.           | Citibank N. A                                      |
| Indian Overseas Bank     | The Royal Bank of Scotland N.V                     |
| Canara Bank              | Bank of America                                    |
| United Bank of India     |  |

## Debenture Trustee

IDBI Trusteeship Services Limited  
Asian Building, Ground Floor  
17, R. Kamani Marg, Ballard Estate, Mumbai 400 001

### CURRENCY EQUIVALENTS

|                 |                 |          |                                      |
|-----------------|-----------------|----------|--------------------------------------|
| ₹ One Million = | ₹ 10 Lakhs      | US\$ 1 = | Indian ₹ 44.65*                      |
| ₹ One Billion = | ₹ 100 Crores or |          | *RBI Reference Rate as on 31.03.2011 |
|                 | ₹ 10,000 Lakhs  |          |                                      |

## Contents

|                             |    |
|-----------------------------|----|
| Directors' Report           | 4  |
| Financial Highlights        | 16 |
| Auditors' Report            | 17 |
| Balance Sheet               | 20 |
| Profit and Loss Account     | 21 |
| Schedules                   | 22 |
| Corporate Governance Report | 60 |

## Consolidated Financial Statements

|   |    |
|---|----|
| Balance Sheet   | 72 |
| Profit and Loss Account                               | 73 |
| Schedules   | 74 |
| Auditors' Report on Consolidated Financial Statements | 91 |



**SUNDARAM FINANCE**  
*Enduring values. New age thinking.*

A member of the



International Finance & Leasing Association

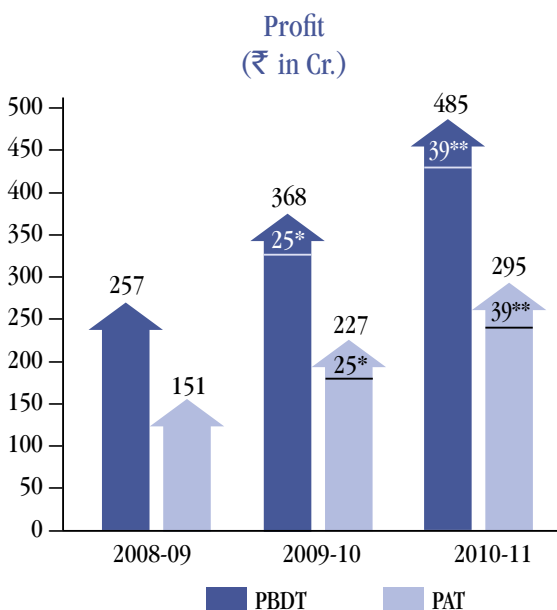
## Directors' Report

Your directors have pleasure in presenting the 58th Annual Report with audited accounts for the year ended 31st March 2011. The summarised financial results of the Company are given hereunder:

### FINANCIAL RESULTS:

(₹ in Cr.)

| Particulars                               | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2010 |
|---|------------------------------|------------------------------|
| Income from Operations                    | 1370.78                      | 1204.15                      |
| Profit on Sale of Shares                  | –                            | 25.39                        |
| Other Income                              | 79.63                        | 41.42                        |
| <b>Total Income</b>                       | <b>1450.41</b>               | <b>1270.96</b>               |
| <b>Less: Total Expenditure</b>            | <b>1020.04</b>               | <b>947.49</b>                |
| <b>Profit before Tax</b>                  | <b>430.37</b>                | <b>323.47</b>                |
| <b>Profit after Tax</b>                   | <b>295.23</b>                | <b>226.75</b>                |
| Surplus brought forward                   | 61.02                        | 41.96                        |
| Transfer from Special Reserve             | –                            | 76.00                        |
|   |                              |                              |
| <b>Amount available for appropriation</b> | <b>356.25</b>                | <b>344.71</b>                |
| Appropriations have been made as under:   |                              |                              |
| Transfers to:                             |                              |                              |
| – Statutory Reserve                       | 59.10                        | 45.40                        |
| – General Reserve                         | 154.79                       | 175.00                       |
| Dividend – Interim                        | 38.89                        | 33.33                        |
| Final (Proposed)                          | 38.89                        | 22.22                        |
| Dividend Tax                              | 4.45                         | 7.74                         |
| Surplus carried to balance sheet          | 60.13                        | 61.02                        |
|   | <b>356.25</b>                | <b>344.71</b>                |

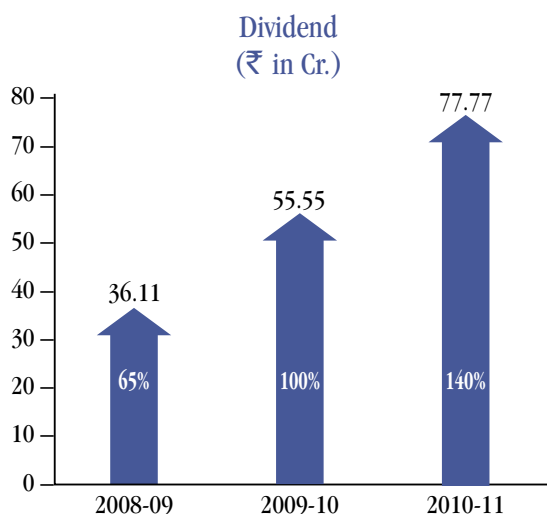


\* Profit on sale of shares.

\*\* Special Dividend received from a Subsidiary Company.

## DIVIDEND

Your Company paid a tax-free interim dividend of ₹ 7/- per share (70% on the face value of ₹ 10/-). Your directors are now pleased to recommend a final dividend of ₹ 7/- per share (70% on the face value of ₹ 10/-). This, together with the interim dividend, aggregates to a total dividend of ₹ 14/- per share (140% on the face value of ₹ 10/-) for the financial year ended 31st March 2011, on the paid-up capital of ₹ 55.55 cr.



## CORPORATE GOVERNANCE

- A detailed report on corporate governance together with a certificate from the Statutory Auditors, in compliance with Clause 49 of the Listing Agreement, is attached as part of this report.
- Compliance reports in respect of all laws applicable to the Company have been reviewed by the Board of Directors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The global economy grew at 3.7% in 2010-11, belying earlier expectations of higher growth. While the Asian economies, with the exception of Japan, grew in excess of 7%, the developed economies such as the US, UK and Europe reported lower growth in the range of 3 to 4%. The Asian economies, it may be recalled, were less affected by the recession during the last two years thereby enabling a faster return to normalcy. Further, these economies were supported by strong domestic demand and rapid growth in service exports. The Japanese economy, which was slowly progressing towards recovery, was badly affected by the recent earthquake, tsunami and nuclear accidents. These tragedies are likely to affect the global economy as well, especially the automobile sector. All the emerging economies were impacted by rising oil, food and commodity prices forcing several Central Banks to take a series of anti inflationary measures.

### INDIAN ECONOMY

India's GDP growth in 2010-11 has been estimated at 8.6% with the agriculture, industry and services sectors registering growth rates of 5.4%, 7.8% and 9.5% respectively. GDP growth is estimated to average 8.2% over the 11th Plan as against 7.7% during the previous Plan. Though the performance fell short of the 9% target at the beginning of the Plan, it is to be viewed in light of the unprecedented crisis which derailed the global economy. GDP growth during the 12th Plan period has been indicated in the range of 9 to 9.5%, reflective of the growth imperatives of an emerging economy.

Thanks to the higher than anticipated non-tax revenue from 3G spectrum auctions, the fiscal deficit was lower at 5.1% of GDP for the year 2010-11 and is budgeted to drop to 4.6% of the GDP for the year 2011-12. The estimated revenue deficit for the year 2010-11 was also lower at 3.4% of GDP. Exports grew by nearly 28.7% during April- March, while imports have grown at a lower level of 20.3%, indicative of a strong revival in external trade. This is expected to continue in the wake of the continuing global recovery and domestic demand. The current account deficit during the first nine months of the fiscal year was sharply higher but has since narrowed. With capital inflows projected to be healthy, India's balance of payments position is likely to remain comfortable.

Inflation, based on Wholesale Price Index (WPI), showed signs of easing from August 2010, after remaining in double digits in April - July 2010. With food and commodity inflation remaining high, inflation based on WPI, which came down to 8.3% in February 2011, has risen again to 8.55% during May 2011. With global crude oil and commodity prices remaining volatile, RBI has indicated that inflation is expected to be close to 9% in the first half of 2011-12, moderating to 6% by the end of the year. While the bumper crop of last year and the promise of a normal monsoon this year should address the issue of adequacy of food grain stocks, storage, distribution and affordability will continue to be challenges and will have a significant bearing on inflation.

While the Reserve Bank of India has continued the process of exiting from the expansionary monetary policy, it has focussed its attention on controlling inflation. Between April 2010 and May 2011, RBI revised its policy rates seven times, raising Repo rates from 5.25% to 7.25% and Reverse Repo rates from 3.75% to 6.25%.

The stance of the monetary policy announced by RBI in May 2011 is clearly aimed at inflation targeting. The key priorities as set out by the policy are:

1. To maintain an interest rate environment that moderates inflation and anchors inflation expectations.
2. To foster an environment of price stability that is conducive to sustaining growth in the medium-term, coupled with financial stability.

3. To manage liquidity in order to ensure that it remains broadly in balance, with neither a large surplus diluting monetary transmission nor a large deficit choking off fund flows.

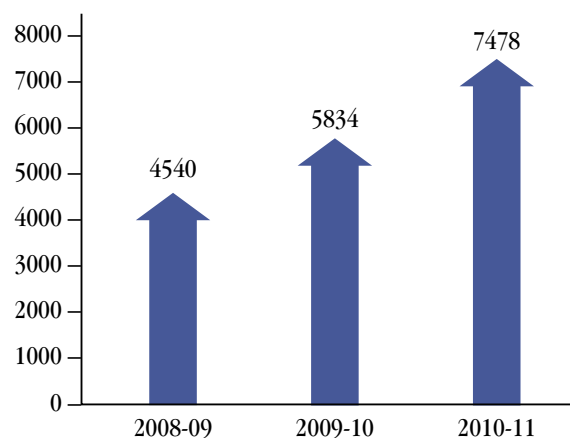
## AUTOMOTIVE SECTOR

Sales of medium and heavy commercial vehicles (M/HCV) registered an increase of 32% during 2010-11, aided in large measure by the new emission norms that took effect from October 2010, as against 33% during 2009-10. Sales of light commercial vehicles (LCV) witnessed a lower growth rate of 23% as against 43% during 2009-10. Sales of Cars and multi-utility vehicles (PCs) recorded 29% growth in 2010-11 as against 25% in 2009-10.

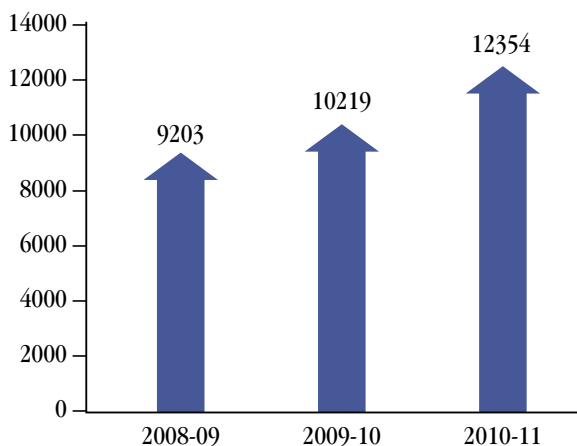
## OPERATING & FINANCIAL PERFORMANCE

Your Company's hire purchase and loan disbursements at ₹ 7478 cr. for the year, registered a growth of 28%, over the previous year's figure of ₹ 5834 cr. with M/HCVs and PCs being the key drivers of growth. Your Company has also increased its presence in the rapidly growing Construction Equipment (CE) and Tractor segments. The company's unwavering focus on asset quality backed by finely honed credit appraisal and collection skills has ensured that the portfolio continues to be one of the best in the industry. Gross NPAs as at 31st March, 2011 stood at 0.77% as against 1.26% in the previous year and Net NPAs at 0.20% as against 0.45% in the previous year.

Hire Purchase and  
Hypothecation Loan Disbursements  
(₹ in Cr.)



### Receivables Under Management (₹ in Cr.)



The gross receivables managed by the Company, including assets sold or securitised stood at ₹ 12354 cr. as at 31st March 2011, as against ₹ 10219 cr. in the previous year.

The net profit from operations was ₹ 257.50 cr. as against ₹ 201.36 cr. in the previous year (excluding special items), registering a growth of 28%. The company's Net-Worth crossed the ₹ 1500 cr. mark and stood at ₹ 1529.34 cr. as on 31.3.2011. Capital Adequacy (CRAR) at 16.24% was comfortably higher than

the statutory requirement of 12%. Last year, your Company started making a voluntary general provision at 0.4% of Standard Assets. During the year, RBI has mandated a contingent provision against Standard Assets at 0.25%. Your Directors have decided, as a measure of prudence, to continue with the provision at the higher level of 0.4% and transferred an amount of ₹ 6.46 cr. towards contingent provision on Standard Assets.

### RESOURCE MOBILISATION

#### a) Deposits

During the year, your Company mobilised fresh deposits aggregating to ₹ 260.24 cr. Renewal of deposits during the year amounted to ₹ 384.80 cr. representing 75% of the matured deposits of ₹ 512 cr. Deposits outstanding at the year-end were at ₹ 1192.03 cr. as against ₹ 1094.91 cr. in the previous year.

As at 31st March 2011, 3512 deposits amounting to ₹ 12.63 cr., had matured for payment and were due to be claimed or renewed. After close follow-up, the figures are currently down to 2147 and ₹ 6.83 cr. respectively. Steps are continuously being taken to arrange for repayment or renewal of these deposits. Investor Relation Services – Deposits has been re-certified by Bureau Veritas Certification (India) Private Limited under the upgraded ISO 9001:2008 Standard.

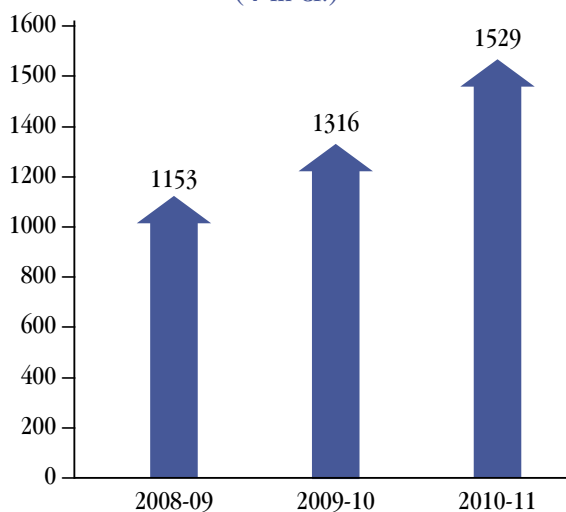
#### b) Term Funding

During the year, your Company raised term funding from mutual funds and insurance companies in the form of non-convertible debentures and term loans from banks to the tune of ₹ 3155.95 cr., across various tenors.

#### c) Bank Finance

Your Company's bankers continue to extend their support, providing funding at competitive rates. Your Company issued several tranches of Commercial Paper aggregating to ₹ 2670 cr., during the year. The maximum amount outstanding at any time was ₹ 1290 cr., and the amount outstanding at the end of the year was ₹ 580 cr. As part of its overall funding plan, your Company reduced its working capital credit limits with banks from ₹ 1650 cr. to ₹ 1500 cr.

### Own Funds (₹ in Cr.)





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#### d) Sell-down of Receivables

During the year, your Company sold hire purchase and hypothecation loan receivables to the extent of ₹ 750.94 cr.

#### CREDIT RATINGS

All the borrowings of the Company are rated. The short term borrowings (including commercial papers) are rated “A1+/ P1+/ F1+” (highest safety). Fixed Deposits are rated “AAA” (highest safety). The long term borrowings are rated “AA+” (high safety). The long term ratings have a “Stable outlook” from ICRA, CRISIL and FITCH.

#### REGULATORY CHANGES

During the year, RBI announced several changes in the regulatory guidelines applicable to NBFCs. Notable among these are:

- Increase in CRAR from 12 to 15% for all NBFCs by 31st March 2012.
- Contingent Provision of 0.25% on Standard Assets.
- Removal of Priority sector status for Bank lending to NBFCs other than MFIs.

RBI has set up a Working Group on NBFCs under the Chairmanship of Smt. Usha Thorat, former Deputy Governor, RBI, to examine a range of emerging issues pertaining to regulation of the NBFC (non-banking financial companies) sector. The broad terms of reference of the Working Group are:

- to focus on the definition and classification of NBFCs.
- to address regulatory gaps and regulatory arbitrage.
- to maintain standards of governance in the NBFC Sector and appropriate approach to NBFC supervision.

Over a period spanning nearly 70 years, Asset financing NBFCs have played a stellar role in delivering affordable credit to large sections of the unbanked population, especially in semi urban and rural areas and were perhaps the earliest practitioners of what is today fashionably called ‘Financial Inclusion’. It is to be hoped that the Working Group will take into account the heterogeneity of the

sector, the vital contribution of the asset financing NBFCs in fostering financial inclusion and address the various issues that have been raised by them over the years, in order that they may continue to play their important role in India’s growth story.

#### OUTLOOK

The Index of Industrial Production has been on a declining trend for several months and worryingly, the capital goods index, an indicator of new investment, actually fell by 18.4% in February 2011. The relentless increase in interest rates over the past year has already started exerting pressure on corporate and retail borrowers alike. The rise in funding costs comes at a time when manufacturing segments of industry are already under strain with rising costs of oil, commodities and other inputs. Similarly, as inflation stretches the wallets of families grappling with higher prices of food and other essentials on the one hand and their commitments on vehicle and home loans climbing, the strains are very visible. As always, global events, oil and commodity price movements, geo political factors and inevitably, the behaviour of the monsoon, will all come to bear on the trajectory of India’s economic growth in 2011-12.

The automotive industry, coming off two successive years of high growth, is exhibiting clear signs of slowing down. With fleet replacements having been largely completed to comply with emission norm changes and demand for consumer goods beginning to moderate, sales of M/HCVs are projected to grow at between 5 and 8% in 2011-12. With prices of M/HCVs having increased by nearly 10% over the past year, the imminent increase in diesel prices and higher interest costs, sentiment in the M/HCV segment is muted. Sales of passenger cars and utility vehicles are also projected to seek a lower trajectory, as per the industry’s own estimates. The LCV / mini LCV, construction equipment and tractor segments are however expected to continue growing at a healthy pace.

Your company’s fortunes are closely linked to those of the automotive industry. Consequently, the growth prospects for 2011-12 are likely to be broadly reflective of those trends. In the projected scenario of low to moderate growth, continuing inflation and higher interest costs, your Company will continue to strive for

meaningful growth, focussing as always on, delivering outstanding customer service, superior credit quality, a balanced portfolio mix and efficient cost management, in order to sustain profitability.

## INTERNAL AUDIT

As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by highly qualified and experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Additionally, an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and accounting related areas, apart from security related measures.

## RISK MANAGEMENT

Your Company, being in the business of financing of commercial vehicles, cars, other vehicles and equipment in the retail segment, has to manage various risks. These risks include credit risk, liquidity risk, interest rate risk and operational risk. The Risk Management Committee and the Asset Liability Management Committee review and monitor these risks at periodic intervals.

The Company manages credit risk through stringent credit norms established through several years of experience in this line of business and continues to follow the time tested practice of personally assessing every borrower, before committing to a credit exposure. This process ensures that the expertise in lending operations acquired by the Company over decades is put to best use and acts to mitigate credit risks. Liquidity risk and interest rate risk arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles. The Company monitors ALM periodically to mitigate the liquidity risk. The Company also measures the interest rate risk by the duration gap method.

Operational risks arising from inadequate or failed internal processes, people and systems or from external events are adequately addressed by the internal control systems and are continuously reviewed and monitored by a dedicated team of people. Process improvements and quality control are on-going activities and are built into the employee's training module, as well.

The technology platform supporting the business is being redesigned and upgraded in stages to meet the long term future needs. The new system and the Business Continuity Plan of the Company are on continuous review by the independent systems auditors.

## HUMAN RESOURCES

Your Company believes that its greatest assets are its people and training is an investment in long term people development, for organisational excellence. During the year under review, your Company has taken several new initiatives to ensure that the knowledge and wisdom gained over decades is handed down to the next generation of employees. A well balanced mix of domain knowledge and behavioural training was taken up towards talent transformation. These initiatives have paid good dividends in the form of a strong group of in-house facilitators of domain knowledge and an inspired team of employees geared to serving the needs of your company's valued customers.

## CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements, drawn up in accordance with the applicable Accounting Standards, form part of the Annual Report.

In accordance with the general exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956 in February 2011, the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the Subsidiary Companies, are not attached to the Balance Sheet of your Company. The financial information relating to all the Subsidiary Companies, in the aggregate, has been disclosed in the consolidated financial statements, as required. Further,

- The annual accounts of all the Subsidiary Companies have been posted by your Company on its website – [www.sundaramfinance.in](http://www.sundaramfinance.in).

- Annual accounts of the Subsidiary Companies and related detailed information will be available for inspection by the members, at the head offices of the Company and the Subsidiary Companies concerned and will also be made available to the members upon request.

## SUBSIDIARIES

- Sundaram BNP Paribas Home Finance Limited**

The company, approved loans aggregating to ₹ 1496 cr. as against ₹ 915 cr. in the Previous Year (PY), while disbursements at ₹ 1211 cr. (PY ₹ 743 cr.), grew significantly by 63%. The company earned a gross income of ₹ 308 cr. (PY ₹ 236 cr.) and reported an impressive 72% growth in profit after tax at ₹ 47.68 cr. (PY ₹ 27.72 cr.). The loan portfolio as at 31st March 2011 stood at ₹ 2653 cr. as against ₹ 1981 cr. in the previous year. The gross and net NPA stood at 0.29% and 0.09% respectively as of 31.03.11, clearly one of the best in the industry. The company proposed a higher dividend of 15% for the year as against 10% during the previous year.

- Sundaram Asset Management Company Limited**

Sundaram BNP Paribas Asset Management Company Limited and Sundaram BNP Paribas Trustee Company Limited became wholly owned subsidiaries of your company from October 2010, consequent to the acquisition of 49.90% equity shares held by the joint venture partner, BNP Paribas Asset Management, France in these companies. The names of the companies were thereafter changed to Sundaram Asset Management Company Limited and Sundaram Trustee Company Limited respectively.

The Average Assets under Management (AUM) of Sundaram Asset Management Company Ltd. were ₹ 13946 cr. for the year 2010-11 as compared to ₹ 13878 cr. in the previous year. The investor base of Sundaram Asset Management Company Limited stands at 2.22 million.

Sundaram Asset Management Company Limited earned a gross income of ₹ 122.40 cr. as against ₹ 111.83 cr. in the previous year. Reflecting the volatility in the stock market and several

regulatory changes, the company reported a profit after tax of ₹ 13.36 cr. as against ₹ 20.84 cr. in the previous year. The company recommended a dividend of 25% for the year as against 40% during the previous year.

- Sundaram Trustee Company Limited**

Sundaram Trustee Company Limited earned a gross income of ₹ 129.18 lakhs as against ₹ 124.10 lakhs in the previous year and reported a profit after tax of ₹ 40.90 lakhs for the year, as against ₹ 42.15 lakhs in the previous year. The company recommended a higher dividend of 800% for the year as against 600% during the previous year.

- Sundaram Finance Distribution Limited (SF DL)**

SF DL's income from operations at ₹ 7.79 cr. (PY ₹ 5.61 cr) grew by 39% over the previous year. During the year, SF DL divested its holdings in Credit Analysis and Research Limited (CARE), resulting in a profit of ₹ 50.15 cr. (net of tax outgo). Consequently, the profit after tax for the year was higher at ₹ 54.33 cr as against ₹ 1.97 cr. in the previous year.

During February 2011, SF DL paid a Special Interim Dividend of 7770% which was treated as final dividend for the year as against 225% paid during the previous year.

- LGF Services Limited**

During the year, LGF Services Limited earned an income from operations of ₹ 4.95 cr. as against ₹ 5.59 cr. in the previous year. The profit after tax for the year was higher at ₹ 1.92 cr. as against ₹ 1.83 cr. in the previous year. The company recommended a dividend of 500% for the year, in line with the previous year.

- Sundaram Infotech Solutions Limited**

The company earned a gross income of ₹ 21.22 cr., as against ₹ 18.82 cr. in the previous year. The profit after tax for the year was at ₹ 0.83 cr. as against ₹ 1.31 cr. in the previous year.

- Sundaram Business Services Limited (SBSL)**

During the year, SBSL earned a gross income of ₹ 22.82 cr., as against ₹ 19.91 cr. in the previous year. The company reported

a loss of ₹ 1.51 cr. as against ₹ 3.11 cr. in the previous year. The company remains focused on the Banking, Financial Services and Insurance segments and the Accounting and Payroll horizontals. The company has embarked on further business development efforts in Australia and expects to make further progress during 2011-12.

- **Professional Management Consultants Limited (PMC)**

During the year, PMC earned a gross income of ₹ 4.83 cr. as against ₹ 4.87 cr. in the previous year. The company enforced strict cost control which resulted in profit of ₹ 2.38 lakhs as against loss of ₹ 68.98 lakhs in the previous year. The company has stepped up its business development efforts and expects to make further progress during the year 2011-12.

- **Sundaram BNP Paribas Fund Services Limited**

Sundaram BNP Paribas Fund Services Limited successfully completed the process of migration in relation to a few schemes of Sundaram Asset Management Company Limited from its existing service provider and the operations in respect of those schemes went live with effect from 6th December 2010. The company handled 24 New Fund Offers aggregating to ₹ 1755.21 cr. from 32,436 investors. The company earned an income of ₹ 3.66 cr. during the year as against ₹ 1.13 cr. for the period ended October 2009 to March 2010. The company is servicing 92 schemes amounting to ₹ 3393 cr. in assets. The company reported a loss of ₹ 17.02 cr. during the year as against ₹ 2.22 cr. for the period ended October 2009 to March 2010.

- **Infreight Logistics Solutions Limited (Infreight)**

During the year, Infreight earned a gross income of ₹ 19.16 cr. as against ₹ 17.26 cr. in the previous year. The company continued its efforts to streamline its business operations to further increase the productivity and reduce operating loss. The efforts yielded satisfactory results. Loss for the year was at ₹ 1.27 cr. as against ₹ 2.07 cr. in the previous year.

The company has since transitioned contracts relating to select transportation clients for a consideration of ₹ 4.75 cr., which was used for settling a major portion of their borrowings which

would reduce the interest burden and strengthen the financials of the company.

- **Sundaram Parekh Warehousing Services Limited**

Sundaram Parekh Warehousing Services Limited was incorporated in August 2010 by Infreight Logistics Solutions Limited as its subsidiary with 51% shareholding and Parekh Integrated Services Pvt. Ltd., holding the balance with the objective of providing full fledged high-end warehousing services across the country. Parekh Integrated Services Pvt. Ltd. is one of the largest distribution and logistics company catering to specialised industry like pharmaceuticals, which will make available its expertise in operating warehousing facilities across the country. The company proposes to take on lease warehousing facilities at different locations and is expected to become operational during the financial year 2011-12.

- **Sundaram Insurance Broking Services Limited**

Sundaram Insurance Broking Services Limited was incorporated as a subsidiary of your Company on 15th November 2010 to provide insurance broking services. The company is yet to commence its operations.

## JOINT VENTURES

- **Royal Sundaram Alliance Insurance Company Ltd (Royal Sundaram)**

Royal Sundaram posted a top-line growth of 25 percent with a Gross Written Premium (GWP) of ₹ 1143.99 cr., during the year, as compared to the GWP of ₹ 913.11 cr., in the previous year. The Company has also recorded a healthy Profit before Tax (before motor pool loss) of ₹ 60.93 cr., registering a growth of 18 percent over the last year.

However, in March 2011 IRDA announced a steep increase in loss ratios for the third party motor pool, requiring the company to make a higher provision of ₹ 75.81 cr. for the year, as against ₹ 17.67 cr., in the previous year. Hence, after making provision for tax and motor pool losses, the company reported a loss of ₹ 20.14 cr. for the year as against profit of ₹ 30.97 cr. in the previous year.

Your Company has been receiving enquiries regarding its continuance in the general insurance business and its investment in Royal Sundaram Insurance Company. Your Company wishes to clarify that while preliminary discussions had taken place in connection with a potential divestment, no further progress has been made, in view of the lack of clarity on the regulatory front, regarding mergers and acquisitions.

- **BNP Paribas Sundaram Global Securities Operations Private Limited**

BNP Paribas Sundaram Global Securities Operations Private Limited earned gross income of ₹ 54.38 cr. during the year as against ₹ 24.75 cr. for the six months ended March 2010. The company reported a profit after tax of ₹ 6.42 cr. during the year as against ₹ 4.31 cr. for the six months ended March 2010. The company recommended a dividend of 67% for the year ended 31st March 2011 as against 44% for the six months ended 31st March 2010.

## **DIRECTORS**

Sri S Narayanan, a Director of your Company, retired from the Board on 24th September 2010. Your directors place on record the sterling contribution made by him to the growth and development of your Company through his wealth of knowledge and experience during his long tenure of over 24 years as a Director of your Company.

Sri N Venkataramani and Sri P N Venkatachalam were co-opted as independent directors during the year. Sri Harsha Viji was co-opted as additional director and appointed as Director (Strategy & Planning) with effect from 24th September 2010.

Sri Srinivas Acharya and Sri S Ravindran retire by rotation and, being eligible, offer themselves for re-election. Sri T R Seshadri, Director, who retires by rotation has not offered himself for re-election. Your directors place on record the immense contribution made by him to the growth and development of your Company through his rich experience and expertise in financial sector during his tenure of 16 years as a Director of your Company. The Board recommends that the vacancy caused by his retirement not be filled.

Sri N Venkataramani, Sri P N Venkatachalam and Sri Harsha Viji hold office as Additional Directors up to the date of the ensuing Annual General Meeting. The Company has received due notices from some members, proposing their appointment as directors of the Company.

## **AUDITORS**

M/s Brahmaya & Co., Chartered Accountants, Chennai, retire and are eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

## **INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956**

Your Company has no activity relating to conservation of energy or technology absorption. During 2010-11, expenditure in foreign currencies amounted to ₹ 16.94 lakhs on account of other charges. Foreign Currency earnings amounted to ₹ 68.41 lakhs.

## **PERSONNEL**

In accordance with the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the annexe prescribed under Section 217(2A) of the Companies Act. The said annexe, is available for inspection by the Members at the Registered Office of the Company during office hours till the date of the Annual General Meeting.

## **SUNDARAM FINANCE EMPLOYEE STOCK OPTION SCHEME**

Your Board of Directors, based on the recommendations of the Compensation Committee, granted 16,500 stock options to its eligible employees, on 30.05.2011. The disclosure required under SEBI Guidelines, in this regard, is furnished in the Annexure.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Your directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;



2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. they have prepared the annual accounts on a going-concern basis.

## CORPORATE SOCIAL RESPONSIBILITY

The Sundaram Finance Group is involved in a number of community focused activities that exemplify its strong commitment to society at large. Some of the major initiatives that the Group is involved in, are in the areas of health, education and promotion of the country's rich culture and heritage.

### Healthcare

Your Company has been deeply involved with the Sundaram Medical Foundation, a non-profit Trust that runs the Dr. Rangarajan Memorial Hospital, since its inception. The hospital occupies an eminent position in the healthcare sector of India as a model of cost-conscious, affordable, healthcare delivery and corporate involvement in social projects. For the past 14 years, the Group has also been associated with the Hindu Mission Hospital in Tambaram, Chennai that caters to the medical needs of under served rural communities. Cancer, schizophrenia, kidney and ophthalmic care are some of the other health care causes that the Group supports through organisations such as the Cancer Institute, Cancer Relief Society, Schizophrenia Research Foundation, Tanker Foundation and Sankara Nethralaya.

### Education

Foremost among the many causes that the Group is involved with, in the field of education, is Laxmi Charities, established 37 years ago. A charitable educational institution, it assists meritorious students from the lower income groups to pursue higher education. Over the nearly four decades of its existence, this institution has assisted over 34000 deserving and needy scholars in pursuing their careers. The Group has also been actively supporting several schools, colleges, Universities and NGOs involved in primary education.

### Environment, Heritage, Culture and Sports

The Group is also involved in a wide spectrum of activities ranging from the upkeep and maintenance of a public park in the heart of Chennai, ecology awareness campaigns, to a host of activities aimed at encouraging children's participation in art and craft, music and personality development, through year round programmes. The Group is also closely involved with a popular annual festival that showcases folk art, music and dance, again with emphasis on children and an All-India Veterans Tennis tournament.

### ACKNOWLEDGEMENT

Your directors gratefully acknowledge the support and co-operation extended to your Company by all the customers, depositors, shareholders, bankers, mutual funds, automotive manufacturers and vehicle dealers.

For nearly six decades, your Company has grown on the strong foundation of a set of values that we call the 'Sundaram Way'. It is these values that have been our anchor in difficult times and our beacon when we have forged ahead on the path to growth. This would not have been possible without the complete dedication and unswerving commitment displayed by the employees of the Company, thus enabling it to report a strong performance during the year.

For and on behalf of the Board

Chennai 600 002  
30th May 2011

**S VIJI**  
Chairman

## Annexure

### Disclosure under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

| S. No | Particulars  | Sundaram Finance Employee<br>Stock Option Scheme - 2008 |
|-------|--|---|
| (a)   | Options Granted  | 44,250  |
| (b)   | The pricing formula  | ₹ 10/- per share (at par)                               |
| (c)   | Options vested   | 10,500  |
| (d)   | Options exercised  | 10,500  |
| (e)   | The total number of shares arising as a result of exercise of Option   | 10,500  |
| (f)   | Options lapsed   | Nil   |
| (g)   | Variation of terms of Options  | Not Applicable  |
| (h)   | Money realized by exercise of Option   | ₹ 1,05,000/-  |
| (i)   | Total number of Options in force   | 33,750  |
| (j)   | Employee-wise details of Options granted on 28th May 2010 (Grant 2) & 30th May 2011 (Grant 3)  |   |
| (i)   | <b>Senior Managerial Personnel:</b>  |   |
| 1     | Sri. S Venkatesan  | 2,750   |
| 2     | Sri. P S Raghavan  | 1,500   |
| 3     | Sri. A N Raju  | 4,500   |
| 4     | Sri. Paramesh Krishnaier   | 3,500   |
| 5     | Sri. K Swaminathan   | 2,000   |
| 6     | Sri. M Ramaswamy   | 4,000   |
| 7     | Sri. S Ravindran   | 750   |
| 8     | Sri. P Viswanathan   | 2,750   |
| 9     | Sri. S Srinivasan  | 1,750   |
| 10    | Sri. S Sivakumar   | 750   |
| 11    | Sri. Shridhar Iyer   | 1,000   |
| 12    | Sri. M J Kulkarni  | 1,500   |
| (ii)  | <b>Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during that year:</b> |   |
| 1.    | Sri T P Raman, Managing Director,<br>Sundaram Asset Management Company Limited   | 2,500   |
| 2.    | Sri Srinivas Acharya, Managing Director,<br>Sundaram BNP Paribas Home Finance Limited  | 4,500   |

| S. No | Particulars   | Sundaram Finance Employee Stock Option Scheme - 2008  |   |
|-------|---|---|---|
|       | <b>(iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant</b>   | Not Applicable  |   |
| (k)   | Diluted earnings per share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'   | Not Applicable  |   |
| (l)   | Where the Company has calculated the employee compensation cost using the intrinsic value of the stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the Options, shall be disclosed.  | ₹ 0.08 lakh   |   |
|       | The impact of this difference on profits and on EPS of the Company shall also be disclosed.   | Impact on Profit - would be less by ₹ 0.08 lakh.<br>Impact on EPS - Nil.  |   |
| (m)   | Weighted average exercise prices and weightage average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock.  | <b>Grant 1</b>  | <b>Grant 2</b>  |
|       |   | ₹ 10/- per share (at par) and Fair Value is ₹ 266.51  | ₹ 10/- per share (at par) and Fair Value is ₹ 385.50  |
| (n)   | A description of the method and significant assumptions used during the year to estimate fair values of Options, including following weighted average information:<br><br>(i) risk free interest rate,<br><br>(ii) expected life,<br><br>(iii) expected volatility,<br><br>(iv) expected dividends, and<br><br>(v) the price of the underlying share in market at the time of Option grant. | Black Scholes Model<br><br>4.13%<br><br>368 days<br><br>55.92%<br><br>No dividend rights during the vesting period.<br><br>₹ 276.10 | Black Scholes Model<br><br>5.07%<br><br>369 days<br><br>38.27%<br><br>No dividend rights during the vesting period.<br><br>₹ 395.00 |



## Financial Highlights

(₹ in Cr.)

| Year    | Paid-up Capital | Reserves | Deposits | Total Receivables | PBDT   | PAT                 | Dividend %          | Dividend Amount |
|---------|-----------------|----------|----------|-------------------|--------|---------------------|---------------------|-----------------|
| 1954    | 0.02            |          | 0.10     | 0.10              |        |                     |                     |                 |
| 1972    | 1.00            | 0.58     | 8.35     | 9.86              | 0.73   | 0.30                | 16.00               | 0.16            |
| 1976    | 1.50            | 0.99     | 13.57    | 19.87             | 1.78   | 0.67                | 16.00               | 0.24            |
| 1978    | 2.00            | 1.37     | 14.65    | 27.18             | 2.01   | 0.77                | 18.00               | 0.36            |
| 1982    | 3.00            | 3.00     | 45.20    | 76.60             | 4.28   | 1.58                | 20.00               | 0.60            |
| 1986    | 6.00            | 6.59     | 104.10   | 184.66            | 10.35  | 2.67                | 16.00               | 0.96            |
| 1990-91 | 12.00           | 30.24    | 201.02   | 483.21            | 34.69  | 12.01               | 25.00               | 3.00            |
| 1995-96 | 24.00           | 204.31   | 550.44   | 1637.05           | 127.50 | 64.92               | 35.00               | 8.40            |
| 2004-05 | 27.78           | 655.22   | 740.25   | 4488.30           | 144.55 | 75.99               | 75.00               | 21.87           |
| 2005-06 | 27.78           | 783.06   | 627.98   | 5452.18           | 227.21 | 170.59 <sup>@</sup> | 135.00 <sup>#</sup> | 37.50           |
| 2006-07 | 27.78           | 850.10   | 658.47   | 7327.02           | 165.01 | 100.47              | 105.00              | 29.17           |
| 2007-08 | 27.78           | 1015.15  | 756.62   | 8925.05           | 333.02 | 212.54 <sup>@</sup> | 150.00              | 41.67           |
| 2008-09 | 55.55           | 1097.12  | 940.06   | 9203.53           | 257.47 | 150.73              | 65.00               | 36.11           |
| 2009-10 | 55.55           | 1260.57  | 1094.91  | 10218.80          | 368.29 | 226.75 <sup>@</sup> | 100.00              | 55.55           |
| 2010-11 | 55.55           | 1473.79  | 1192.03  | 12354.38          | 485.06 | 295.23 <sup>§</sup> | 140.00              | 77.77           |

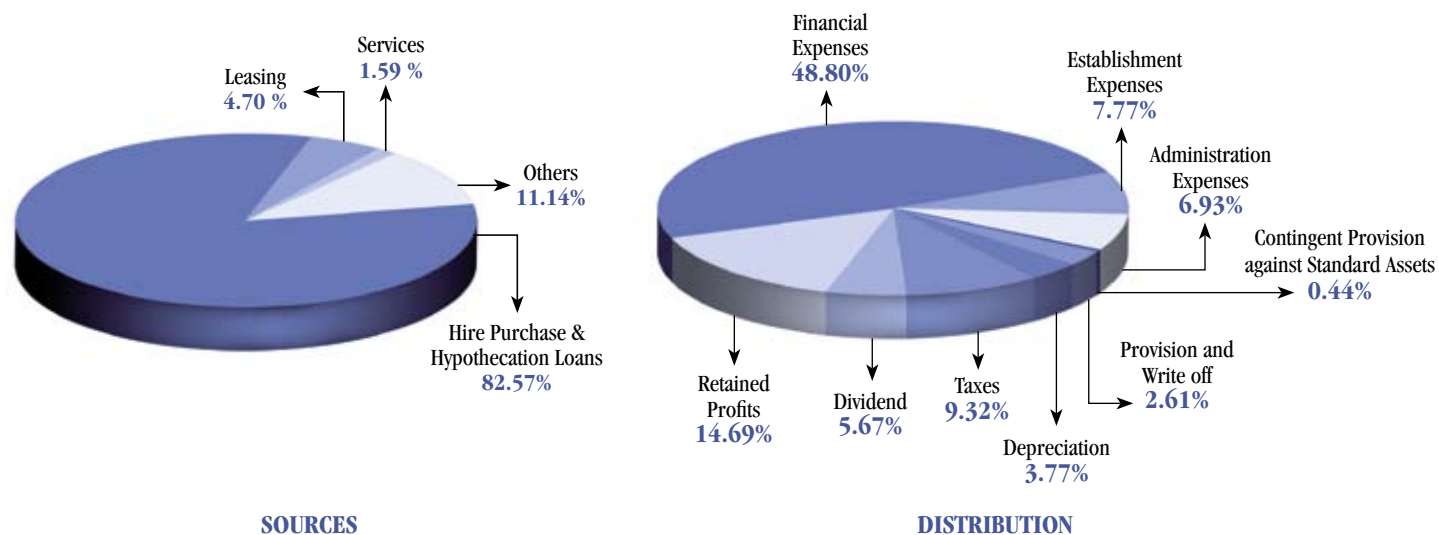
# includes 50% Special Dividend

@ includes profit on sale of shares - ₹ 88.13 cr., ₹ 76.82 cr., and ₹ 25.39 cr., respectively.

§ includes Special Dividend received from a Subsidiary Company - ₹ 38.85 cr.

### Sources and Distribution of Income (2010-11)

₹ 1450.41 cr.



## Auditors' Report

### To The Members of M/s. Sundaram Finance Limited

1. We have audited the attached Balance Sheet of Sundaram Finance Limited, (the Company) as at 31st March 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the Act), and based on the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  4. Further to our comments in the Annexure referred to above, we report that:
    - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
    - ii. 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.
    - iii. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
    - iv. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
    - v. On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act, and
    - vi. in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
      - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BRAHMAYYA & CO.,  
Chartered Accountants  
Registration No.000511S

L. RAVI SANKAR  
Partner

Place: Chennai  
Date: 30th May, 2011

Membership No. 25929

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## Annexure To The Auditors’ Report Referred to in Paragraph 3 of our Report of Even Date

1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
  - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed off by the Company during the year.
  2. a. i) The Company has granted secured loans to three companies and unsecured loans to four companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was ₹ 8596.68 lakhs for the secured loans and ₹ 3000.00 lakhs for the unsecured loans. The balance outstanding at the end of the year was ₹ 8359.15 lakhs in respect of the secured loans and ₹ 2390.00 lakhs in respect of the unsecured loans.
  - ii) The rate of interest and other terms and conditions of the loan are, prima facie, not prejudicial to the interest of the Company.
  - iii) The payment of interest and the repayment of principal are regular.
  - iv) There is no amount overdue on the loans.
  - v) Apart from the above, the Company has not granted loans to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - b. i) The Company has issued secured debentures to a company and taken an unsecured loan from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was ₹ 3000 lakhs for the secured debentures and ₹ 400 lakhs for the unsecured loans. The balance outstanding at the end of the year was ₹ 2000 lakhs in respect of the secured debentures and ₹ 400 lakhs in respect of the unsecured loan.
  - ii) The rate of interest and other terms and conditions of the loan are, prima facie, not prejudicial to the interest of the Company.
  - iii) The payment of interest is regular.
  - iv) There is no amount overdue on the loans.
- Apart from the above, the Company has not taken loans from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the above controls and therefore the reporting of the same does not arise.
  4. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that Section have been so entered.
  - b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.

5. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public.
6. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
8. a) According to the records of the Company and the information and explanations given to us, undisputed statutory dues including provident fund, employee state insurance, income tax, wealth tax, service tax, sales tax, value added tax, customs duty and excise duty were regularly deposited during the year with the appropriate authorities.
- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, excise duty and cess which are outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable.
9. According to the records of the Company and the information and explanations given to us, there are no dues of wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute. Details of disputed sales tax and service tax not deposited are as follows:
- | Nature of dues | Amount (₹ in lakhs) | Period to which the amount relates    | Forum where the dispute is pending            |
|----------------|---------------------|---------------------------------------|---|
| Sales Tax      | 956.37              | Assessment years 1993-94 to 2007-2008 | Various appellate authorities                 |
| Service Tax    | 2776.75             | 2003-2004 to December 2009            | Commissioner (Appeals) (Large Tax Payer Unit) |
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the current and immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit societies are not applicable to the Company.
14. Based on our examination of records and the information and explanations given to us, the Company does not deal/trade in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company, prima facie, were applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment, pending application.
17. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the Balance Sheet of the Company, funds raised on short term basis, prima facie, have not been used during the year for long term investment.
18. According to the information and explanations given to us, the Company has created securities in respect of secured debentures issued.
19. The Company has not raised money by public issues during the year.
20. To the best of our knowledge and according to the information and explanations given to us, during the year no fraud on or by the Company was noticed or reported during the course of our audit.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for the year.

For BRAHMAYYA & CO.,  
Chartered Accountants  
Registration No.000511S

L. RAVI SANKAR  
Partner

Place: Chennai  
Date: 30th May, 2011

Membership No. 25929

## Balance Sheet

as at 31st March, 2011

(₹ in Lakh)

| Schedule                                     | 31.03.2011 |                    | 31.03.2010 |                   |            |
|--|------------|--------------------|------------|-------------------|------------|
| <b>I SOURCES OF FUNDS</b>                    |            |                    |            |                   |            |
| <b>1. Shareholders' Funds</b>                |            |                    |            |                   |            |
| a) Capital                                   | 1          | 55,55.19           |            | 55,55.19          |            |
| b) Stock Option Outstanding Account          | 2          | 55.34              |            | 23.28             |            |
| c) Reserves and Surplus                      | 3          | 1473,79.01         | 1529,89.54 | 1260,57.18        | 1316,35.65 |
| <b>2. Loan Funds</b>                         |            |                    |            |                   |            |
| a) Secured Loans                             | 4          | 7486,10.42         |            | 5884,17.27        |            |
| b) Unsecured Loans                           | 5          | 2463,28.67         | 9949,39.09 | 2609,60.87        | 8493,78.14 |
| <b>Total</b>                                 |            | <b>11479,28.63</b> |            | <b>9810,13.79</b> |            |
| <b>II APPLICATION OF FUNDS</b>               |            |                    |            |                   |            |
| <b>1. Fixed Assets</b>                       |            |                    |            |                   |            |
| a) Gross Block                               | 6          | 520,38.61          |            | 466,28.07         |            |
| b) Less: Depreciation                        |            | 244,07.03          |            | 231,93.45         |            |
| c) Net Book Value                            |            | 276,31.58          |            | 234,34.62         |            |
| d) Less: Lease Adjustment Account            |            | 2,10.82            |            | 1,96.82           |            |
| e) Net Block                                 |            |                    | 274,20.76  |                   | 232,37.80  |
| <b>2. Investments</b>                        | 7          |                    | 945,99.52  |                   | 537,44.80  |
| <b>3. Deferred Tax Asset (Net)</b>           |            |                    |            |                   |            |
| Deferred Tax Asset                           | 8          | 50,39.09           |            | 61,24.40          |            |
| Less: Deferred Tax Liability                 |            | 4,11.25            | 46,27.84   | 5,90.75           | 55,33.65   |
| <b>4. Current Assets, Loans and Advances</b> |            |                    |            |                   |            |
| a) Current Assets                            | 9          | 1271,82.77         |            | 1664,89.36        |            |
| b) Loans and Advances                        | 10         | 9626,32.48         |            | 7993,63.96        |            |
| (A)  |            | 10898,15.25        |            | 9658,53.32        |            |
| Less: Current Liabilities and Provisions     |            |                    |            |                   |            |
| a) Current Liabilities                       | 11         | 546,99.71          |            | 550,84.13         |            |
| b) Provisions                                | 12         | 138,35.03          |            | 122,71.65         |            |
| (B)  |            | 685,34.74          |            | 673,55.78         |            |
| Net Current Assets                           | (A-B)      | 10212,80.51        |            | 8984,97.54        |            |
| <b>Total</b>                                 |            | <b>11479,28.63</b> |            | <b>9810,13.79</b> |            |
| Notes to the Accounts                        | 19         |                    |            |                   |            |

As per our report of even date attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman  
**T. T. Srinivasaraghavan**  
Managing Director  
**Harsha Viji**  
Director (Strategy & Planning)  
**S. Venkatesan**  
CFO & Secretary

**S. Prasad**  
**S. Ravindran**  
**S. Ram**  
**Srinivas Acharya**  
Directors  
**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
Directors

## Profit and Loss Account for the Year Ended 31st March, 2011

|  | Schedule         | 2010-11                  | (₹ in Lakh)<br>2009-10   |
|--|------------------|--------------------------|--------------------------|
| <b>INCOME</b>  |                  |                          |                          |
| Income from Operations                                       | 13               | 1370,78.14               | 1204,14.91               |
| Profit on Sale of Shares                                     |                  | —                        | 25,38.90                 |
| Other Income   | 14               | 79,63.16                 | 41,42.57                 |
| <b>TOTAL</b>   | <b>(A)</b>       | <b><u>1450,41.30</u></b> | <b><u>1270,96.38</u></b> |
| <b>EXPENDITURE</b>   |                  |                          |                          |
| Financial Expenses   | 15               | 707,82.00                | 633,79.55                |
| Establishment Expenses                                       | 16               | 112,66.94                | 100,11.23                |
| Administrative and Other Expenses                            | 17               | 100,53.72                | 82,67.81                 |
| Contingent Provisions against Standard Assets                |                  | 6,46.30                  | 31,61.69                 |
| Provisions and Write Off                                     | 18               | 37,86.51                 | 54,46.90                 |
| Depreciation   |                  | 54,68.81                 | 44,81.57                 |
| <b>TOTAL</b>   | <b>(B)</b>       | <b><u>1020,04.28</u></b> | <b><u>947,48.75</u></b>  |
| <b>Profit before Tax</b>                                     | <b>(A) - (B)</b> | <b>430,37.02</b>         | <b>323,47.63</b>         |
| Taxation   |                  |                          |                          |
| — Current (Including Wealth Tax)                             |                  | 126,08.09                | 101,11.69                |
| — Deferred   |                  | 9,05.81                  | (4,38.92)                |
| <b>Profit after Tax</b>                                      |                  | <b><u>295,23.12</u></b>  | <b><u>226,74.86</u></b>  |
| <b>Add:</b> Balance brought forward from previous year       |                  | 61,02.04                 | 41,96.67                 |
| Transfer from Special Reserve                                |                  | —                        | 76,00.00                 |
| Amount available for Appropriation                           |                  | <b><u>356,25.16</u></b>  | <b><u>344,71.53</u></b>  |
| <b>APPROPRIATIONS</b>  |                  |                          |                          |
| Dividend   |                  |                          |                          |
| — Interim  |                  | 38,88.64                 | 33,33.12                 |
| — Final (Proposed)   |                  | 38,88.64                 | 22,22.07                 |
| — Dividend Tax   |                  | 4,44.77                  | 7,74.30                  |
| Statutory Reserve  |                  | 59,10.00                 | 45,40.00                 |
| General Reserve  |                  | 154,79.24                | 175,00.00                |
| Surplus - Balance carried to Balance Sheet                   |                  | 60,13.87                 | 61,02.04                 |
|  |                  | <b><u>356,25.16</u></b>  | <b><u>344,71.53</u></b>  |
| Notes to the Accounts  | 19               |                          |                          |
| Earnings per Equity Share (Refer Note 4.4 Schedule 19)       |                  |                          |                          |
| Number of Shares considered<br>(Face Value ₹ 10/- per share) |                  | 5,55,51,930              | 5,55,51,930              |
| Basic and Diluted earnings per share (in ₹)                  |                  | 53.15                    | 40.82                    |

As per our report of even date attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman  
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Director (Strategy & Planning)  
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**S. Ram**  
**Srinivas Acharya**  
Directors

**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
Directors

## SCHEDULES

(₹ in Lakh)

|   | 31.03.2011       |                   |                  | 31.03.2010        |
|---|------------------|-------------------|------------------|-------------------|
| <b>1 Capital</b>  |                  |                   |                  |                   |
| <b>Authorised</b>   |                  |                   |                  |                   |
| 10,00,00,000 Equity Shares of ₹ 10/- each   | <u>100,00.00</u> |                   |                  | <u>100,00.00</u>  |
| <b>Issued, Subscribed and fully paid-up</b>   | <u>55,55.19</u>  |                   |                  | <u>55,55.19</u>   |
| 5,55,51,930 Equity Shares of ₹ 10/- each<br>(includes 5,09,75,545 Equity Shares allotted as fully paid-up by way of bonus shares by Capitalisation of Reserves and Securities Premium and 37,75,965 Equity Shares of ₹ 10/- each allotted for consideration other than cash pursuant to a Scheme of Amalgamation) |                  |                   |                  |                   |
| <b>2 Stock Option Outstanding Account</b>   |                  |                   |                  |                   |
| Per Last Balance Sheet  | 27.94            |                   | -                |                   |
| Less: Shares transferred on Exercise  | 7.18             |                   | -                |                   |
| Less: Transfer to General Reserve   | 20.76            |                   | -                |                   |
| Add: Granted during the year  | 66.41            |                   | 27.94            |                   |
| Less: Deferred Employee Compensation Cost   | <u>11.07</u>     | <u>55.34</u>      | 4.66             | <u>23.28</u>      |
| <b>3 Reserves and Surplus</b>   |                  |                   |                  |                   |
| <b>Capital Reserve</b>  |                  | 50,79.64          |                  | 50,79.64          |
| <b>General Reserve</b>  |                  |                   |                  |                   |
| Per Last Balance Sheet  | 845,00.00        |                   | 670,00.00        |                   |
| Add: Transfer from Stock Option Outstanding account   | 20.76            |                   | -                |                   |
| Add: Transfer from Profit and Loss account  | <u>154,79.24</u> | 1000,00.00        | <u>175,00.00</u> | 845,00.00         |
| <b>Statutory Reserve</b>  |                  |                   |                  |                   |
| Per last Balance Sheet  | 303,75.50        |                   | 258,35.50        |                   |
| Add: Transfer from Profit and Loss account  | <u>59,10.00</u>  | 362,85.50         | <u>45,40.00</u>  | 303,75.50         |
| <b>Special Reserve</b>  |                  |                   |                  |                   |
| Per Last Balance Sheet  | -                |                   | 76,00.00         |                   |
| Less: Transfer to Profit and Loss account   | -                | -                 | <u>76,00.00</u>  | -                 |
| Surplus - Balance in Profit and Loss account  |                  | <u>60,13.87</u>   |                  | <u>61,02.04</u>   |
|   |                  | <u>1473,79.01</u> |                  | <u>1260,57.18</u> |
| <b>4 Secured Loans</b>  |                  |                   |                  |                   |
| Non - Convertible Debentures  |                  | 3744,25.75        |                  | 3176,82.03        |
| From Scheduled Banks  |                  | <u>3741,84.67</u> |                  | <u>2707,35.24</u> |
|   |                  | <u>7486,10.42</u> |                  | <u>5884,17.27</u> |
| <b>5 Unsecured Loans</b>  |                  |                   |                  |                   |
| Fixed deposits  |                  |                   |                  |                   |
| From Public   | 1186,82.24       |                   | 1088,49.35       |                   |
| From Directors  | <u>5,20.56</u>   | 1192,02.80        | <u>6,41.54</u>   | 1094,90.89        |
| Non - Convertible Debentures  |                  | -                 |                  | 335,00.00         |
| Subordinated Non Convertible Debentures   |                  | 387,10.00         |                  | 245,00.00         |
| Debenture Application Money – Subordinated  |                  | 10,00.00          |                  | -                 |
| Non Convertible Debentures  |                  |                   |                  |                   |
| Short Term Loans and advances   |                  |                   |                  |                   |
| From Scheduled Banks  |                  | 301,95.66         |                  | 302,37.82         |
| From Subsidiary Companies   |                  | 5,20.00           |                  | 1,80.00           |
| From Others   |                  | -                 |                  | 9,24.00           |
| Commercial Paper  |                  | <u>567,00.21</u>  |                  | <u>621,28.16</u>  |
|   |                  | <u>2463,28.67</u> |                  | <u>2609,60.87</u> |



**SCHEDULES**

| (₹ in Lakhs)                              |                     |                  |                 |                  |                  |                 |                 |  |                  |                  |                  |                  |
|---|---------------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|--|------------------|------------------|------------------|------------------|
| DESCRIPTION                               | GROSS BLOCK AT COST |                  |                 | DEPRECIATION     |                  |                 | Net Book Value  | Balance in Lease Adjustment Account as at 31.03.2011 | NET BLOCK        |                  |                  |                  |
|   | As at 31.03.2010    | Additions        | Deductions      | As at 31.03.2011 | Upto 31.03.2010  | Additions*      |                 |  | Deductions       | Upto 31.03.2011  | As at 31.03.2011 | As at 31.03.2010 |
| 1 Freehold Land and Buildings             | 73,87.71            | 1,04.27          | -               | 74,91.98         | 13,07.58         | 1,35.67         | -               | 14,43.25   | 60,48.73         | -                | 60,48.73         | 60,80.13         |
| 2 Leasehold Office / Residential Premises | 15,55.96            | 0.10             | -               | 15,56.06         | 7,36.28          | 40.99           | -               | 7,77.27  | 7,78.79          | -                | 7,78.79          | 8,19.68          |
| 3 Plant and Machinery and Computers       | 68,47.81            | 18,37.40         | 1,78.67         | 85,06.54         | 41,05.01         | 8,14.25         | 1,70.69         | 47,48.57   | 37,57.97         | -                | 37,57.97         | 27,42.80         |
| 4 Vehicles                                | 187,36.21           | 81,51.10         | 26,77.99        | 242,09.32        | 69,23.56         | 40,01.19        | 15,66.67        | 93,58.08   | 148,51.24        | -                | 148,51.24        | 118,12.65        |
| 5 Furniture/Office Equipment              | 33,03.43            | 1,68.80          | 56.43           | 34,15.80         | 22,30.24         | 2,20.21         | 45.54           | 24,04.91   | 10,10.89         | -                | 10,10.89         | 10,73.19         |
| 6 Intangible Assets: Computer Software    | 10,80.71            | 6,17.47          | -               | 16,98.18         | 4,83.78          | 2,61.08         | -               | 7,44.86  | 9,53.32          | -                | 9,53.32          | 5,96.93          |
| 7 Assets on Finance Lease:                |                     |                  |                 |                  |                  |                 |                 |  |                  |                  |                  |                  |
| a) Plant and Machinery and Computers      | 44,43.08            | -                | 41.70           | 44,01.38         | 41,86.35         | 36.57           | 39.60           | 41,83.32   | 2,18.06          | (1,99.27)        | 18.79            | 49.05            |
| b) Vehicles                               | 31,85.39            | -                | 25,13.81        | 6,71.58          | 31,40.08         | 14.59           | 24,89.47        | 6,65.20  | 6.38             | (6.38)           | -                | 62.18            |
| c) Furniture/Office Equipment             | 87.77               | -                | -               | 87.77            | 80.57            | 1.00            | -               | 81.57  | 6.20             | (5.17)           | 1.03             | 1.19             |
| <b>Total</b>                              | <b>466,28.07</b>    | <b>108,79.14</b> | <b>54,68.60</b> | <b>520,38.61</b> | <b>231,93.45</b> | <b>55,25.55</b> | <b>43,11.97</b> | <b>244,07.03</b>                                     | <b>276,31.58</b> | <b>(2,10.82)</b> | <b>274,20.76</b> | <b>232,37.80</b> |
| Previous Year                             | 507,88.66           | 84,72.66         | 126,33.25       | 466,28.07        | 301,82.89        | 45,90.76        | 115,80.20       | 231,93.45  | 234,34.62        | (1,96.82)        | 232,37.80        | 202,41.05        |

\* Finance Lease Depreciation of ₹ 52.16 Lakhs (Previous Year - ₹ 98.66 Lakhs) has been netted off against Lease Income.

Depreciation on assets used for development of Computer Software amounting to ₹ 4.58 Lakhs (Previous Year - ₹ 10.53 Lakhs) taken to Advance for Purchase of Assets.



**SCHEDULES**

|   | Face Value (FV)  | (₹ in Lakh)      |                  |
|---|------------------|------------------|------------------|
|   |                  | 31.03.2011       | 31.03.2010       |
| <b>7 Investments</b>  |                  |                  |                  |
| Long Term - At Cost   |                  |                  |                  |
| <b>I In Government / Trust Securities</b>   |                  |                  |                  |
| Non Trade   |                  |                  |                  |
| <b>A Quoted:</b>  |                  |                  |                  |
| <b>Government Securities</b>  |                  |                  |                  |
| Central Government Loans<br>(Face Value of ₹ 450 lakhs acquired during the year)  | 102,89.30        | 103,30.82        | 98,78.16         |
| State Government Loans<br>(Face Value of ₹ 640 lakhs acquired during the year<br>and Face Value of ₹ 40 lakhs sold during the year) | 29,48.00         | 29,78.93         | 23,71.54         |
|   | <u>132,37.30</u> | <u>133,09.75</u> | <u>122,49.70</u> |
| <b>B Unquoted:</b>  |                  |                  |                  |
| <b>Trust Securities</b>   |                  |                  |                  |
| Investment in Mutual Funds  |                  |                  |                  |
| Sundaram Energy Opportunities - Growth @<br>20,00,000 units of ₹ 10/- each  |                  | 1,57.01          | 1,66.60          |
|   |                  | <u>1,57.01</u>   | <u>1,66.60</u>   |
| <b>II In Equity Shares - Fully paid</b>   |                  |                  |                  |
| <b>Quoted:</b>  |                  |                  |                  |
| Sundaram Clayton Limited<br>45,46,170 Equity Shares of ₹ 5/- each   |                  | 17,19.14         | 17,19.14         |
| Wheels India Limited<br>13,33,741 Equity Shares of ₹ 10/- each  |                  | 8,38.14          | 8,38.14          |
| Reliance Industries Limited<br>40,850 Equity Shares of ₹ 10/- each  |                  | 3,47.22          | 3,47.22          |
| India Motor Parts & Accessories Limited<br>7,35,392 Equity Shares of ₹ 10/- each  |                  | 2,79.26          | 2,79.26          |
| Techtran Polylenes Limited @<br>2,50,000 Equity Shares of ₹ 10/- each   |                  | 51.89            | 32.13            |
| IDBI Limited<br>(14,240 Equity Shares of ₹ 10/- each sold during the year)  |                  | —                | 11.40            |
|   |                  | <u>32,35.65</u>  | <u>32,27.29</u>  |

**SCHEDULES**
**7 Investments (contd.)**

(₹ in Lakh)

|  | 31.03.2011              | 31.03.2010              |
|--|-------------------------|-------------------------|
| <b>Unquoted:</b>   |                         |                         |
| <b>i) In Subsidiary Companies:</b>   |                         |                         |
| Sundaram Asset Management Co. Ltd.<br>1,53,33,229 Equity Shares of ₹ 10/- each<br>(76,51,281 Equity Shares of ₹ 10/- each acquired during the year)  | 153,13.84               | 12,09.86                |
| Sundaram BNP Paribas Home Finance Ltd. *<br>4,01,56,296 Equity Shares of ₹ 10/- each   | 61,39.10                | 61,39.10                |
| Sundaram BNP Paribas Fund Services Ltd. *<br>2,16,75,000 Equity Shares of ₹ 10/- each<br>(65,25,000 Equity Shares of ₹ 10/- each subscribed during the year)   | 21,67.54                | 15,15.00                |
| Sundaram Business Services Ltd.<br>1,50,00,000 Equity Shares of ₹ 10/- each  | 15,00.00                | 15,00.00                |
| Professional Management Consultants Ltd.§<br>(2,20,600 Equity Shares of ₹ 10/- each acquired during the year)  | 10,37.24                | —                       |
| Infreight Logistics Solutions Ltd.<br>(44,10,000 Equity Shares of ₹ 10/- each sold during the year)  | —                       | 4,41.00                 |
| Sundaram Infotech Solutions Ltd.§<br>40,00,000 Equity Shares of ₹ 10/- each  | 4,00.00                 | 4,00.00                 |
| Sundaram Trustee Company Ltd.<br>50,000 Equity Shares of ₹ 10/- each<br>(24,950 Equity Shares of ₹ 10/- each acquired during the year)   | 2,28.62                 | 2.51                    |
| Sundaram Finance Distribution Ltd.<br>5,00,000 Equity Shares of ₹ 10/- each  | 65.18                   | 65.18                   |
| Sundaram Insurance Broking Services Ltd.<br>(5,00,000 Equity Shares of ₹ 10/- each subscribed during the year)   | 50.00                   | —                       |
| LGF Services Ltd.<br>2,50,000 Equity Shares of ₹ 10/- each   | 5.00                    | 5.00                    |
| <b>ii) In Joint Venture Companies</b>  |                         |                         |
| Royal Sundaram Alliance Insurance Company Ltd.<br>12,47,50,000 Equity Shares of ₹ 10/- each<br>(1,99,60,000 Equity Shares of ₹ 10/- each subscribed at<br>a premium of ₹ 6.25 per share during the year) | 137,67.83               | 105,24.33               |
| BNP Paribas Sundaram Global Securities Operations Pvt Ltd. *<br>36,48,050 Equity Shares of ₹ 10/- each<br>(4,63,050 Equity Shares of ₹ 10/- each acquired during the year)                               | 3,64.92                 | 3,18.50                 |
| <b>Carried forward</b>   | <b><u>410,39.27</u></b> | <b><u>221,20.48</u></b> |

## SCHEDULES

### 7 Investments (contd.)

(₹ in Lakh)

|  | 31.03.2011       | 31.03.2010       |
|--|------------------|------------------|
| <b>Brought forward</b>   | <b>410,39.27</b> | <b>221,20.48</b> |
| <b>iii) In Associate Companies</b>   |                  |                  |
| The Dunes Oman LLC (FZC)<br>22,93,725 Equity Shares of value 1 Omani Riyal each<br>(3,65,025 Equity Shares of value 1 Omani Riyal each subscribed during the year) | 26,94.86         | 22,64.33         |
| Flometallic India Ltd.<br>(1600 Equity Shares of ₹ 1,00,000/- each subscribed during the year)   | 16,00.00         | —                |
| Axles India Ltd.<br>98,91,754 Equity Shares of ₹ 10/- each   | 10,15.70         | 10,15.70         |
| Sundaram Hydraulics Ltd.<br>73,50,000 Equity Shares of ₹ 10/- each   | 7,35.00          | 7,35.00          |
| Turbo Energy Ltd.<br>19,20,000 Equity Shares of ₹ 10/- each  | 1,88.41          | 1,88.41          |
| Sundaram Dynacast Private Ltd.<br>11,70,000 Equity Shares of ₹ 10/- each   | 1,17.00          | 1,17.00          |
| Transenergy Ltd.<br>30,000 Equity Shares of ₹ 100/- each   | 30.00            | 30.00            |
| <b>iv) In Other Companies</b>  |                  |                  |
| Equifax Credit Information Services Pvt. Ltd. *<br>75,00,000 Equity Shares of ₹ 10/- each<br>(25,00,000 Equity Shares of ₹ 10/- each subscribed during the year)   | 7,50.00          | 5,00.00          |
| Experian Credit Information Company of India Pvt Ltd.<br>42,00,000 Equity Shares of ₹ 10/- each  | 4,20.00          | 4,20.00          |
| Credit Information Bureau (India) Ltd.<br>6,25,000 Equity Shares of ₹ 10/- each  | 1,25.01          | 1,25.01          |
| Vishnu Forge Industries Ltd.<br>2,97,110 Equity Shares of ₹ 10/- each  | 45.93            | 45.93            |
| Lucas-TVS Ltd.<br>63,224 Equity Shares of ₹ 100/- each   | 27.22            | 27.22            |
| Delphi TVS Diesel Systems Ltd.<br>2,52,896 Equity Shares of ₹ 10/- each  | 18.15            | 18.15            |
| Brakes India Ltd.<br>1,59,460 Equity Shares of ₹ 100/- each  | 15.33            | 15.33            |
| NTTF Industries Pvt Ltd.<br>75,000 Equity Shares of ₹ 10/- each  | 15.00            | 15.00            |
|  | <b>488,36.88</b> | <b>276,37.56</b> |
| § Less : Provision for diminution in the value of investments  | 12,07.24         | 4,41.00          |
|  | <b>476,29.64</b> | <b>271,96.56</b> |

\* These shares are subject to a lock in period

**SCHEDULES**
**7 Investments (contd.)**

(₹ in Lakh)

**III In Preference Shares**
**Unquoted:**
**Axles India Ltd.**

 12%, 6,00,000 Redeemable Cumulative  
 Non-Convertible Preference Shares of ₹ 100/- each

**Sundaram Hydraulics Ltd.**

 (9%, 5,00,000 Redeemable Cumulative  
 Non-Convertible Preference Shares of ₹ 100/- each subscribed during the year)

|  | 31.03.2011       | 31.03.2010     |
|--|------------------|----------------|
|  | 6,00.00          | 6,00.00        |
|  | 5,00.00          | —              |
|  | <b>11,00.00</b>  | <b>6,00.00</b> |
| <b>A) Non Trade - Quoted</b>   |                  |                |
| Reliance Industries Ltd.   | 1,30.05          | 1,30.05        |
| 1,29,880 Zero Coupon Secured Redeemable<br>Non-Convertible Debentures of ₹ 100/- each  |                  |                |
|  | <b>1,30.05</b>   | <b>1,30.05</b> |
| <b>B) Non Trade - Unquoted</b>   |                  |                |
| Rural Electrification Corporation Limited<br>(5.50%, 500 Non-Convertible Redeemable Taxable<br>Bonds Series VII of ₹ 10,000/- each redeemed during the year) | —                | 50.00          |
|  | <b>—</b>         | <b>50.00</b>   |
| <b>Current Investments</b>   |                  |                |
| <b>a) In Trust Securities (Unquoted)</b>   |                  |                |
| HDFC Cash Management Fund Treasury Advantage-Wholesale Plan Growth<br>(1,63,18,060.38 units of ₹ 10/- each purchased during the year)                        | 35,06.41         | —              |
| Birla Sun Life Cash Manager-Plan C Instl. Growth<br>(1,83,39,899.41 units of ₹ 10/- each purchased during the year)  | 30,07.36         | —              |
| Sundaram Ultra Short Term Super Instl. Growth<br>(2,27,28,661.79 units of ₹ 10/- each purchased during the year)   | 30,07.16         | —              |
| Kotak Floater Long-Term-Growth<br>(1,61,14,461.07 units of ₹ 10/- each purchased during the year)  | 25,07.62         | —              |
| Reliance Quarterly Interval Fund— Series I— Instl. Growth<br>(2,38,44,268.31 units of ₹ 10/- each purchased during the year)                                 | 25,00.00         | —              |
| ICICI Prudential Instl. Liquid Plan Super IP Growth<br>(17,24,368.64 units of ₹ 100/- each purchased during the year)  | 25,00.00         | —              |
| Reliance Money Manager Fund-Instl. Plan Growth<br>(1,50,364.71 units of ₹ 1000/- each purchased during the year)   | 20,08.87         | —              |
| UTI- Liquid Fund-Cash Plan-Instl. Growth<br>(93,198.39 units of ₹ 1000/- each purchased during the year)   | 15,00.00         | —              |
| IDFC Saving Advantage Fund-Growth<br>(1,09,303.98 units of ₹ 1000/- each purchased during the year)  | 15,00.00         | —              |
| <b>Carried forward</b>   | <b>220,37.42</b> | <b>—</b>       |

**SCHEDULES****7 Investments (contd.)**

(₹ in Lakh)

**Current Investments**

|  | 31.03.2011       | 31.03.2010       |
|--|------------------|------------------|
| <b>Brought forward</b>   | <b>220,37.42</b> | —                |
| <b>a) In Trust Securities (Unquoted)</b>   |                  |                  |
| SBI Premier Liquid Fund-Super Instl-Growth<br>(64,87,145.72 units of ₹ 10/- each purchased during the year)                      | 10,00.00         | —                |
| Canara Robeco Liquid-Super Instl-Growth<br>(83,90,669.58 units of ₹ 10/- each purchased during the year)                         | 10,00.00         | —                |
| Religare Liquid Fund - Super Instl. - Growth<br>(74,260.10 units of ₹ 1000/- each purchased during the year)                     | 10,00.00         | —                |
| Templeton India Treasury Management A/c-Super Instl. Plan-Growth<br>(68,619.03 units of ₹ 1000/- each purchased during the year) | 10,00.00         | —                |
| Tata Liquid Super High Investment Plan - Appreciation<br>(55,247.97 units of ₹ 1000/- each purchased during the year)            | 10,00.00         | —                |
| Baroda Pioneer Liquid Fund Instl. Plan - Growth<br>(89,068.44 units of ₹ 1000/- each purchased during the year)                  | 10,00.00         | —                |
| Sundaram Rural India Fund - Growth<br>(45,17,936.21 units of ₹ 10/- each)  | 5,00.00          | 5,00.00          |
| Sundaram Select Focus - Appreciation<br>(8,71,148.43 units of ₹ 10/- each)   | 5,00.00          | 5,00.00          |
| Reliance Quarterly Interval Fund—Series II—Instl. Growth<br>(3,20,39,067.73 units of ₹ 10/- each redeemed during the year)       | —                | 40,00.43         |
| Birla Sunlife FT Fund-Long Term—Instl— Growth<br>(3,71,19,182.39 units of ₹ 10/- each redeemed during the year)                  | —                | 40,00.40         |
| Birla Sunlife Short Term Opportunities Fund—Instl— Growth<br>(96,19,269.32 units of ₹ 10/- each redeemed during the year)        | —                | 10,00.00         |
| Sundaram Capex Opportunities Fund - Growth<br>(12,37,742.09 units of ₹ 10/- each redeemed during the year)                       | —                | 1,23.77          |
|  | <b>290,37.42</b> | <b>101,24.60</b> |

**SCHEDULES**
**7 Investments (contd.)**

(₹ in Lakh)

**SUMMARY OF INVESTMENTS**
**I In Government / Trust Securities**

|                        | 31.03.2011 | 31.03.2010 |
|------------------------|------------|------------|
| A Quoted               | 133,09.75  | 122,49.70  |
| B Unquoted - Long Term | 1,57.01    | 1,66.60    |
| C Unquoted - Current   | 290,37.42  | 101,24.60  |

**II In Equity Shares**

|            |           |           |
|------------|-----------|-----------|
| A Quoted   | 32,35.65  | 32,27.29  |
| B Unquoted | 476,29.64 | 271,96.56 |

**III In Preference Shares - Unquoted**

|  |          |         |
|--|----------|---------|
|  | 11,00.00 | 6,00.00 |
|--|----------|---------|

**IV In Bonds / Debentures / Others**

|            |         |         |
|------------|---------|---------|
| A Quoted   | 1,30.05 | 1,30.05 |
| B Unquoted | –       | 50.00   |

**GRAND TOTAL**

|  |                  |                  |
|--|------------------|------------------|
|  | <b>945,99.52</b> | <b>537,44.80</b> |
|--|------------------|------------------|

**Aggregate of quoted Investments - Long Term**

|                       | Cost      | MV #<br>31.03.2011 |
|-----------------------|-----------|--------------------|
| Government Securities | 133,09.75 | 125,26.85          |
| Equity Shares         | 32,35.65  | 149,91.20          |
| Debentures            | 1,30.05   | 1,30.05            |

**(A) 166,75.45 276,48.10**
**Aggregate of unquoted Investments - Long Term**

|                   |           |  |
|-------------------|-----------|--|
| Trust Securities  | 1,57.01   |  |
| Equity Shares     | 476,29.64 |  |
| Preference Shares | 11,00.00  |  |
| Bonds             | –         |  |

**(B) 488,86.65**
**Aggregate of unquoted Investments - Current**

|                  |           |  |
|------------------|-----------|--|
| Trust Securities | 290,37.42 |  |
|------------------|-----------|--|

**(C) 290,37.42**
**GRAND TOTAL [A + B + C]**

|  |                  |  |
|--|------------------|--|
|  | <b>945,99.52</b> |  |
|--|------------------|--|

# Cost has been considered wherever market value is not available.

@ These Investments have been marked to market.

## SCHEDULES

### Units of Mutual Funds Purchased and redeemed during the year

#### Current Investments

| Name of the Fund   | Face Value<br>(₹ ) | Units<br>(in Lakh) | Amount<br>(₹ in Lakh) |
|--|--------------------|--------------------|-----------------------|
| Baroda Pioneer Liquid Fund Instl. Plan Growth                    | 10                 | 15,63              | 176,00                |
| Baroda Pioneer PSU Bond Fund                                     | 10                 | 1,16               | 12,00                 |
| Baroda Pioneer Short Term Bond Fund-Growth                       | 10                 | 20                 | 2,00                  |
| Baroda Pioneer Treasury Advantage Fund-Instl. Growth             | 10                 | 9,22               | 98,01                 |
| Birla Sunlife Cash Plus-Instl. Premium-Growth                    | 10                 | 25,99              | 395,00                |
| Birla Sunlife Cash Manager-Instl. Plan Growth                    | 10                 | 5,21               | 84,93                 |
| Birla Sunlife Savings Fund Instl. Growth                         | 10                 | 5,49               | 97,21                 |
| Birla Sunlife Short Term Instl. Growth                           | 10                 | 4,96               | 54,34                 |
| BNP Paribas Overnight Instl. Growth                              | 10                 | 67                 | 10,00                 |
| Canara Robeco Floating Rate Short Term Growth                    | 10                 | 2,12               | 31,00                 |
| Canara Robeco Liquid Super IP-Growth                             | 10                 | 24,07              | 274,04                |
| Canara Robeco Short Term Instl. Growth                           | 10                 | 2,33               | 25,00                 |
| Canara Robeco Treasury Adv. Super Instl. Growth                  | 10                 | 13,40              | 189,03                |
| DWS Insta Cash Plus Fund-IP-Growth                               | 10                 | 1,83               | 25,00                 |
| DWS Money Plus Fund IP Growth                                    | 10                 | 1,43               | 15,00                 |
| Fortis Overnight Instl. Growth                                   | 10                 | 85                 | 12,00                 |
| Fortis Money Plus-IP-G   | 10                 | 86                 | 12,00                 |
| Fidelity Ultra Short Term Debt Fund Super Inst. Growth           | 10                 | 1,60               | 20,00                 |
| HDFC Floating Rate Income Fund-ST-Whole Sale Option-Growth       | 10                 | 9,34               | 148,03                |
| HDFC Cash Management Fund Savings Plan                           | 10                 | 2,79               | 55,00                 |
| HDFC Cash Management Fund Treasury Adv Plan Whosale Option       | 10                 | 4,37               | 92,94                 |
| HDFC Liquid Fund - Premium Plan - Growth                         | 10                 | 11,02              | 207,27                |
| HDFC Liquid Fund Premium Plus Plan Growth                        | 10                 | 9,32               | 178,00                |
| HSBC Cash Fund-Institutional Plus - Growth                       | 10                 | 1,35               | 20,00                 |
| ICICI Pru Flexible Income Plan Premium Growth                    | 100                | 69                 | 120,02                |
| ICICI Prudential Floating Rate Plan Plan D Growth                | 100                | 32                 | 45,00                 |
| ICICI Prudential Institutional Liquid Plan Super IP Growth       | 100                | 2,88               | 402,00                |
| ICICI Prudential Ultra STP Super Premium Growth                  | 10                 | 6,86               | 71,10                 |
| IDFC Cash Fund - Super IP Plan C - Growth                        | 10                 | 19,30              | 219,00                |
| IDFC Money Manager Fund - Treasury Plan Super Intl Plan C-Growth | 10                 | 6,37               | 72,01                 |
| IDFC Savings Advantage Fund- Plan A - Growth                     | 1000               | 4                  | 53,01                 |
| JM High Liquidity Fund Super Instl. Plan                         | 10                 | 2,80               | 41,00                 |
| JM Money Manager Fund Super Plus Plan- Growth                    | 10                 | 1,15               | 15,00                 |
| JP Morgan India Liquid Fund Super IP Growth                      | 10                 | 13,77              | 166,00                |
| JP Morgan India Short Term Income Fund- Growth                   | 10                 | 2,28               | 23,00                 |
| JP Morgan India Treasury Fund Super IP Growth                    | 10                 | 8,72               | 106,01                |
| Kotak Flexi Debt Scheme IP - Growth                              | 10                 | 4,55               | 52,01                 |

## SCHEDULES

### Current Investments (Contd.)

| Name of the Fund  | Face Value<br>(₹) | Units<br>(in Lakh) | Amount<br>(₹ in Lakh) |
|---|-------------------|--------------------|-----------------------|
| Kotak Floater Short Term-Growth                                 | 10                | 20,68              | 324,02                |
| Kotak Floater Long Term Growth                                  | 10                | 4,81               | 74,92                 |
| Kotak Liquid Institutional Premium Growth                       | 10                | 21,44              | 359,01                |
| L&T Freedom Income -Short Term Fund-Cum- Instl. Plan            | 10                | 1,29               | 20,00                 |
| LIC MF Liquid Fund Growth                                       | 10                | 13,47              | 207,01                |
| LIC MF Savings Plus Fund Growth                                 | 10                | 4,42               | 65,08                 |
| LIC MF Income Plus Fund-Growth Plan                             | 10                | 5,25               | 65,01                 |
| Principal Cash Management Fund Instl. Premium                   | 10                | 2,07               | 30,00                 |
| Peerless Liquid Fund Super Instl. Growth                        | 10                | 5,60               | 59,00                 |
| Reliance Liquid Fund-Treasury Plan-IP-Growth                    | 10                | 5,48               | 124,00                |
| Reliance Liquid Plus Fund-Instl. Plan-Growth                    | 10                | 55                 | 7,00                  |
| Reliance Liquid Fund Cash Plan Growth                           | 10                | 21,35              | 333,01                |
| Reliance Liquid Fund TP-IP Growth                               | 10                | 1,60               | 38,00                 |
| Reliance Liquidity Fund-Growth                                  | 10                | 14,02              | 199,00                |
| Reliance Medium Term Fund Retail Plan Growth                    | 10                | 52                 | 10,00                 |
| Reliance Money Manager-Instl-Growth                             | 1000              | 19                 | 241,93                |
| Reliance Short Term Fund  | 10                | 3,27               | 57,51                 |
| Religare Liquid Fund Super Instl. Plan-Growth                   | 10                | 16,67              | 231,10                |
| Religare Overnight Fund-Growth                                  | 10                | 5,41               | 62,00                 |
| Religare Ultra Short Term Fund-Instl. - Growth                  | 10                | 11,86              | 152,41                |
| SBI MF Magnum Insta Cash Fund                                   | 10                | 4,61               | 97,00                 |
| SBI Premier Liquid Fund Instl. Plan Growth                      | 10                | 1,01               | 15,00                 |
| SBI Premier Liquid Fund Super Instl. Plan Growth                | 10                | 8,01               | 119,17                |
| SBI SHF Ultra Short Term Fund IP Growth                         | 10                | 4,63               | 57,00                 |
| SBI SHDF Short Term Instl. - Growth                             | 10                | 3,28               | 35,03                 |
| Sundaram Flexible Fund ST Instl. Growth                         | 10                | 5,32               | 83,15                 |
| Sundaram Money Fund Super IP Growth                             | 10                | 32,53              | 619,01                |
| Sundaram Ultra ST Fund Super IP Growth                          | 10                | 13,68              | 176,94                |
| Tata Floater Fund Growth  | 10                | 9,54               | 133,03                |
| Tata Liquid Super High Invt. Fund - Appreciation                | 1000              | 18                 | 306,00                |
| Templeton India Treasury Management A/C - Super Instl. - Growth | 1000              | 12                 | 172,00                |
| Templeton India Ultra Short Bond Fund Super Instl. Growth       | 10                | 7,98               | 95,01                 |
| UTI Liquid Fund - Cash Plan - IP - Growth                       | 1000              | 15                 | 214,06                |
| UTI Floating Rate Fund Short Term Plan Instl. Plan Growth       | 1000              | 9                  | 97,01                 |
| UTI Money Market-Growth   | 1000              | 5                  | 50,00                 |
| UTI Treasury Adv. Fund-IP-Growth                                | 1000              | 11                 | 134,02                |



## SCHEDULES

(₹ in Lakh)

|   | 31.03.2011 |                   | 31.03.2010 |                   |
|---|------------|-------------------|------------|-------------------|
| <b>8 Deferred Tax Asset (Net)</b>                     |            |                   |            |                   |
| <b>Deferred Tax Assets</b>                            |            |                   |            |                   |
| Provision for Investments, Standard Assets, NPA etc.  |            | 33,86.42          |            | 46,18.36          |
| Income deferment on Non-performing Assets             |            | 2,11.51           |            | 3,35.44           |
| Depreciation  |            | 10,76.19          |            | 8,86.61           |
| Others  |            | 3,64.97           |            | 2,83.99           |
|   |            | <b>50,39.09</b>   |            | <b>61,24.40</b>   |
| <b>Less: Deferred Tax Liabilities</b>                 |            |                   |            |                   |
| Hire Purchase Income                                  | 3,89.40    |                   | 5,68.38    |                   |
| Others  | 21.85      | 4,11.25           | 22.37      | 5,90.75           |
|   |            | <b>46,27.84</b>   |            | <b>55,33.65</b>   |
| <b>9 Current Assets</b>                               |            |                   |            |                   |
| <b>a) Stock-on-hire and bills purchased</b>           |            |                   |            |                   |
| Net Investment in Stock-on-hire                       |            | 160,23.32         |            | 217,61.96         |
| Repossessed assets                                    |            | 6,61.99           |            | 10,76.35          |
| Debtors on Securitisation                             |            | 24.08             |            | 19.23             |
| Trade bills purchased<br>(unsecured, considered good) |            |                   |            |                   |
| – Outstanding for a period exceeding six months       |            | –                 |            | –                 |
| – Others  |            | 8,46.12           | 5,97.35    | 5,97.35           |
| Net Investment in lease                               |            | 49,19.64          |            | 45,16.06          |
|   |            | <b>224,75.15</b>  |            | <b>279,70.95</b>  |
| <b>b) Interest accrued on investments</b>             |            | 1,81.55           |            | 1,64.94           |
| <b>c) Cash and bank balances</b>                      |            |                   |            |                   |
| With scheduled banks in                               |            |                   |            |                   |
| – Current Accounts                                    |            | 16,28.67          | 12,90.86   |                   |
| – Unpaid dividend account                             |            | 63.65             | 59.27      |                   |
| – Deposit accounts                                    |            | 1007,47.89        | 1347,08.36 |                   |
| Cash on hand  |            | 10,10.85          | 12,62.41   |                   |
| Stamps and Stamp Papers on hand                       |            | 1,07.78           | 58.16      | 1373,79.06        |
| <b>d) SFL Shares trust</b>                            |            | 5,94.30           |            | 5,94.30           |
| <b>e) SFL Employees Welfare Trust</b>                 |            | 3,72.93           |            | 3,80.11           |
|   |            | <b>1271,82.77</b> |            | <b>1664,89.36</b> |

**SCHEDULES**

(₹ in Lakh)

|   | 31.03.2011               | 31.03.2010               |
|---|--------------------------|--------------------------|
| <b>10 Loans and Advances</b>  |                          |                          |
| Secured Loans   | 9172,71.18               | 7599,76.19               |
| Unsecured Loans – Subsidiary Companies  | 18,90.00                 | 23,50.00                 |
| – Others  | 31,69.47                 | 30,66.78                 |
| Advance Income Tax and<br>Tax Deducted at Source (Net of Provision)                                 | 80,66.56                 | 67,11.98                 |
| Advance Fringe Benefit Tax (Net of Provision)   | 9.29                     | 21.64                    |
| Advances and deposits recoverable in cash<br>or kind or for value to be received                    |                          |                          |
| – Subsidiary Companies  | 55.45                    | 69.65                    |
| – Others  | 25,36.00                 | 23,29.29                 |
| Advance for purchase of assets  |                          |                          |
| – Business Assets   | 166,84.01                | 129,32.96                |
| – Others  | 31,91.24                 | 30,72.86                 |
| Income receivable   | 97,59.28                 | 88,32.61                 |
|   | <b><u>9626,32.48</u></b> | <b><u>7993,63.96</u></b> |
| <b>11 Current Liabilities*</b>  |                          |                          |
| Sundry Creditors  |                          |                          |
| – For expenses  | 52,71.26                 | 48,02.31                 |
| – For other finance   | 229,45.33                | 234,98.90                |
| Unpaid dividend   | 63.65                    | 59.27                    |
| Interest accrued but not due  | 264,19.47                | 267,23.65                |
|   | <b><u>546,99.71</u></b>  | <b><u>550,84.13</u></b>  |
| * There are no amounts due and outstanding to be credited to Investor Education and Protection Fund |                          |                          |
| <b>12 Provisions</b>  |                          |                          |
| Non-performing Assets   | 55,42.50                 | 64,70.12                 |
| Contingent Provisions against Standard Assets   | 38,07.99                 | 31,61.69                 |
| Investments   | 1,51.73                  | 1,41.68                  |
| Dividend  | 38,88.64                 | 22,22.07                 |
| Dividend Tax and Surcharge  | 4,44.17                  | 2,76.09                  |
|   | <b><u>138,35.03</u></b>  | <b><u>122,71.65</u></b>  |

## SCHEDULES

(₹ in Lakh)

|  | 2010-11           | 2009-10           |
|--|-------------------|-------------------|
| <b>13 Income from Operations</b>   |                   |                   |
| Hire Purchase / Hypothecation Loans (net)<br>(tax deducted at source ₹ 329.82 lakhs) | 1197,69.45        | 1020,10.16        |
| Lease (net)<br>(tax deducted at source ₹ 165.64 lakhs)                               | 68,13.51          | 56,22.08          |
| Investments<br>(tax deducted at source ₹ 113.10 lakhs)                               | 49,03.16          | 62,07.04          |
| Income from Securitisation / Selldown of Receivables                                 | 9,99.10           | 29,34.07          |
| Interest on Loans<br>(tax deducted at source ₹ 40.36 lakhs)                          | 5,25.76           | 5,49.34           |
| Bills Purchased  | 1,33.93           | 1,84.97           |
| Services<br>(tax deducted at source ₹ 184.88 lakhs)                                  | 23,01.20          | 18,47.51          |
| Recovery of Bad debts / Loss on Sale of assets                                       | 14,77.77          | 9,66.98           |
| Profit on Sale of Leased Assets  | 1,54.26           | 92.76             |
|  | <b>1370,78.14</b> | <b>1204,14.91</b> |
| <b>14 Other Income</b>   |                   |                   |
| Interest receipts<br>(tax deducted at source ₹ 0.57 lakh)                            | 6,62.88           | 5,92.33           |
| Dividend   |                   |                   |
| – Subsidiary Companies   | 44,44.81          | 10,18.38          |
| – Others   | 14,07.59          | 11,79.27          |
| Rent receipts<br>(tax deducted at source ₹ 87.82 lakhs)                              | 8,31.38           | 9,09.86           |
| Profit on sale of assets   | 39.69             | 29.38             |
| Miscellaneous income   | 5,76.81           | 4,13.35           |
|  | <b>79,63.16</b>   | <b>41,42.57</b>   |
| <b>15 Financial Expenses</b>   |                   |                   |
| Interest – Fixed loans   | 294,89.29         | 226,41.00         |
| – Debentures   | 350,35.78         | 339,95.71         |
| – Others   | 3,78.58           | 95.58             |
| Other financial expenses   | 58,78.35          | 66,47.26          |
|  | <b>707,82.00</b>  | <b>633,79.55</b>  |

**SCHEDULES**

|  | 2010-11                 | 2009-10                 |
|--|-------------------------|-------------------------|
|  |                         | (₹ in Lakh)             |
| <b>16 Establishment Expenses</b>   |                         |                         |
| Salaries, allowances, commission and bonus   | 102,73.98               | 92,73.29                |
| Company's contribution to Provident Fund, Gratuity, Superannuation and Employees' State Insurance Scheme | 6,18.21                 | 4,76.24                 |
| Staff welfare expenses   | 3,74.75                 | 2,61.70                 |
|  | <b><u>112,66.94</u></b> | <b><u>100,11.23</u></b> |
| <b>17 Administrative and other expenses</b>  |                         |                         |
| Rent   | 7,80.28                 | 6,99.04                 |
| Rates and taxes  | 12,13.42                | 3,92.23                 |
| Communication expenses   | 7,30.17                 | 6,87.08                 |
| Electricity expenses   | 3,55.28                 | 3,48.70                 |
| Travelling and conveyance  | 9,48.39                 | 8,84.30                 |
| Advertisement charges  | 2,08.99                 | 2,05.30                 |
| Outsourcing cost   | 16,49.22                | 10,50.16                |
| Directors' sitting fee   | 11.70                   | 16.10                   |
| Insurance  | 98.02                   | 1,01.21                 |
| Repairs  |                         |                         |
| – Buildings  | 21.34                   | 59.15                   |
| – Others   | 8,42.57                 | 7,69.43                 |
| Donations  | 3,37.10                 | 2,98.10                 |
| Miscellaneous expenses   | 28,57.24                | 27,57.01                |
|  | <b><u>100,53.72</u></b> | <b><u>82,67.81</u></b>  |
| <b>18 Provisions and Write off</b>   |                         |                         |
| Bad Debts  | 28,66.37                | 34,54.60                |
| Loss on Assets sold/written off  | 9,02.10                 | 13,67.68                |
| Provision against non-performing assets (net)  | (11,57.75)              | 4,79.98                 |
| Loss on sale of investments  | 4,09.66                 | –                       |
| Provision against Investments (net)  | 7,66.13                 | 1,44.64                 |
|  | <b><u>37,86.51</u></b>  | <b><u>54,46.90</u></b>  |

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## SCHEDULES

### 19. NOTES TO THE ACCOUNTS

#### 1 SIGNIFICANT ACCOUNTING POLICIES

1.1 The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the provisions of the Companies Act, 1956. Besides, the Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies.

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

1.2 Income recognition:

- a) Income from Hypothecation Loans and Hire Purchase transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per Accounting Standard – AS 19 – Leases.
- c) Income from other financing activities and services is recognised on accrual basis.

1.3 Financial Instruments:

Commercial Paper, Zero Coupon Non Convertible Debentures etc., issued at a discount to the face value are accounted at their carrying cost, comprising issue price and accrued finance cost.

1.4 Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing ₹ 5000 or less acquired during the year are fully depreciated.

Cost of assets given on lease is amortised during the lease period for all leased assets acquired prior to 01-04-2001, as recommended in the "Guidance Note on Accounting for Leases (Revised)" issued by The Institute of Chartered Accountants of India (ICAI).

Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised. The value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

Items of computer software acquired /developed are recorded as intangible assets and their cost is amortised over their expected useful life.

1.5 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, is considered wherever necessary.

Current investments are valued at lower of cost and market value/net asset value.

1.6 Foreign Currency Transactions:

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date(s) of the transaction. Monetary items denominated in foreign currencies are restated at the prevailing rates of exchange at the Balance Sheet date. Gain or loss arising out of fluctuations in exchange rates are accounted for in the Profit and Loss Account.

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of asset / liability are recognised in the Profit and Loss Account in the reporting period in which the exchange rate changes. Premium on forward exchange contracts is expensed over the tenure of the contract.

Interest accrued on secured / unsecured foreign currency loans which are covered by forward contracts, has been provided at the forward exchange contract rate and on loans not so covered at the exchange rate prevailing at the year-end.

#### 1.7 Employee Benefits:

##### A) Short Term Employee Benefits:

Short Term Employee Benefits for services rendered by employees are recognized during the period when the services are rendered.

##### B) Post employment benefits:

###### Defined Contribution Plan

###### i) Provident Fund

Contributions are made to the company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the trust and the notified interest rate.

The Company also contributes to a government administered Employees Pension Scheme under the Employees Provident Fund Act and to Employees' State Insurance Schemes on behalf of its employees.

###### ii) Superannuation

The Company makes fixed contributions as a percentage on salary to the Superannuation Fund, which is administered by trustees and managed by the Life Insurance Corporation of India (LIC).

The above contributions are charged to the Profit and Loss Account.

###### Defined Benefit Plan

###### i) Gratuity

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by LIC and SBI Life Insurance Company Limited (SBI Life). The Company accounts its liability based on an actuarial valuation, as at the balance sheet date, determined every year by LIC and SBI Life using the Projected Unit Credit method.

###### ii) Leave Encashment

The Company contributes to a staff leave encashment scheme managed by SBI Life. The Company accounts its liability based on an actuarial valuation, as at the balance sheet date, determined every year, using the Projected Unit Credit method.

The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the profit and loss account on the basis of an actuarial valuation.

##### C) Other Long Term Employee Benefits:

The estimated liability in respect of other long term benefits like Employee Assured Bonus Scheme, reimbursement of medical expenses and entitlement of sick leave has been provided on the basis of actuarial valuation.

##### D) Employee Stock Options:

The Company determines the compensation cost based on the intrinsic value method. The compensation cost is amortised on a straight line basis over the vesting period.

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 1.8 Taxation:

Current tax is provided on the taxable income for the year.

Deferred tax liabilities arising from timing differences have been fully provided for. Deferred tax assets are recognised on the consideration of prudence.

#### 1.9 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets and their value in use.

#### 1.10 Provisions:

Provisions are recognised when the Company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

## 2. BALANCE SHEET:

#### 2.1 Secured Loans:

- a) Non convertible debentures amounting to ₹ 374425.75 lakhs (31.03.2010 – ₹ 317682.03 lakhs), are redeemable at par between 2011 and 2015.

The above debentures are secured by mortgage of two immovable properties ranking *pari passu* with charges created in favour of the trustees in addition to specific assets covered by Hire Purchase / Lease agreements and a charge on Hypothecation Loan Receivables with a security cover of 100% / 125%, as per the terms of issue.

These Debentures include zero coupon debentures of ₹ 72425.75 lakhs of face value ₹ 80500 lakhs (31.03.2010 – ₹ 34383.03 lakhs, face value ₹ 38100 lakhs).

- b) Loans from scheduled banks under “Secured Loans” include

|                              | (₹ in Lakh)             |                         |
|------------------------------|-------------------------|-------------------------|
|                              | 31.03.2011              | 31.03.2010              |
| Working Capital Demand Loans | 73984.67                | 98611.54                |
| Term Loans                   | 300200.00               | 172123.70               |
| <b>Total</b>                 | <b><u>374184.67</u></b> | <b><u>270735.24</u></b> |

- i) ₹ 73984.67 lakhs availed under working capital facilities are secured by hypothecation of assets covered by Hire Purchase / Lease agreements and a charge on Hypothecation Loan Receivables, ranking *pari passu*, excluding assets which are specifically charged to others.
- ii) ₹ 300200.00 lakhs availed as Term Loans are secured by hypothecation of specific assets covered by Hire Purchase / Lease agreements and a charge on Hypothecation Loan Receivables. The charge in respect of Term Loan amounting to ₹ 60000.00 lakhs is pending creation.

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 2.2 Unsecured Loans:

- a) Non convertible debentures amounting to Nil (31.03.2010 – ₹ 33500 lakhs) are partly secured by mortgage of an immovable property, ranking *pari passu*, with the charges created in favour of the debenture trustees.
- b) During the year, the Company issued subordinated non convertible debentures of ₹ 15210 lakhs (2009-10 – ₹ 19500 lakhs) which are redeemable at the end of 10 years.

The debentures are subordinated to the existing and future unsecured borrowings of the Company and qualify as Tier II Capital under the Non Banking Financial (Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

- c) Short Term Loans and Advances:

The maximum amount of face value of the commercial paper outstanding at any time during the year was ₹ 129000 lakhs (2009-10 – ₹ 150000 lakhs). The face value of the commercial paper outstanding as of 31.03.2011 was ₹ 58000 lakhs (31.03.2010- ₹ 63500 lakhs)

#### 2.3 Derivative Contracts:

Derivative contracts outstanding as on 31.03.2011, for Interest Rate Swaps is ₹ 54500 lakhs (31.03.2010 – ₹ 12500 lakhs) for hedging interest rate risk.

#### 2.4 Fixed Assets:

- a) Buildings on leasehold land include ₹ 1228.16 lakhs (31.03.2010 – ₹ 1228.16 lakhs) being the cost of ownership flats in co-operative societies / associations.
- b) Land and Buildings include ₹ 1086.80 lakhs representing undivided share of land (31.03.2010- ₹ 1086.80 lakhs).
- c) Plant and Machinery and Vehicles include assets costing ₹ 26713.75 lakhs (gross block) on operating lease contracts (31.03.2010 – ₹ 20047.67 lakhs).

- d) Intangible Assets:

In accordance with Accounting Standard – AS 26 – Intangible Assets, software purchased / developed amounting to ₹ 617.47 lakhs (2009-10 – ₹ 447.66 lakhs) is amortised over their expected useful life of three to five years based on a technical evaluation.

- e) The details of assets on operating lease after 01.04.2001 are: (₹ in Lakh)

|   | 31.03.2011          |           |           | 31.03.2010          |           |           |
|---|---------------------|-----------|-----------|---------------------|-----------|-----------|
|   | Plant and Machinery | Vehicles  | Computers | Plant and Machinery | Vehicles  | Computers |
| Gross carrying amount (Cost)                                    | 33,36.29            | 225,05.07 | 8,49.29   | 20,35.97            | 171,61.68 | 8,26.91   |
| Accumulated Depreciation  | 7,92.14             | 85,41.60  | 6,55.04   | 5,18.41             | 61,27.63  | 5,42.16   |
| Depreciation recognised in Profit and Loss Account for the Year | 2,73.73             | 35,79.36  | 1,19.52   | 1,75.63             | 27,83.00  | 1,66.75   |

Maturity Pattern of the future minimum lease payments is given below: (₹ in Lakh)

|  | 31.03.2011       | 31.03.2010       |
|--|------------------|------------------|
| Less than 1 year                             | 66,02.06         | 39,25.58         |
| Later than 1 year and not later than 5 years | 107,61.21        | 99,04.60         |
| <b>Total</b>                                 | <b>173,63.27</b> | <b>138,30.18</b> |



## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 2.5 Investments:

In accordance with the Reserve Bank of India directives, the Company has created a floating charge on the statutory liquid assets comprising investment in Government Securities of face value ₹ 13237.30 lakhs (Cost ₹ 13309.75 lakhs) and bank deposits of ₹ 6154.50 lakhs (grouped under Schedule 9, Current Assets – Cash and Bank Balances) in favour of trustees representing the public deposit holders of the Company.

#### 2.6 Current Assets:

- a) Cash and Bank balances - with scheduled banks in deposit accounts includes ₹ 12723.60 lakhs (31.03.2010 – ₹ 14595.20 lakhs) provided as collateral for sell down transactions for which a lien has been noted.
- b) In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on 31.03.2011 and 31.03.2010 is as follows:

|                                | 31.03.2011       | 31.03.2010       |
|--------------------------------|------------------|------------------|
| Gross Investment in lease      | 249,82.48        | 302,80.01        |
| Less: Unearned Finance Charges | 34,31.87         | 41,41.63         |
| MLP Receivables                | <u>215,50.61</u> | <u>261,38.38</u> |

Maturity Pattern of the Gross investment in lease / Present Value of MLP receivables:

|   | 31.03.2011                   |                         | 31.03.2010                   |                         |
|---|------------------------------|-------------------------|------------------------------|-------------------------|
|   | Gross Investment<br>in Lease | MLP<br>Receivables      | Gross Investment<br>in Lease | MLP<br>Receivables      |
| Less than 1 year                                | 141,38.62                    | 120,85.47               | 163,39.52                    | 137,99.80               |
| Later than 1 year and<br>not later than 5 years | 108,43.86                    | 94,65.14                | 139,40.49                    | 123,38.58               |
| <b>Total</b>                                    | <u><b>249,82.48</b></u>      | <u><b>215,50.61</b></u> | <u><b>302,80.01</b></u>      | <u><b>261,38.38</b></u> |

Accumulated provision for un-collectible minimum lease payments receivable: ₹ 509.50 lakhs.

- 2.7 “Secured Loans” from Scheduled Banks and Current Accounts with Scheduled Banks under “Cash and Bank Balances” are stated after deduction / addition of cheques on hand to the extent of ₹ 4828.87 lakhs (31.03.2010 – ₹ 4480.76 lakhs).

- 2.8 Loans and advances are secured, considered good. Unless otherwise stated.

- a) Secured loans include Nil (31.03.2010 – ₹ 18.45 lakhs) due from a Director of the Company. Maximum amount due at any time during the year ₹ 18.45 lakhs (2009-10 – ₹ 19.72 lakhs).
- b) Unsecured loans include ₹ 0.12 lakh (31.03.2010 – ₹ 0.18 lakh) due from officer of the Company. Maximum amount due at any time during the year ₹ 0.18 lakh (2009-10 – ₹ 0.24 lakh).
- c) Advance income tax and tax deducted at source is net of provision for tax of ₹ 38134.20 lakhs (31.03.2010 – ₹ 35489.44 lakhs) and includes ₹ 3751.69 lakhs (31.03.2010 – ₹ 2050.77 lakhs) towards income tax paid under dispute. Advance Fringe Benefit tax is net of provision for Fringe Benefit tax of ₹ 160.87 lakhs (31.03.2010 – ₹ 298.52 lakhs).
- d) Advances and deposits recoverable in cash or kind or for value to be received include ₹ 213.09 lakhs (31.03.2010 – ₹ 213.09 lakhs) towards sales tax paid under dispute in respect of which appeals are pending.

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 2.9 Current liabilities:

- Sundry creditors for expenses include ₹ 201.00 lakhs (31.03.2010 - ₹ 182.00 lakhs) payable to directors.
- Interest accrued but not due includes ₹ 51.15 lakhs on deposits of Directors (31.03.2010 – ₹ 106.64 lakhs).

### 3. PROFIT AND LOSS ACCOUNT

#### 3.1 Income from operations:

- Hypothecation Loans / Hire Purchase is net of business origination cost of ₹ 3034.91 lakhs (previous year – ₹ 2641.09 lakhs).
- During the year, the Company sold a part of its Hire Purchase / Hypothecation Loan receivables 'at par' representing the principal component, aggregating to ₹ 75094.31 lakhs. The excess interest spread (EIS) which the Company is entitled to retain from the interest to be collected from the borrowers, over and above the specified amount of interest to be passed on to the acquirer, will be accounted over the remaining life of the assets sold.
- Lease income is net of depreciation of ₹ 52.16 lakhs (Previous Year ₹ 98.66 lakhs) and Lease Equalisation Account ₹ 40.53 lakhs (Previous Year – ₹ (91.85) lakhs).

#### 3.2 Income from operations - Investments comprise:

(₹ in Lakh)

|                                | 2010 - 11              | 2009 - 10              |
|--------------------------------|------------------------|------------------------|
| Interest                       | 33,70.94               | 34,08.99               |
| Profit on sale of investments: |                        |                        |
| Long Term Investments          | 2,18.95                | 3,12.97                |
| Current Investments            | 13,13.27               | 24,85.08               |
| <b>Total</b>                   | <b><u>49,03.16</u></b> | <b><u>62,07.04</u></b> |

#### 3.3 Income from Services includes Trading of Computer Accessories and Software:

(₹ in Lakh)

|   | 2010-11 | 2009-10 |
|---|---------|---------|
| The details relating to trading items are as under: |         |         |
| Sales   | 11.40   | 9.11    |
| Purchases   | 10.54   | 9.02    |

The revenue from sale of computer accessories and software and their individual related costs constitute less than 10% of the total turnover of the Company. Therefore, quantitative information relating to this business has not been stated.

#### 3.4 Other Income-Interest Receipts details:

(₹ in Lakh)

|                    | 2010 - 11             | 2009 - 10             |
|--------------------|-----------------------|-----------------------|
| Income tax refunds | 4,97.96               | 4,55.85               |
| Loans to staff     | 1,59.70               | 1,31.57               |
| Sundry Deposits    | 5.22                  | 4.91                  |
| <b>Total</b>       | <b><u>6,62.88</u></b> | <b><u>5,92.33</u></b> |

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 3.5 Financial Expenses:

Interest – Fixed loans includes interest on fixed / cumulative deposits amounting to ₹ 55.12 lakhs paid / credited to Directors (Previous Year - ₹ 75.98 lakhs).

#### 3.6 Employee Benefits:

##### Defined Contribution Plan:

During the year, the Company has recognised the following amounts in the Profit and Loss account, which are included in Establishment Expenses in Schedule 16:

|  | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---------|---------|---------|---------|
| Contribution to Provident Fund             | 1,68.15 | 1,41.89 | 1,37.50 | 1,23.63 |
| Contribution to Pension Fund               | 1,60.89 | 1,53.31 | 1,60.42 | 1,54.84 |
| Contribution to Employees' State Insurance | 45.77   | 6.13    | 11.80   | 25.27   |
| Contribution to Superannuation Fund        | 1,09.09 | 99.15   | 1,00.00 | 87.32   |

(₹ in Lakh)

##### Defined Benefit Plans

(₹ in Lakh)

| Description of Benefits Plan   | Funded Gratuity |           |
|--|-----------------|-----------|
|  | 2010-2011       | 2009-2010 |
| A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation |                 |           |
| Opening Balance: Present value of obligation   | 9,83.51         | 9,02.15   |
| Current service cost   | 87.63           | 86.95     |
| Interest cost  | 75.50           | 70.14     |
| Benefits paid  | (1,04.27)       | (64.56)   |
| Actuarial (gain) / loss on obligations   | (47.70)         | (11.17)   |
| Closing Balance: Present value of obligation   | 10,90.07        | 9,83.51   |
| B) Reconciliation of opening and closing balances of the fair value of plan assets                       |                 |           |
| Opening Balance: Fair value of plan assets   | 10,50.83        | 9,61.16   |
| Expected return on plan assets   | 86.99           | 78.27     |
| Contributions made   | 1,27.51         | 70.05     |
| Benefits paid  | (1,04.27)       | (64.56)   |
| Actuarial gain / (loss) on plan assets   | 4.64            | 5.91      |
| Closing Balance: Fair value of plan assets   | 1165.70         | 10,50.83  |

**SCHEDULES**
**19. NOTES TO THE ACCOUNTS (Contd.)**

(₹ in Lakh)

| Description of Benefits Plan   | Funded Gratuity |           |
|--|-----------------|-----------|
|  | 2010-2011       | 2009-2010 |
| C) Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities recognised in the Balance sheet |                 |           |
| Closing Balance: Present value of obligation   | 10,90.07        | 9,83.51   |
| Closing Balance: Fair value of plan assets   | 11,65.70        | 10,50.83  |
| Unrecognised past service cost   | —               | —         |
| Net Asset/(Liability) recognised in Balance Sheet (included under Loans & Advances in Schedule 10)   | 75.63           | 67.32     |
| D) Expenses recognised in the Profit and Loss account  |                 |           |
| Current service cost   | 87.63           | 86.95     |
| Interest cost  | 75.50           | 70.14     |
| Expected return on plan assets   | (86.99)         | (78.27)   |
| Net actuarial (gain) / loss recognised   | 43.06           | (17.08)   |
| Total Expenses (included under Establishment Expenses in Schedule 16)  | 1,19.20         | 61.74     |
| E) Actual return on plan assets  |                 |           |
| Expected return on plan assets   | 86.99           | 78.27     |
| Actuarial gain / (loss) on plan assets   | 4.64            | 5.91      |
| Actual return on plan assets   | 91.63           | 84.18     |
| F) Actuarial assumptions *   |                 |           |
| Discount rate  | 8%              | 8%        |
| Expected rate of return on plan assets   | 8%              | 8%        |
| Rate of increase in compensation levels  | 6% - 7%         | 6%        |

\* The estimates of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors like supply and demand in the employment market.

Amount for the current and previous three years are as follows:

(₹ in Lakh)

| Particulars                                | 2010-11  | 2009-10  | 2008-09 | 2007-08   |
|--|----------|----------|---------|-----------|
| Defined Benefit Obligation                 | 10,90.07 | 9,83.51  | 9,02.15 | 7,77.11   |
| Plan Assets                                | 11,65.70 | 10,50.83 | 9,61.16 | 8,04.02   |
| Suprlus / (deficit)                        | 75.63    | 67.32    | 59.01   | 26.91     |
| Experience adjustments on plan Liabilities | 47.70    | 11.17    | (65.96) | (1,33.88) |
| Experience adjustments on plan Assets      | 4.64     | 5.91     | (1.78)  | (3.52)    |

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

(₹ in Lakh)

| Defined Benefit Plans  | Funded Compensated Absences |
|--|-----------------------------|
| A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation   |                             |
| Opening Balance: Present value of obligation   | 3,82.54                     |
| Current service cost   | 35.91                       |
| Interest cost  | 31.47                       |
| Benefits paid  | (70.10)                     |
| Actuarial (gain) / loss on obligations   | (8.24)                      |
| Closing Balance: Present value of obligation   | 3,71.58                     |
| B) Reconciliation of opening and closing balances of the fair value of plan assets   |                             |
| Opening Balance: Fair value of plan assets   | 3,71.72                     |
| Expected return on plan assets   | 29.35                       |
| Contributions made   | 1,05.18                     |
| Benefits paid  | (70.10)                     |
| Actuarial gain / (loss) on plan assets   | -                           |
| Closing Balance: Fair value of plan assets   | 4,36.15                     |
| C) Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities recognised in the Balance sheet |                             |
| Closing Balance: Present value of obligation   | 3,71.58                     |
| Closing Balance: Fair value of plan assets   | 4,36.15                     |
| Unrecognised past service cost   | -                           |
| Net Asset / (Liability) recognised in Balance Sheet (included under Loans & Advances in Schedule 10)   | 64.57                       |
| D) Expenses recognised in the Profit and Loss account  |                             |
| Current service cost   | 35.91                       |
| Interest cost  | 31.47                       |
| Expected return on plan assets   | (29.35)                     |
| Net actuarial (gain) / loss recognised   | (8.24)                      |
| Total Expenses (included under Establishment Expenses in Schedule 16)  | 29.79                       |
| E) Actual return on plan assets  |                             |
| Expected return on plan assets   | 29.35                       |
| Actuarial gain / (loss) on plan assets   | -                           |
| Actual return on plan assets   | 29.35                       |
| F) Actuarial assumptions   |                             |
| Discount rate  | 8%                          |
| Expected rate of return on plan assets   | 8%                          |
| Rate of increase in compensation levels  | 6%                          |

The estimated value of sick leave entitlement as on 31.03.2011 is ₹ 69.43 lakhs and is provided for in the books of accounts.

#### Other Long Term Benefits

The Company's liability towards other long term benefits are given below:

(₹ in Lakh)

|                                   | 2010-11 | 2009-10  | 2008-09 | 2007-08 |
|-----------------------------------|---------|----------|---------|---------|
| • Employee assured bonus scheme   | 6,11.84 | 12,03.30 | 6,57.06 | 1,81.73 |
| • Staff Medical Scheme            | 1,02.50 | 78.60    | 78.98   | 96.99   |
| • Retired Employee Medical Scheme | 1,29.35 | 1,32.53  | 1,43.04 | 1,47.64 |

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 3.7 Employee Stock Option Scheme - SFESOS

- 1 The Board has approved issue of stock Options in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as follows:

| Particulars   | Grant 2                 | Grant 1                 |
|---|-------------------------|-------------------------|
| Board Meeting Date                                      | 28/5/2010               | 29/5/2009               |
| Options Granted   | 17,250                  | 10,500                  |
| Exercise Price  | ₹ 10/- per share        | ₹ 10/- per share        |
| Grant Date  | 28/5/2010               | 29/5/2009               |
| Vesting Date  | 31/5/2011               | 31/5/2010               |
| Vesting Period  | 12 months               | 12 months               |
| Exercise Period   | 01/06/2011 - 31/08/2011 | 01/06/2010 - 31/08/2010 |
| Market Price on a date immediately prior to Grant Date  | 395.00                  | 276.10                  |
| Intrinsic Value   | 385.00                  | 266.10                  |
| Total Expenses to be recognised for 2010-11 (₹ in Lakh) | 55.34                   | 4.66                    |

- 2 The Company has followed Intrinsic Value for accounting SFESOS.

Had compensation cost for the stock options granted under the Scheme been determined based on fair value approach, the Company's Profit after Tax and Earnings per Share would have been as per the amounts indicated below:

|  | 2010-2011        | 2009-10          |
|--|------------------|------------------|
|  |                  | ₹ In Lakhs       |
| Profit after Tax (as reported)   | 295,23.12        | 226,74.86        |
| Add: SFESOS compensation expense included in net profit                    | 60.00            | 23.28            |
| Less: SFESOS compensation expense determined under fair value based method | 60.08            | 23.32            |
| <b>Profit after Tax (adjusted)</b>   | <b>295,23.04</b> | <b>226,74.82</b> |
| Basic Earnings per Share of ₹ 10/- each (as reported) (₹ )                 | 53.15            | 40.82            |
| Basic Earnings per Share of ₹ 10/- each (adjusted) (₹ )                    | 53.14            | 40.82            |

- 3 The key assumptions used for calculating fair value as on the date of the grant are:

|  | 28/5/2010                                | 29/5/2009 |
|--|--|-----------|
| Date of Grant  | 28/5/2010                                | 29/5/2009 |
| Risk Free Interest Rate (%)  | 5.07                                     | 4.13      |
| Exercise Price (₹ )  | 10                                       | 10        |
| Life of the option   | 369 days                                 | 368 days  |
| Expected Volatility  | 38.27%                                   | 55.92%    |
| Dividend Yield   | No Dividend Rights during vesting period |           |
| Price of the underlying share in market at the time of the Option grant (₹ ) | 395.00                                   | 276.10    |
| Fair Value of the Option (₹ ) (computed using Black Scholes Model)           | 385.50                                   | 266.51    |

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

| 3.8 Remuneration to Directors: |  | (₹ in Lakh)           |                       |
|--------------------------------|--|-----------------------|-----------------------|
|                                |  | 2010-11               | 2009-10               |
| i)                             | Salary   | 43.91                 | 49.80                 |
| ii)                            | Commission   |                       |                       |
|                                | – Wholetime Directors  | 1,65.00               | 1,50.00               |
|                                | – Non Wholetime Directors                                    | 36.00                 | 32.00                 |
| iii)                           | Sitting fees to Wholetime Directors                          | 1.90                  | 2.90                  |
| iv)                            | Contribution to Provident, Superannuation and Gratuity Funds | 12.61                 | 16.16                 |
| v)                             | Other Allowances and Perquisites                             | 48.33                 | 39.28                 |
|                                | <b>Total</b>   | <b><u>3,07.75</u></b> | <b><u>2,90.14</u></b> |

| 3.9 Computation of net profit for calculation of commission to directors: |  | (₹ in Lakh) |                  |
|---|--|-------------|------------------|
| Net Profit  |  |             | 2,95,23.12       |
| Add:  | Directors' Remuneration                                  | 3,07.75     |                  |
|   | Directors' Sitting Fee (other than Wholetime Directors)  | 9.80        |                  |
|   | Depreciation as per books                                | 55,20.97    |                  |
|   | Loss on Sale of Investments                              | 4,09.66     |                  |
|   | Provision of Taxation (including Wealth Tax)             | 135,13.90   |                  |
|   | Contingent Provision against Standard Assets             | 6,46.30     |                  |
|   | Provision for Investments                                | 7,66.14     |                  |
|   | Lease Equalisation Account                               | 40.53       | 212,15.05        |
| Less:   |  |             | 507,38.17        |
|   | Depreciation as per Sec.350 of the Companies Act, 1956   | 55,20.97    |                  |
|   | Profit on Sale of Investments                            | 15,32.22    |                  |
|   | Reversal of Provision against Non-Performing Assets      | 11,57.75    |                  |
|   |  |             | <u>82,10.94</u>  |
|   | Net profit as per Section 198 of the Companies Act, 1956 |             | <u>425,27.23</u> |
|   | 1% thereof   |             | <u>4,25.27</u>   |
|   | Commission to Whole-time Directors                       |             | 1,65.00          |
|   | Commission to Non-Wholetime Directors                    |             | 36.00            |

| 3.10 Miscellaneous expenses under "Administrative and other expenses" includes remuneration towards: |                     | (₹ in Lakh) |         |
|--|---------------------|-------------|---------|
|  |                     | 2010-11     | 2009-10 |
|  | Statutory Audit     | 27.00       | 27.00   |
|  | Tax Audit           | 9.00        | 9.00    |
|  | Certification       | 18.86       | 19.59   |
|  | Service Tax         | 5.65        | 5.73    |
|  | Travelling Expenses | 2.72        | 4.32    |

3.11 Contingent Provision against Standard Assets of ₹ 646.30 lakhs (Previous Year – ₹ 3161.69 lakhs) has been made during the year @ 0.40% of the outstanding Standard Assets. Reserve Bank of India requires a contingent provision @ 0.25% of the outstanding Standard Assets.

3.12 Provisions and Write offs:

Loss on sale of investments comprises ₹ 12.76 lakhs (Previous Year – NIL ) pertaining to current investments and ₹ 396.90 lakhs (Previous Year – NIL) pertaining to long term investments.

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

- 3.13 Exchange difference amounting to ₹ 0.27 lakh (net loss) (Previous Year – ₹ 2.88 lakhs-net loss) arising on account of foreign currency transactions has been accounted in the Profit and Loss account in accordance with Accounting Standard – AS 11 – Accounting for the effects of changes in foreign exchange rates.

### 4. GENERAL

- 4.1 Segment Reporting:  
Segment information is presented in the Consolidated Financial Statements in terms of the Accounting Standard – AS 17 – Segment Reporting.

- 4.2 Related Parties Disclosures:

- 4.2.1 Related party disclosures, as stipulated by Accounting Standard – AS 18 – Related Party Disclosures, are given below:

#### Related Parties:

##### Subsidiary Companies:

Sundaram Finance Distribution Ltd.  
Sundaram BNP Paribas Home Finance Ltd.  
Sundaram Asset Management Company Ltd.  
Sundaram Trustee Company Ltd.  
LGF Services Ltd.  
Infreight Logistics Solutions Ltd.  
Sundaram Infotech Solutions Ltd.  
Sundaram Business Services Ltd.  
Professional Management Consultants Ltd.  
Sundaram BNP Paribas Fund Services Ltd.  
Sundaram Parekh Warehousing Services Ltd.  
Sundaram Insurance Broking Services Ltd.

##### Associates:

Axles India Ltd.  
Turbo Energy Ltd.  
Transenergy Ltd.  
Sundaram Dynacast Private Ltd.  
Sundaram Mutual Fund  
Sundaram Medical Foundation  
Sundaram Hydraulics Ltd.  
The Dunes Oman LLC (FZC)  
Flometallic India Ltd.

#### Joint Ventures:

Royal Sundaram Alliance Insurance Company Ltd.  
Gulf Outsourcing Services Ltd. (till 16.02.2011)  
BNP Paribas Sundaram Global Securities Operations Private Ltd. (BNP Paribas Sundaram GSO)

#### Key Management Personnel:

Mr. T. T. Srinivasaraghavan, Managing Director  
Mr. Harsha Viji, Director (Strategy & Planning) - with effect from 24.09.2010

#### Relatives of Key Management Personnel:

|                             |  |  |
|-----------------------------|--|--|
| Mr. T. T. Srinivasaraghavan | Mr. T. T. Rangaswamy<br>Mrs. Vimala Rangaswamy<br>Mrs. Bagyam Raghavan<br>Miss. Anjana Raghavan<br>Mr. T. T. Venkatraghavan<br>Mr. T. T. Narendran | Father<br>Mother<br>Wife<br>Daughter<br>Son<br>Brother |
| Mr. Harsha Viji             | Mr. S. Viji<br>Mrs. Chitra Viji<br>Mrs. Sara Vetteth<br>Miss. Anya Padma Viji<br>Master. Arun Mathew Viji<br>Mr. Sriram Viji                       | Father<br>Mother<br>Wife<br>Daughter<br>Son<br>Brother |



## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### 4.2.2 RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31ST MARCH 2011

The nature and volume of transactions of the Company during the year, with the above related parties are as follows. (₹ in Lakh)

| Nature of Transactions                                 | Subsidiary Companies | Associates / Joint Venture | Key Management Personnel | Relatives of Key Management Personnel | Total April 2010 - March 2011 | Previous Year 2009-10 |
|--|----------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------|-----------------------|
| <b>INCOME</b>  |                      |                            |                          |                                       |                               |                       |
| <b>Income from Services rendered</b>                   |                      |                            |                          |                                       |                               |                       |
| Sundaram BNP Paribas Home Finance Ltd.                 | 6,85.23              |                            |                          |                                       | 6,85.23                       | 5,48.94               |
| Royal Sundaram Alliance Insurance Co. Ltd.             |                      | 7,55.89                    |                          |                                       | 7,55.89                       | 6,48.04               |
| Sundaram Mutual Fund                                   |                      | 3,52.69                    |                          |                                       | 3,52.69                       | 2,25.09               |
| Others   | 1,40.70              | 58.70                      |                          |                                       | 1,99.40                       | 73.34                 |
| <b>Total</b>   | <b>8,25.93</b>       | <b>11,67.28</b>            |                          |                                       | <b>19,93.21</b>               | <b>14,95.41</b>       |
| <b>Dividend</b>  |                      |                            |                          |                                       |                               |                       |
| Sundaram Finance Distribution Ltd.                     | 39,97.50             |                            |                          |                                       | 39,97.50                      | 50.00                 |
| Turbo Energy Ltd.                                      |                      | 5,76.00                    |                          |                                       | 5,76.00                       | 5,76.00               |
| Others   | 4,47.31              | 1,75.17                    |                          |                                       | 6,22.48                       | 9,82.70               |
| <b>Total</b>   | <b>44,44.81</b>      | <b>7,51.17</b>             |                          |                                       | <b>51,95.98</b>               | <b>16,08.70</b>       |
| <b>Rent Receipts</b>                                   |                      |                            |                          |                                       |                               |                       |
| Royal Sundaram Alliance Insurance Co. Ltd.             |                      | 2,23.16                    |                          |                                       | 2,23.16                       | 2,23.16               |
| Sundaram Business Services Ltd.                        | 3,43.23              |                            |                          |                                       | 3,43.23                       | 4,25.21               |
| Sundaram Asset Management Company Ltd.                 | 99.35                |                            |                          |                                       | 99.35                         | 80.31                 |
| Others   | 69.05                | 14.05                      |                          |                                       | 83.10                         | 81.88                 |
| <b>Total</b>   | <b>5,11.63</b>       | <b>2,37.21</b>             |                          |                                       | <b>7,48.84</b>                | <b>8,10.56</b>        |
| <b>Interest</b>  |                      |                            |                          |                                       |                               |                       |
| Sundaram Infotech Solutions Ltd.                       | 99.47                |                            |                          |                                       | 99.47                         | 1,31.13               |
| Axles India Ltd.                                       |                      | 60.00                      |                          |                                       | 60.00                         | 49.64                 |
| BNP Paribas Sundaram GSO                               |                      | 57.71                      |                          |                                       | 57.71                         | 3.58                  |
| Infreight Logistics Solutions Ltd.                     | 58.54                |                            |                          |                                       | 58.54                         | 71.93                 |
| Others   | 21.85                |                            |                          |                                       | 21.85                         | 94.66                 |
| <b>Total</b>   | <b>1,79.86</b>       | <b>1,17.71</b>             |                          |                                       | <b>2,97.57</b>                | <b>3,50.94</b>        |
| <b>Income from Lease</b>                               |                      |                            |                          |                                       |                               |                       |
| Turbo Energy Ltd.                                      |                      | 79.57                      |                          |                                       | 79.57                         | 70.72                 |
| Sundaram Asset Management Company Ltd.                 | 24.05                |                            |                          |                                       | 24.05                         | 19.81                 |
| Royal Sundaram Alliance Insurance Co. Ltd.             |                      | 14.56                      |                          |                                       | 14.56                         |                       |
| Others   | 5.52                 | 11.62                      |                          |                                       | 17.14                         | 14.27                 |
| <b>Total</b>   | <b>29.57</b>         | <b>1,05.75</b>             |                          |                                       | <b>1,35.32</b>                | <b>1,04.80</b>        |
| <b>Income from Bill Discounting</b>                    |                      |                            |                          |                                       |                               |                       |
| Axles India Ltd.                                       |                      | 21.39                      |                          |                                       | 21.39                         | 1,12.86               |
| <b>Profit on Redemption of Mutual Fund Investments</b> |                      |                            |                          |                                       |                               |                       |
| Sundaram Mutual Fund                                   |                      | 3,22.63                    |                          |                                       | 3,22.63                       | 1,57.45               |
| <b>Other Income</b>                                    | <b>63.91</b>         | <b>10.79</b>               |                          |                                       | <b>74.70</b>                  | <b>91.05</b>          |

**SCHEDULES**
**19. NOTES TO THE ACCOUNTS (Contd.)**

(₹ in Lakh)

| Nature of Transactions   | Subsidiary Companies | Associates / Joint Venture | Key Management Personnel | Relatives of Key Management Personnel | Total April 2010 - March 2011 | Previous Year 2009-10 |
|--|----------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------|-----------------------|
| <b>EXPENSE</b>   |                      |                            |                          |                                       |                               |                       |
| <b>Interest</b>  |                      |                            |                          |                                       |                               |                       |
| Royal Sundaram Alliance Insurance Co Ltd.                              |                      | 2,15.79                    |                          |                                       | 2,15.79                       | 2,41.30               |
| Sundaram Finance Distribution Ltd.                                     | 1,80.45              |                            |                          |                                       | 1,80.45                       | 3.00                  |
| Others   | 14.41                |                            | 3.21                     | 33.71                                 | 51.33                         | 72.80                 |
| <b>Total</b>   | <b>1,94.86</b>       | <b>2,15.79</b>             | <b>3.21</b>              | <b>33.71</b>                          | <b>4,47.57</b>                | <b>3,17.10</b>        |
| <b>Professional Charges</b>  |                      |                            |                          |                                       |                               |                       |
| Sundaram Business Services Ltd.  | 2,99.91              |                            |                          |                                       | 2,99.91                       | 34.43                 |
| Others   | 6.00                 |                            |                          |                                       | 6.00                          | 11.24                 |
| <b>Total</b>   | <b>3,05.91</b>       |                            |                          |                                       | <b>3,05.91</b>                | <b>45.67</b>          |
| <b>Provision/(Reversal of Provision) against Investment</b>            |                      |                            |                          |                                       |                               |                       |
| Sundaram Infotech Solutions Ltd.                                       | 4,00.00              |                            |                          |                                       | 4,00.00                       |                       |
| Professional Management Consultants Ltd.                               | 8,07.24              |                            |                          |                                       | 8,07.24                       |                       |
| Infreight Logistics Solutions Ltd.                                     | (4,41.00)            |                            |                          |                                       | (4,41.00)                     | 4,41.00               |
| <b>Total</b>   | <b>7,66.24</b>       |                            |                          |                                       | <b>7,66.24</b>                | <b>4,41.00</b>        |
| <b>Provision / (Reversal of Provision) against Intercorporate loan</b> |                      |                            |                          |                                       |                               |                       |
| Sundaram Infotech Solutions Ltd.                                       | 12,40.00             |                            |                          |                                       | 12,40.00                      |                       |
| Infreight Logistics Solutions Ltd.                                     | (1,00.00)            |                            |                          |                                       | (1,00.00)                     | 7,50.00               |
| <b>Total</b>   | <b>11,40.00</b>      |                            |                          |                                       | <b>11,40.00</b>               | <b>7,50.00</b>        |
| <b>Loss on Sale of Investment</b>                                      |                      |                            |                          |                                       |                               |                       |
| Infreight Logistics Solutions Ltd.                                     | (3,96.90)            |                            |                          |                                       | (3,96.90)                     |                       |
| <b>Software Expenses</b>   |                      |                            |                          |                                       |                               |                       |
| Sundaram Infotech Solutions Ltd.                                       | 38.18                |                            |                          |                                       | 38.18                         |                       |
| <b>Remuneration</b>  |                      |                            |                          |                                       |                               |                       |
|  |                      |                            | 2,71.75                  |                                       | 2,71.75                       | 2,58.14               |
| <b>Dividend</b>  |                      |                            |                          |                                       |                               |                       |
|  |                      |                            | 84.41                    | 4,16.87                               | 5,01.28                       | 49.11                 |
| <b>Donation</b>  |                      |                            |                          |                                       |                               |                       |
| Sundaram Medical Foundation  |                      | 2,00.00                    |                          |                                       | 2,00.00                       | 2,00.00               |
| <b>Insurance Premium</b>   |                      |                            |                          |                                       |                               |                       |
| Royal Sundaram Alliance Insurance Co. Ltd.                             |                      | 49.58                      |                          |                                       | 49.58                         | 54.35                 |
| <b>Rent Paid</b>   |                      |                            |                          |                                       |                               |                       |
| Sundaram BNP Paribas Home Finance Ltd.                                 | 7.71                 |                            |                          |                                       | 7.71                          | 5.70                  |
| Royal Sundaram Alliance Insurance Co. Ltd.                             |                      | 1.44                       |                          |                                       | 1.44                          | 1.59                  |
| <b>Total</b>   | <b>7.71</b>          | <b>1.44</b>                |                          |                                       | <b>9.15</b>                   | <b>7.29</b>           |
| <b>Other Expenses</b>  |                      |                            |                          |                                       |                               |                       |
|  | 3.20                 |                            |                          |                                       | 3.20                          | 2.50                  |

**SCHEDULES**

**19. NOTES TO THE ACCOUNTS (Contd.)**

(₹ in Lakh)

| Nature of Transactions                     | Subsidiary Companies | Associates / Joint Venture | Key Management Personnel | Relatives of Key Management Personnel | 31.03.2011       | 31.03.2010      |
|--|----------------------|----------------------------|--------------------------|---------------------------------------|------------------|-----------------|
| <b>ASSETS</b>                              |                      |                            |                          |                                       |                  |                 |
| <b>Investment in Equity Shares</b>         |                      |                            |                          |                                       |                  |                 |
| Sundaram Asset Management Co. Ltd.         | 141,03.98            |                            |                          |                                       | 141,03.98        |                 |
| Royal Sundaram Alliance Insurance Co. Ltd. |                      | 32,43.50                   |                          |                                       | 32,43.50         |                 |
| Others                                     | 9,13.61              | 20,30.54                   |                          |                                       | 29,44.15         | 22,65.69        |
| <b>Total</b>                               | <b>150,17.59</b>     | <b>52,74.04</b>            |                          |                                       | <b>202,91.63</b> | <b>22,65.69</b> |
| <b>Investment in Preference Shares</b>     |                      |                            |                          |                                       |                  |                 |
| Sundaram Hydraulics Ltd.                   |                      | 5,00.00                    |                          |                                       | 5,00.00          |                 |
| <b>Intercorporate Loans Disbursed to</b>   |                      |                            |                          |                                       |                  |                 |
| Sundaram Business Services Ltd.            | 1,50.00              |                            |                          |                                       | 1,50.00          | 3,50.00         |
| BNP Paribas Sundaram GSO                   |                      | 30,00.00                   |                          |                                       | 30,00.00         | 3,00.00         |
| Others                                     |                      |                            |                          |                                       |                  | 9,15.00         |
| <b>Total</b>                               | <b>1,50.00</b>       | <b>30,00.00</b>            |                          |                                       | <b>31,50.00</b>  | <b>15,65.00</b> |
| <b>Purchase of Investment</b>              |                      |                            |                          |                                       |                  |                 |
| Sundaram Business Services Ltd.            | 10,95.90             |                            |                          |                                       | 10,95.90         |                 |
| <b>Sale of Investment</b>                  |                      |                            |                          |                                       |                  |                 |
| Sundaram Finance Distribution Ltd.         | 44.10                |                            |                          |                                       | 44.10            |                 |
| <b>Repayment of Intercorporate Loan by</b> |                      |                            |                          |                                       |                  |                 |
| Sundaram Business Services Ltd.            | 5,00.00              |                            |                          |                                       | 5,00.00          | 17,50.00        |
| BNP Paribas Sundaram GSO                   |                      | 25,00.00                   |                          |                                       | 25,00.00         | 3,00.00         |
| Others                                     | 1,10.00              |                            |                          |                                       | 1,10.00          | 2,24.94         |
| <b>Total</b>                               | <b>6,10.00</b>       | <b>25,00.00</b>            |                          |                                       | <b>31,10.00</b>  | <b>22,74.94</b> |
| <b>Investment in Trust Securities</b>      |                      |                            |                          |                                       |                  |                 |
| Sundaram Mutual Fund                       |                      | 909,17.17                  |                          |                                       | 909,17.17        | 760,61.70       |
| <b>Purchase of Certificate of Deposit</b>  |                      |                            |                          |                                       |                  |                 |
| Sundaram Mutual Fund                       |                      | 129,10.96                  |                          |                                       | 129,10.96        |                 |
| <b>Disinvestment in Trust Securities</b>   |                      |                            |                          |                                       |                  |                 |
| Sundaram Mutual Fund                       |                      | 883,56.41                  |                          |                                       | 883,56.41        | 782,20.16       |
| <b>Sale of Fixed Assets</b>                |                      |                            |                          |                                       |                  |                 |
| Sundaram BNP Paribas Home Finance Ltd.     | 5.32                 |                            |                          |                                       | 5.32             |                 |
| Sundaram Business Services Ltd.            | 7.19                 |                            |                          |                                       | 7.19             |                 |
| <b>Total</b>                               | <b>12.51</b>         |                            |                          |                                       | <b>12.51</b>     |                 |
| <b>Sale of Software Licenses</b>           |                      |                            |                          |                                       |                  |                 |
| Royal Sundaram Alliance Insurance Co. Ltd. |                      | 10.62                      |                          |                                       | 10.62            | 7.50            |
| <b>Purchase of Fixed assets</b>            |                      |                            |                          |                                       |                  |                 |
| Sundaram Infotech Solutions Ltd.           |                      |                            |                          |                                       |                  | 0.09            |
| <b>Purchase of Software &amp; Licenses</b> |                      |                            |                          |                                       |                  |                 |
| Sundaram Infotech Solutions Ltd.           | 57.19                |                            |                          |                                       | 57.19            | 67.37           |

**SCHEDULES**
**19. NOTES TO THE ACCOUNTS (Contd.)**

(₹ in Lakh)

| Nature of Transactions                              | Subsidiary Companies | Associates / Joint Venture | Key Management Personnel | Relatives of Key Management Personnel | 31.03.2011       | 31.03.2010       |
|---|----------------------|----------------------------|--------------------------|---------------------------------------|------------------|------------------|
| <b>Software Development Costs</b>                   |                      |                            |                          |                                       |                  |                  |
| Sundaram Infotech Solutions Ltd.                    | 2,87.93              |                            |                          |                                       | 2,87.93          | 2,58.24          |
| <b>Advance towards Software &amp; Licenses</b>      |                      |                            |                          |                                       |                  |                  |
| Sundaram Infotech Solutions Ltd.                    | 8,02.74              |                            |                          |                                       | 8,02.74          | 3,70.05          |
| Others  | 14.00                |                            |                          |                                       | 14.00            |                  |
| <b>Total</b>  | <b>8,16.74</b>       |                            |                          |                                       | <b>8,16.74</b>   | <b>3,70.05</b>   |
| <b>Insurance Premium paid in advance</b>            |                      |                            |                          |                                       |                  |                  |
| Royal Sundaram Alliance Insurance Co. Ltd.          |                      | 19.16                      |                          |                                       | 19.16            | 25.16            |
| <b>Assets-Outstanding Balances as on 31.03.2011</b> |                      |                            |                          |                                       |                  |                  |
| <b>Preference Share Holdings</b>                    |                      |                            |                          |                                       |                  |                  |
| Axles India Ltd.                                    |                      | 6,00.00                    |                          |                                       | 6,00.00          | 6,00.00          |
| Sundaram Hydraulics Ltd.                            |                      | 5,00.00                    |                          |                                       | 5,00.00          |                  |
| <b>Total</b>  |                      | <b>11,00.00</b>            |                          |                                       | <b>11,00.00</b>  | <b>6,00.00</b>   |
| <b>Equity Holdings</b>                              |                      |                            |                          |                                       |                  |                  |
| Sundaram BNP Paribas Home Finance Ltd.              | 61,39.10             |                            |                          |                                       | 61,39.10         | 61,39.10         |
| Sundaram Asset Management Co. Ltd.                  | 153,13.84            |                            |                          |                                       | 153,13.84        | 12,09.86         |
| Royal Sundaram Alliance Insurance Co. Ltd.          |                      | 137,67.83                  |                          |                                       | 137,67.83        | 105,24.33        |
| Others  | 54,53.58             | 67,45.90                   |                          |                                       | 121,99.48        | 85,97.63         |
| <b>Total</b>  | <b>269,06.52</b>     | <b>205,13.73</b>           |                          |                                       | <b>474,20.25</b> | <b>264,70.92</b> |
| <b>Inter-corporate Loans</b>                        |                      |                            |                          |                                       |                  |                  |
| Sundaram Infotech Solutions Ltd.                    | 12,40.00             |                            |                          |                                       | 12,40.00         | 12,50.00         |
| Infreight Logistics Solutions Ltd.                  | 6,50.00              |                            |                          |                                       | 6,50.00          | 7,50.00          |
| Axles India Ltd.                                    |                      | 5,00.00                    |                          |                                       | 5,00.00          | 5,00.00          |
| BNP Paribas Sundaram GSO                            |                      | 5,00.00                    |                          |                                       | 5,00.00          |                  |
| Others  |                      |                            |                          |                                       |                  | 3,50.00          |
| <b>Total</b>  | <b>18,90.00</b>      | <b>10,00.00</b>            |                          |                                       | <b>28,90.00</b>  | <b>28,50.00</b>  |
| <b>Trust Securities</b>                             |                      |                            |                          |                                       |                  |                  |
| Sundaram Mutual Fund                                |                      | 42,07.16                   |                          |                                       | 42,07.16         | 13,23.77         |
| <b>Future Lease Receivables</b>                     |                      |                            |                          |                                       |                  |                  |
| Turbo Energy Ltd.                                   |                      | 1,76.59                    |                          |                                       | 1,76.59          | 1,56.46          |
| Royal Sundaram Alliance Insurance Co. Ltd.          |                      | 56.37                      |                          |                                       | 56.37            |                  |
| Sundaram Asset Management Co. Ltd.                  | 55.45                |                            |                          |                                       | 55.45            | 42.31            |
| Sundaram Infotech Solutions Ltd.                    | 53.50                |                            |                          |                                       | 53.50            | 27.48            |
| Axles India Ltd.                                    |                      | 61.46                      |                          |                                       | 61.46            | 63.20            |
| Others  | 2.77                 | 2.51                       |                          |                                       | 5.28             | 16.12            |
| <b>Total</b>  | <b>1,11.72</b>       | <b>2,96.93</b>             |                          |                                       | <b>4,08.65</b>   | <b>3,05.57</b>   |
| <b>Other Assets</b>                                 | <b>90.85</b>         | <b>1,93.28</b>             |                          |                                       | <b>2,84.13</b>   | <b>2,71.13</b>   |

**SCHEDULES**

**19. NOTES TO THE ACCOUNTS (Contd.)**

(₹ in Lakh)

| Nature of Transactions                          | Subsidiary Companies | Associates / Joint Venture | Key Management Personnel | Relatives of Key Management Personnel | 31.03.2011      | 31.03.2010     |
|---|----------------------|----------------------------|--------------------------|---------------------------------------|-----------------|----------------|
| <b>LIABILITIES</b>                              |                      |                            |                          |                                       |                 |                |
| <b>Issue of Non Convertible Debentures</b>      |                      |                            |                          |                                       |                 |                |
| Royal Sundaram Alliance Insurance Co. Ltd.      |                      |                            |                          |                                       |                 | 20,00.00       |
| <b>Redemption of Non Convertible Debentures</b> |                      |                            |                          |                                       |                 |                |
| Royal Sundaram Alliance Insurance Co. Ltd.      |                      | 10,00.00                   |                          |                                       | 10,00.00        | 10,00.00       |
| <b>Intercorporate deposit</b>                   |                      |                            |                          |                                       |                 |                |
| Sundaram Finance Distribution Ltd.              | 50,00.00             |                            |                          |                                       | 50,00.00        | 1,60.00        |
| Sundaram Business Services Ltd.                 | 4,50.00              |                            |                          |                                       | 4,50.00         |                |
| Others  |                      |                            |                          |                                       |                 | 75.00          |
| <b>Total</b>                                    | <b>54,50.00</b>      |                            |                          |                                       | <b>54,50.00</b> | <b>2,35.00</b> |
| <b>Inter-Corporate deposit redeemed</b>         |                      |                            |                          |                                       |                 |                |
| Sundaram Finance Distribution Ltd.              | 49,85.00             |                            |                          |                                       | 49,85.00        | 55.00          |
| LGF Services Ltd.                               | 75.00                |                            |                          |                                       | 75.00           |                |
| Sundaram Business Services Ltd.                 | 50.00                |                            |                          |                                       | 50.00           |                |
| <b>Total</b>                                    | <b>51,10.00</b>      |                            |                          |                                       | <b>51,10.00</b> | <b>55.00</b>   |
| <b>Liabilities-Outstanding</b>                  |                      |                            |                          |                                       |                 |                |
| <b>Balances as on 31.03.2011</b>                |                      |                            |                          |                                       |                 |                |
| Equity Holdings                                 |                      |                            | 76.74                    | 378.97                                | 4,55.71         | 57.72          |
| Deposits  |                      |                            | 25.05                    | 438.77                                | 4,63.82         | 2,11.86        |
| Interest on Deposits                            |                      |                            | 6.07                     | 30.86                                 | 36.93           | 23.62          |
| <b>Provision against Investment</b>             |                      |                            |                          |                                       |                 |                |
| Sundaram Infotech Solutions Ltd.                | 4,00.00              |                            |                          |                                       | 4,00.00         |                |
| Professional Management Consultants Ltd.        | 8,07.24              |                            |                          |                                       | 8,07.24         |                |
| Infreight Logistics Solutions Ltd.              |                      |                            |                          |                                       |                 | 4,41.00        |
| <b>Total</b>                                    | <b>12,07.24</b>      |                            |                          |                                       | <b>12,07.24</b> | <b>4,41.00</b> |
| <b>Provision against Intercorporate loan</b>    |                      |                            |                          |                                       |                 |                |
| Sundaram Infotech Solutions Ltd.                | 12,40.00             |                            |                          |                                       | 12,40.00        |                |
| Infreight Logistics Solutions Ltd.              | 6,50.00              |                            |                          |                                       | 6,50.00         | 7,50.00        |
| <b>Total</b>                                    | <b>18,90.00</b>      |                            |                          |                                       | <b>18,90.00</b> | <b>7,50.00</b> |
| <b>Non Convertible Debentures</b>               |                      |                            |                          |                                       |                 |                |
| Royal Sundaram Alliance Insurance Co. Ltd.      |                      | 20,00.00                   |                          |                                       | 20,00.00        | 30,00.00       |
| <b>Inter-corporate deposit</b>                  |                      |                            |                          |                                       |                 |                |
| Sundaram Finance Distribution Ltd.              | 1,20.00              |                            |                          |                                       | 1,20.00         | 1,05.00        |
| Sundaram Business Services Ltd.                 | 4,00.00              |                            |                          |                                       | 4,00.00         |                |
| Others  |                      |                            |                          |                                       |                 | 75.00          |
| <b>Total</b>                                    | <b>5,20.00</b>       |                            |                          |                                       | <b>5,20.00</b>  | <b>1,80.00</b> |
| <b>Other Liabilities</b>                        | <b>32.03</b>         | <b>1,76.24</b>             |                          |                                       | <b>2,08.27</b>  | <b>3,38.33</b> |

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

- 4.3 In compliance with the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS 27), the Company has interests in the following jointly controlled entities: (₹ in Lakh)

| Name of Companies  | Amount based on the Audited Accounts for the year ended 31st March 2011 |                          |                          |                          |                          |                      |                        |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|----------------------|------------------------|
|  | % age of Shareholding   | Assets                   | Liabilities              | Income                   | Expenditure              | Capital Commitment   | Contingent Liability   |
| Royal Sundaram Alliance Insurance Company Limited          | 49.90<br>(49.90)  | 789,30.94<br>(621,64.57) | 640,28.52<br>(495,00.56) | 484,61.06<br>(403,15.59) | 494,66.16<br>(387,70.13) | 81.77<br>(16.81)     | 61,09.47<br>(42,44.43) |
| Gulf Outsourcing Services Limited*                         | 40.00<br>(40.00)  | 23.84<br>(23.84)         | 1.48<br>(1.48)           | Nil<br>(Nil)             | Nil<br>(Nil)             | Nil<br>(Nil)         | Nil<br>(Nil)           |
| BNP Paribas Sundaram Global Securities Operations Pvt Ltd. | 49.00<br>(49.00)  | 18,36.92<br>(14,99.02)   | 11,33.89<br>(9,22.94)    | 26,64.45<br>(20,04.35)   | 23,49.80<br>(17,86.91)   | 2,00.50<br>(2,46.37) | 2.00<br>(-)            |

Figures in bracket relate to Previous Year.

\* Gulf Outsourcing Services Limited ceased to be a Joint Venture with effect from 16/02/2011

|  |             |             |
|--|-------------|-------------|
| 4.4 Earnings per Share (Basic and diluted)       | 2010-11     | 2009-10     |
| A Profit for the year after taxation (₹ in Lakh) | 295,23.12   | 226,74.86   |
| B Number of equity shares                        | 5,55,51,930 | 5,55,51,930 |
| C Basic and diluted earnings per share (in ₹)    | 53.15       | 40.82       |

- 4.5 The Commissioner of Customs, Tuticorin raised a demand of ₹ 500 lakhs towards penalty on the Company and ₹ 1824 lakhs (towards duty) on the Company in September 2006 jointly and severally with the Lessee, in respect of a Lease transaction. The Appellate Authority admitted the appeal preferred by the company and granted stay against the recovery proceedings in March 2007.

The Special Director of Enforcement, New Delhi, imposed a penalty of ₹ 10 lakhs on the Company. The Company has preferred an appeal against the penalty with the Appellate Tribunal for Foreign Exchange and obtained a stay after remitting ₹ 2.50 lakhs as directed by the Tribunal. Meanwhile the company initiated arbitration proceedings against the Lessee and has received an award in its favour.

- 4.6 Estimated amount of contracts remaining to be executed on capital account – ₹ 3098.26 lakhs (net of advance of ₹ 922.69 lakhs). (31.03.2010 - ₹ 2225.15 lakhs - net of advance of ₹ 448.68 lakhs).
- 4.7 There are no amounts due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

## SCHEDULES

### 19. NOTES TO THE ACCOUNTS (Contd.)

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| 4.8 Contingent liabilities in respect of  |                             | (₹ in Lakh)                 |
|   | <b>As at<br/>31.03.2011</b> | <b>As at<br/>31.03.2010</b> |
| a) Liability:   |                             |                             |
| To Banks – on Cheques discounted  | 16,66.75                    | 40,15.98                    |
| – on Counter Guarantee  | 38.87                       | 35.37                       |
| – on Letter of Credit   | 11,86.00                    | 9,12.49                     |
| To Sales Tax Authorities  | 10.32                       | 10.32                       |
| b) Claims against the Company not acknowledged as Debts:  |                             |                             |
| Hire Purchase transactions and termination of<br>Lease transactions – Appeals filed by the company                              | 31.07                       | 31.07                       |
| Others  | 31,41.70                    | 19,94.41                    |
| 4.9 Cost Insurance Freight (CIF) value of imports:  |                             | (₹ in Lakh)                 |
|   | <b>2010-11</b>              | <b>2009-10</b>              |
| Capital goods (on payment basis)  | 9,57.19                     | 6,32.47                     |
| 4.10 Expenditure in foreign currency (on payment basis):  |                             | (₹ in Lakh)                 |
|   | <b>2010-11</b>              | <b>2009-10</b>              |
| Interest  | –                           | 1,10.08                     |
| On Other Matters  | 16.94                       | 34.96                       |
|   |                             | (₹ in Lakh)                 |
| 4.11 Earnings in Foreign Currency   | <b>2010-11</b>              | <b>2009-10</b>              |
| – Annual Maintenance and Support Charges  | 68.41                       | 94.78                       |
| 4.12 Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification. |                             |                             |

#### Signatures to Schedules 1 to 19

As per our report of even date attached  
For **Brahmayya & Co.,**  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman  
**T. T. Srinivasaraghavan**  
Managing Director  
**Harsha Viji**  
Director (Strategy & Planning)  
**S. Venkatesan**  
CFO & Secretary

**S. Prasad**  
**S. Ravindran**  
**S. Ram**  
**Srinivas Acharya**  
Directors

**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
Directors

## SCHEDULE

(as required in terms of Paragraph 9BB of NBFC Prudential Norms (Reserve Bank) Directions, 1998)

(₹ in Lakh)

|     | Particulars  | Amount<br>Outstanding | Amount<br>Overdue |
|-----|--|-----------------------|-------------------|
|     | <b>Liabilities side:</b>   |                       |                   |
| (1) | Loans and advances availed by the NBFCs @  |                       |                   |
| a   | Debentures : Secured   | 3744,25.75            | -                 |
|     | : Unsecured  | 397,10.00             | -                 |
|     | (other than falling within the meaning of public deposits)   |                       |                   |
| b   | Deferred Credits   | -                     | -                 |
| c   | Term Loans   | 2902,00.00            | -                 |
| d   | Inter-corporate loans and borrowings   | -                     | -                 |
| e   | Commercial paper   | 567,00.21             | -                 |
| f   | Public Deposits  | 1183,67.27            | 1,263.45 #        |
| g   | Other loans  |                       |                   |
|     | - Bank Borrowing   | 1141,80.33            | -                 |
|     | - Deposits from Corporates   | 13,55.53              | -                 |
| (2) | Break-up of 1 (f) above (Outstanding public deposits) @  |                       |                   |
| a   | In the form of Unsecured debentures  | -                     | -                 |
| b   | In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security | -                     | -                 |
| c   | Other public deposits  | 1183,67.27            | 12,63.45 #        |

@ Interest accrued but not paid - Nil

# Represents unclaimed deposits

(₹ in Lakh)

|       | Particulars   | Amount<br>Outstanding |
|-------|---|-----------------------|
|       | <b>Assets side:</b>   |                       |
| (3)   | Break-up of Loans and Advances including bills receivables (other than those included in (4) below):      |                       |
| a     | Secured   | 987,78.71             |
| b     | Unsecured (including Advance for Business Assets)   | 227,42.29             |
| (4)   | Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL / HP activities : |                       |
| (i)   | Lease assets including lease rentals under sundry debtors   |                       |
| a     | Financial Lease   | 19.82                 |
| b     | Operating Lease   | 161,53.47             |
| (ii)  | Net Stock on hire including hire charges under sundry debtors   |                       |
| a     | Assets on hire  | 198,96.95             |
| b     | Repossessed Assets  | 4.42                  |
| (iii) | Hypothecation loans counting towards EL / HP activities   |                       |
| a     | Loans where assets have been repossessed  | 6,57.57               |
| b     | Loans other than (a) above  | 8178,66.86            |



(₹ in Lakh)

|       | Particulars                     | Amount Outstanding | Market Value *    |
|-------|---------------------------------|--------------------|-------------------|
| (5)   | <b>Break-up of Investments:</b> |                    |                   |
|       | Current Investments:            |                    |                   |
| 1.    | Quoted:                         | –                  | –                 |
| 2.    | Unquoted:                       |                    |                   |
| (i)   | Units of mutual funds           | 290,37.42          | 295,78.85         |
|       | Long Term Investments:          |                    |                   |
| 1.    | Quoted:                         |                    |                   |
| (i)   | Equity Shares                   | 32,35.65           | 149,91.20         |
| (ii)  | Debentures and Bonds            | 1,30.05            | 1,30.05           |
| (iii) | Government Securities           | 133,09.75          | 125,26.85         |
| 2.    | Unquoted:                       |                    |                   |
| (i)   | Shares                          |                    |                   |
| a     | Equity                          | 476,29.64          | 655,91.58         |
| b     | Preference                      | 11,00.00           | 11,00.00          |
| (ii)  | Government Securities           | –                  | –                 |
| (iii) | Units of mutual funds           | 1,57.01            | 1,57.01           |
| (iv)  | Bonds                           | –                  | –                 |
| (v)   | Others                          | –                  | –                 |
|       | <b>Total</b>                    | <b>945,99.52</b>   | <b>1240,75.54</b> |

\* Unquoted Investments disclosed at break up / fair value / NAV

| (6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances: |                             | (₹ in Lakh)              |                  |                   |
|--|-----------------------------|--------------------------|------------------|-------------------|
|  | Category                    | Amount net of provisions |                  |                   |
|  |                             | Secured                  | Unsecured        | Total             |
| 1.   | Related Parties**           |                          |                  |                   |
| a  | Subsidiaries                | 1,12.00                  | 55.45            | 1,67.45           |
| b  | Companies in the same group |                          |                  |                   |
| c  | Other related parties       | 2,96.93                  | 10,00.00         | 12,96.93          |
| 2.   | Other than related parties  | 9493,87.65               | 197,25.56        | 9691,13.21        |
|  | <b>Total</b>                | <b>9497,96.58</b>        | <b>207,81.01</b> | <b>9705,77.59</b> |

| (7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): |                             | (₹ in Lakh)                                  |                                |
|--|-----------------------------|--|--------------------------------|
|  | Category                    | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) |
|  |                             | 1.   | Related Parties**              |
| a  | Subsidiaries                | 226,57.61                                    | 256,99.28                      |
| b  | Companies in the same group |  |                                |
| c  | Other related parties       | 406,14.81                                    | 257,77.90                      |
| 2.   | Other than related parties  | 608,03.12                                    | 429,70.61                      |
|  | <b>Total</b>                | <b>1240,75.54</b>                            | <b>944,47.79</b>               |

\*\* As per Accounting Standard

| (8) Other Information |   | (₹ in Lakh) |
|-----------------------|---|-------------|
|                       | Particulars   | Amount      |
| (i)                   | Gross Non-Performing Assets                               |             |
| a                     | Related Parties   | 18,90.00    |
| b                     | Other than related parties                                | 55,18.80    |
| (ii)                  | Net Non-Performing Assets                                 |             |
| a                     | Related Parties   | –           |
| b                     | Other than related parties                                | 18,66.30    |
| (iii)                 | Assets acquired in satisfaction of debt (during the year) | 40.27       |

## Balance Sheet Abstract and Company's General Business Profile

Information as required under Part IV of the Schedule VI of the Companies Act, 1956

### I Registration Details

Registration No.      State Code

Balance Sheet Date

Date                      Month                      Year

### II Capital Raised during the Year (Amount in Rs. Thousands)

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

### III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

|                       |  |                          |  |
|-----------------------|--|--------------------------|--|
|                       | Total Liabilities  |                          | Total Assets   |
| Sources of Funds      | <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="7"/> | Paid up Capital          | <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="7"/> |
| Applications of Funds | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="9"/>                                  | Secured Loans            | <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/>  |
|                       | <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="2"/>  | Unsecured Loans          | <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="7"/>  |
|                       | <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="6"/>                                 | Net Fixed Assets         | <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="2"/>                                 |
|                       | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="4"/>                                  | Deferred Tax Asset (net) | <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> |
|                       | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>   | Misc. Expenditure        | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>   |

### IV Performance of Company (Amount in Rs. Thousands)

|  |  |
|--|--|
| Turnover   | Total Expenditure  |
| <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="0"/>      | <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="8"/>      |
| + - Profit / (Loss) Before Tax   | + - Profit / (Loss) After Tax  |
| <input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="2"/> | <input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| (Please tick appropriate box + for profit, - for loss)   |  |
| Earnings Per Share                      Rs.                      Ps.   | Dividend Rate %  |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="5"/>                                       | <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/>   |

### V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)                      Not Applicable

Product / Service Description

**Statement Pursuant to Section 212 (1) (e) of The Companies Act, 1956, relating to Subsidiary Companies**

| Name of the Subsidiary Company            | Financial year of the Subsidiary ended on | Holding Company's interest in the Subsidiary      | Net aggregate amount of the profits of the subsidiary not dealt with in the Holding Company's accounts |   | Net aggregate amount of the profits of the subsidiary dealt with in the Holding Company's accounts by way of dividends on the shares held in Subsidiary Company |   |
|---|---|---|--|---|---|---|
|   |   |   | a) For the financial year of the Subsidiary Company  | b) For the Previous financial years, since it became a Subsidiary Company | a) For the financial year of the Subsidiary Company   | b) For the Previous financial years, since it became a Subsidiary Company |
| Sundaram BNP Paribas Home Finance Ltd.    | 31.03.2011                                | 4,01,56,296 Equity Shares of ₹ 10/- each (50.10%) | 23,88.81   | 47,99.04  | Nil   | 8,03.13   |
| Sundaram Asset Management Company Ltd.    | 31.03.2011                                | 1,53,33,229 Equity Shares of ₹ 10/- each (100%)   | 13,36.15   | 30,89.50  | Nil   | 10,75.47  |
| Sundaram Trustee Company Ltd.             | 31.03.2011                                | 50,000 Equity Shares of ₹ 10/- each (100%)        | 40.90  | 44.76   | Nil   | 37.57   |
| Sundaram Finance Distribution Ltd.        | 31.03.2011                                | 5,00,000 Equity Shares of ₹ 10/- each (100%)      | 15,47.57   | 3,34.87   | 3885.00   | 3,95.00   |
| LGF Services Ltd.                         | 31.03.2011                                | 2,50,000 Equity Shares of ₹ 10/- each (100%)      | 1,92.25  | 2,16.44   | Nil   | 4,67.50   |
| Sundaram Infotech Solutions Ltd.          | 31.03.2011                                | 40,00,000 Equity Shares of ₹ 10/- each (100%)     | 82.65  | (13,79.90)  | Nil   | Nil   |
| Sundaram Business Services Ltd.           | 31.03.2011                                | 1,50,00,000 Equity Shares of ₹ 10/- each (100%)   | (1,51.09)  | (2,65.17)   | Nil   | Nil   |
| Professional Management Consultants Ltd.  | 31.03.2011                                | 2,20,600 Equity Shares of ₹ 10/- each (100%)      | 2.38   | 2,06.38   | Nil   | Nil   |
| Infreight Logistics Solutions Ltd.        | 31.03.2011                                | 44,10,000 Equity Shares of ₹ 10/- each (78.59%)   | (1,00.05)  | (8,64.51)   | Nil   | Nil   |
| Sundaram BNP Paribas Fund Services Ltd.   | 31.03.2011                                | 2,16,75,000 Equity Shares of ₹ 10/- each (51%)    | (8,68.04)  | (3,51.74)   | Nil   | Nil   |
| Sundaram Insurance Broking Services Ltd.  | 31.03.2011                                | 5,00,000 Equity Shares of ₹ 10/- each (100%)      | (1.98)   | Nil   | Nil   | Nil   |
| Sundaram Parekh Warehousing Services Ltd. | 31.03.2011                                | 51,000 Equity Shares of ₹ 10/- each (51%)         | (0.29)   | Nil   | Nil   | Nil   |

|   |  |                                   |   |
|---|--|-----------------------------------|---|
| <b>S. Viji</b><br>Chairman                          | <b>Harsha Viji</b><br>Director (Strategy & Planning) | <b>S. Prasad</b><br>S. Ravindran  | <b>T. R. Seshadri</b>                     |
| <b>T. T. Srinivasaraghavan</b><br>Managing Director | <b>S. Venkatesan</b><br>CFO & Secretary              | <b>S. Ram</b><br>Srinivas Acharya | <b>P. N. Venkatachalam</b><br>Aroon Raman |
| Chennai   |  | Directors                         | Directors                                 |

Dated : 30th May, 2011

## Cash Flow Statement

(₹ in Lakh)

|  | 2010-11             | 2009-10             |
|--|---------------------|---------------------|
| <b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>                                    |                     |                     |
| Net Profit   | 295,23.12           | 226,74.86           |
| Add: Lease Equalisation Account  | 40.53               | (91.85)             |
| Provision for Taxation (Including Wealth Tax)                                    | 135,13.90           | 96,72.77            |
|  | 430,77.55           | 322,55.78           |
| Add: Financial Expenses  | 707,82.00           | 633,79.55           |
| Depreciation   | 1138,59.55          | 956,35.33           |
| Provision against Investments (net)  | 55,20.98            | 45,80.23            |
| Provision against Non - Performing assets (net)                                  | 7,66.13             | 1,44.64             |
| Contingent Provisions against Standard Assets                                    | (11,57.75)          | 4,79.98             |
| Employee Stock Option Compensation Expenses                                      | 6,46.30             | 3,1,61.69           |
| (Profit) loss on sale of assets  | 60.00               | 23.28               |
| (Profit) loss on sale of Investments   | (35.94)             | 34.21               |
| Interest / Dividend Income   | (11,35.33)          | (53,36.95)          |
| Effect of Foreign Exchange rates on Cash and Cash Equivalents, net               | (58,54.91)          | (22,00.38)          |
|  | (0.01)              | 0.18                |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>                           | <b>1126,69.02</b>   | <b>965,22.21</b>    |
| (Increase) Decrease in Net Stock on hire   | 63,83.14            | 67,08.38            |
| (Increase) Decrease in Leased assets - net of sales                              | (79,91.19)          | (60,87.57)          |
| (Increase) Decrease in Trade Bills purchased                                     | (2,48.77)           | 15,44.60            |
| (Increase) Decrease in Net Investment in Lease                                   | (4,03.58)           | (32.25)             |
| (Increase) Decrease in Loans and Advances  | (1636,91.96)        | (1465,04.17)        |
| (Increase) Decrease in Other Receivables   | (23.53)             | 13.29               |
| (Increase) Decrease in Bank Deposits (net)                                       | 339,60.47           | (1079,89.81)        |
| (Increase) Decrease in SLR Investments - net of sales                            | (10,60.05)          | (22,40.77)          |
| Increase (Decrease) in Current Liabilities                                       | (80.25)             | 32,87.01            |
| <b>Cash generated from Operations</b>  | <b>(133155.72)</b>  | <b>(2513,01.29)</b> |
| Financial Expenses   | (710,86.18)         | (619,43.37)         |
| Direct Taxes Paid  | (121,80.07)         | (90,05.16)          |
| <b>NET CASH FROM OPERATING ACTIVITIES (A)</b>                                    | <b>(1037,52.95)</b> | <b>(2257,27.61)</b> |
| <b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |                     |                     |
| Purchase of Fixed Assets   | (18,53.32)          | (15,38.40)          |
| Sale of Fixed Assets   | 1,31.41             | 96.09               |
| Purchase of Investments  | (8990,60.57)        | (12677,85.28)       |
| Purchase of Investments in Subsidiaries / Joint Venture                          | (193,59.78)         | (18,33.50)          |
| Sale of Investments  | 8790,04.92          | 12746,00.34         |
| Interest Received  | 4.58                | 2.75                |
| Dividend Received  | 58,52.40            | 21,97.65            |
| <b>NET CASH FROM INVESTING ACTIVITIES (B)</b>                                    | <b>(352,80.36)</b>  | <b>57,39.65</b>     |
| <b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>                                    |                     |                     |
| Proceeds from Issue of Debentures  | 1608,53.72          | 3475,75.18          |
| Debentures Redeemed  | (1224,00.00)        | (2686,00.00)        |
| Increase (Decrease) in Long Term Borrowings                                      | 1034,49.43          | 869,13.98           |
| Increase (Decrease) in Fixed Deposits  | 97,11.91            | 154,84.84           |
| Increase (Decrease) in Short Term Loans and Advances                             | (60,54.11)          | 417,96.83           |
| Dividend paid (including Corporate Dividend Tax)                                 | (63,87.40)          | (53,51.34)          |
| <b>NET CASH FROM FINANCING ACTIVITIES (C)</b>                                    | <b>1391,73.55</b>   | <b>2178,19.49</b>   |
| <b>D) Effect of Foreign Exchange rates on Cash and Cash Equivalents, net (D)</b> | <b>0.01</b>         | <b>(0.18)</b>       |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)+(D)</b>                 | <b>1,40.25</b>      | <b>(21,68.65)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                    | <b>26,70.70</b>     | <b>48,39.35</b>     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                          | <b>28,10.95</b>     | <b>26,70.70</b>     |
| <b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>            |                     |                     |
| Current Account with Banks   | 16,92.32            | 13,50.13            |
| Cash, Stamps and Stamp Papers on Hand  | 11,18.63            | 13,20.57            |
|  | <b>28,10.95</b>     | <b>26,70.70</b>     |

Note: 1. Cash and Cash equivalents includes balance in Unpaid Dividend account of ₹ 63.65 lakhs (31.03.2010 ₹ 59.27 lakhs)  
2. Previous year's figures have been regrouped/reclassified wherever necessary to conform to current year's classification

As per our report of even date attached  
For **Brahmayya & Co.,**  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman  
**T. T. Srinivasaraghavan**  
Managing Director  
**Harsha Viji**  
Director (Strategy & Planning)  
**S. Venkatesan**  
CFO & Secretary

**S. Prasad**  
**S. Ravindran**  
**S. Ram**  
**Srinivas Acharya**  
Directors

**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
Directors

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# Report on Corporate Governance

Sundaram Finance Limited has been following robust governance practices since its inception. The strong edifice of the Company, built in 1954, is supported by the pillars of Customer Faith, Investor Trust and Employee Loyalty. The Company has grown over nearly six decades, on the foundations of Service, Discipline, Prudence, Fair Play, Honesty, Integrity, Humility, Openness and Relationships. It continues to maintain the highest standards of integrity and transparency in operations, excellence in service to all stakeholders and strong Corporate Governance standards.

## I. BOARD OF DIRECTORS

All the members of the Board are eminent persons with considerable expertise and experience in the automobile, engineering, banking, finance, insurance, audit, accounting and transport sectors. The Company is immensely benefited by the range of experience and skills that the Directors bring to the Board.

The composition of the Board as under is in conformity with the listing requirements as on 31st March 2011:

### Promoter Directors:

|                             |   |                                |
|-----------------------------|---|--------------------------------|
| Sri S Viji                  | – | Non-executive Chairman         |
| Sri S Ram                   | – | Non-executive Director         |
| Sri T. T. Srinivasaraghavan | – | Managing Director              |
| Sri Harsha Viji             | – | Director (Strategy & Planning) |

### Independent Non-Executive Directors:

|                       |                 |
|-----------------------|-----------------|
| Sri T R Seshadri      | Sri S Prasad    |
| Sri N Venkataramani   | Sri S Ravindran |
| Sri P N Venkatachalam | Sri Aroon Raman |

### Non-Executive Director:

Sri Srinivas Acharya

All Directors and Senior Management Personnel have re-affirmed compliance with the Code of Conduct approved and adopted by the Board of Directors.

## II. BOARD MEETINGS

The Board of Directors formulates the broad business and operational policies, periodically reviews the performance and engages itself with strategic issues concerning the Company.

During the year under review, 10 meetings of the Board of Directors were held.

|            |            |            |            |
|------------|------------|------------|------------|
| 30/04/2010 | 23/07/2010 | 29/10/2010 | 24/01/2011 |
| 28/05/2010 | 24/09/2010 | 06/12/2010 | 28/01/2011 |
| 30/06/2010 |            |            | 25/03/2011 |

The details of directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships / memberships held by the Directors during the year are as follows:

| Name of the Director                       | Attendance Particulars |                   | Directorships in other public limited companies |          | Committees in which Chairman/Member of Other Companies |        |
|--|------------------------|-------------------|---|----------|--|--------|
|  | Board Meetings         | AGM               | Chairman  | Director | Chairman   | Member |
| Sri S. Viji                                | 9                      | Yes               | 1   | 8        | —  | 3      |
| Sri S. Ram                                 | 9                      | Yes               | 2   | 7        | 1  | 3      |
| Sri S Narayanan<br>(Upto 24.09.2010)       | 5                      | Yes               | 2   | 1        | 2  | —      |
| Sri T. R. Seshadri                         | 5                      | No                | —   | —        | —  | —      |
| Sri N Venkataramani<br>(From 24.09.2010)   | 2                      | Not<br>Applicable | 2   | 8        | 1  | 4      |
| Sri P N Venkatachalam<br>(From 28.01.2011) | 2                      | Not<br>Applicable | 1   | 3        | —  | 3      |
| Sri S. Prasad                              | 10                     | Yes               | —   | 4        | 3  | —      |
| Sri S. Ravindran                           | 10                     | Yes               | —   | 6        | —  | 2      |
| Sri Aroon Raman                            | 6                      | Yes               | —   | 1        | —  | —      |
| Sri Srinivas Acharya                       | 10                     | Yes               | —   | 9        | 3  | 3      |
| Sri T. T. Srinivasaraghavan                | 10                     | Yes               | 1   | 8        | 3  | 1      |
| Sri Harsha Viji<br>(from 24.09.2010)       | 6                      | Not<br>Applicable | —   | 3        | —  | 2      |

### III. AUDIT COMMITTEE

The Audit Committee reviews the financial accounting policies, adequacy of internal control systems and systems audit and interacts with the statutory auditors, internal auditors and systems auditors. Senior Executives and functional heads are invitees to the committee meetings. Besides, the Committee reviews the audit plans, interim and annual financial results, management discussion and analysis of financial condition and results of operations, related party transactions, observations of the management and internal/external auditors on internal control and follow-up reports of the management.

Composition of the Audit Committee and attendance of the members at Committee meetings are as follows:

| Name of the Director |          | No. of Meetings Attended | Meeting dates                       |
|----------------------|----------|--------------------------|-------------------------------------|
| Sri S. Prasad        | Chairman | 8                        | 27/05/2010, 21/07/2010, 27/08/2010, |
| Sri S. Viji          | Member   | 8                        | 06/09/2010, 25/10/2010, 26/11/2010, |
| Sri S. Ravindran     | Member   | 8                        | 24/01/2011, 04/03/2011              |

The Company Secretary is the Secretary to the Committee.

#### IV. REMUNERATION OF DIRECTORS

Directors of the Company are paid a sitting fee of ₹ 10,000/- each for every meeting of the Board, Audit Committee, Share Transfer and Investor Relations Committee and Compensation Committee.

The Non-Executive Directors are remunerated by way of commission for each financial year as decided by the Board of Directors within the ceiling of 1% of the net profits of the Company approved by the shareholders. The details of remuneration paid and number of shares held by the Non-Executive Directors are as follows:

| Name of the Director                       | Sitting Fee<br>(₹ in Lakh) | Commission<br>(₹ in Lakh) | Number of Shares held<br>individually<br>(as on 31.03.2011) | Relationship with<br>other Directors |
|--|----------------------------|---------------------------|---|--------------------------------------|
| Sri S. Viji                                | 1.70                       | 5.00                      | 6,80,446 <sup>(1)</sup> *                                   | Brother of Sri S. Ram                |
| Sri S. Ram                                 | 0.90                       | 3.00                      | 2,51,494 *  | Brother of Sri S. Viji               |
| Sri S. Narayanan<br>(Upto 24.09.2010)      | 0.50                       | 3.00                      | 800 <sup>(2)</sup>  | —                                    |
| Sri T. R. Seshadri                         | 0.50                       | 3.00                      | —   | —                                    |
| Sri N Venkataramani<br>(From 24.09.2010)   | 0.20                       | 3.00                      | —   | —                                    |
| Sri P N Venkatachalam<br>(From 28.01.2011) | 0.20                       | 3.00                      | —   | —                                    |
| Sri S. Prasad                              | 2.00                       | 5.00                      | —   | —                                    |
| Sri S. Ravindran                           | 1.90                       | 5.00                      | 1,94,960 <sup>(3)</sup>                                     | —                                    |
| Sri Aroon Raman                            | 0.70                       | 3.00                      | 2,98,948  | —                                    |
| Sri Srinivas Acharya                       | 1.20                       | 3.00                      | 1,200 <sup>(4)</sup> **                                     | —                                    |

**Note:** Number of shares held jointly with others: <sup>(1)</sup> 4342, <sup>(2)</sup> 81,712, <sup>(3)</sup> 1,13,360, <sup>(4)</sup> 23,888.

Includes 4,80,872 shares \* and 240 shares \*\* held as Trustees / Executor respectively.

Amount of deposits placed by the Non-Executive Directors in the Company aggregated to ₹ 478.51 lakhs as on March 31, 2011. The interest on these deposits paid / credited during the year 2010-11 amounted to ₹ 49.88 lakhs.

The Executive Directors of the Company are appointed on contractual basis, on terms approved by the shareholders. Their remuneration comprises salary, allowances, commission and perquisites. The quantum of commission payable to them is decided by the Board of Directors. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

The details of remuneration paid to the Executive Directors are as follows: (₹ in Lakh)

| Nature of Payment  | Sri T. T. Srinivasaraghavan<br>Managing Director | Sri Harsha Viji,<br>Director (Strategy & Planning) * |
|--|--|--|
| Salary   | 33.00  | 10.91  |
| Commission   | 140.00   | 25.00  |
| Sitting Fees   | 1.30   | 0.60   |
| Contributions to Provident,<br>Superannuation and Gratuity Funds | 10.71  | 1.90   |
| Other allowances and perquisites                                 | 27.70  | 20.63  |

\* Son of Sri S. Viji, Chairman.

## V. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee

- approves and monitors transfers, transmission, splits and consolidation of shares of the Company,
- reviews redressal of complaints from shareholders relating to transfer of shares, non-receipt of annual report, dividends etc., and
- reviews the compliances with various statutory and regulatory requirements.

Composition of the Share Transfer & Investor Relations Committee and attendance of the members at Committee meetings are as follows:

| Name of the Director        |          | No. of Meetings Attended | Meeting dates           |
|-----------------------------|----------|--------------------------|-------------------------|
| Sri S. Prasad               | Chairman | 2                        | 08/07/2010 & 20/12/2010 |
| Sri T. T. Srinivasaraghavan | Member   | 2                        |                         |
| Sri Srinivas Acharya        | Member   | 2                        |                         |

Sri P. Viswanathan, Deputy Secretary, is the Compliance Officer. During the year under review, the Company received 9 communications from shareholders, which were attended to. Three investor complaints were received and resolved during the year. None was pending unresolved as on 31st March, 2011.



## VI. COMPENSATION COMMITTEE

Compensation Committee, constituted pursuant to Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, comprising Sri S Ravindran as Chairman and Sri Aroon Raman and Sri T T Srinivasaraghavan as Members, met in May 2010.

## VII. GENERAL BODY MEETINGS

Details relating to last three Annual General Meetings:

| Year | Date       | Time     | Location   | No. of Special Resolutions Passed |
|------|------------|----------|--|-----------------------------------|
| 2010 | 15/07/2010 | 11.00 AM | The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014 | Nil                               |
| 2009 | 24/07/2009 | 10.25 AM | The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014 | Nil                               |
| 2008 | 24/07/2008 | 11.00 AM | The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014 | Three                             |

Two Special Resolutions - one under Section 314 (1-B) of the Companies Act, 1956 seeking the consent of the Members for appointment of Sri Harsha Viji, S/o. Sri S. Viji, Chairman of the Company, in the grade of Executive Director with effect from 01.04.2010 and the other under Section 372A of the Companies Act, 1956 seeking consent of the Members for making loans to bodies corporate in excess of the limits prescribed under that Section, were passed through postal ballot, as per the procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and conducted by Sri T T Srinivasaraghavan, Managing Director and Sri S. Venkatesan, CFO & Secretary, under the overall supervision of the Scrutinizer, Sri T K Bhaskar, Partner, HSB Partners, Advocates, Chennai.

Details of the voting pattern:

| Date of Special Resolution | Votes cast in favour |       | Votes cast against |      | Result %                       |
|----------------------------|----------------------|-------|--------------------|------|--------------------------------|
|                            |                      | Nos.  | %                  | Nos. |                                |
| 14.05.2010                 | 2,71,01,571          | 99.95 | 13,711             | 0.05 | Passed with requisite majority |
| 20.12.2010                 | 2,96,29,803          | 99.97 | 8,197              | 0.03 | Passed with requisite majority |

The results of the postal ballots were announced by Sri T. T. Srinivasaraghavan, Managing Director, at the Registered Office of the Company, posted on the website and advertised in the newspapers.

No special resolution is proposed to be passed through postal ballot at the ensuing AGM.

## VIII. DISCLOSURES

- There were no materially significant related party transactions having potential conflict with the interests of the company at large.
- All the mandatory requirements specified under Clause 49 have been complied with.
- The Company has a record of unqualified financial statements since inception.

- The Company has already been following most of the clauses in the Voluntary Guidelines on Corporate Governance and Corporate Social Responsibility issued by Ministry of Corporate Affairs in 2009 and it will take appropriate steps to make it formal in future.
- The Company proposes to adopt other non-mandatory requirements as appropriate, in due course.
- In response to the appeal filed by us, the Securities Appellate Tribunal (SAT), in its Order dated 16th September 2010, held that the omission of the company in not disclosing the change in the shareholding to the stock exchange under Regulation 13 (6) of SEBI (Prohibition of Insider Trading) Regulations, 1992 has neither impacted the market in any way nor has it resulted in any other adverse outcome and consequently reduced the penalty imposed on the company from ₹ 10 lakhs to ₹ 2 lakhs which was paid.

## IX. MEANS OF COMMUNICATION

- A press meet was organised by the Company on 28th May 2010 for dissemination of audited results.
- Quarterly unaudited and annual audited results of the Company were published in “Business Line” (English) and “Dinamalar / Makkal Kural” (Tamil).
- The results and press releases were also displayed on the Company’s website at [www.sundaramfinance.in](http://www.sundaramfinance.in).

## X. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

| Date             | Time     | Venue  |
|------------------|----------|--|
| 13/07/2011 (Wed) | 11.00 AM | The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014 |

- Financial Year – 1st April 2011 to 31st March 2012
- Book Closure dates – 1st July 2011 to 13th July 2011 (both days inclusive)
- Date of payment of dividends  
Interim – 11th February 2011 – ₹ 7/- per share (70%)  
Final – 14th July 2011 – ₹ 7/- per share (70%)
- The company’s shares are listed on:  
National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor  
Plot No. C/1, G Block  
Bandra-Kurla Complex  
Bandra (E), Mumbai 400 051
- The Company has paid the listing fees for the financial years 2010-11 & 2011-12 to the above stock exchange.
- NSE Stock Code: SUNDARFIN
- ISIN : INE660A01013

- Following dividends are transferable to the Investor Education and Protection Fund (IEPF) on the respective due dates, as under, in accordance with the provisions of Section 205A (5) of the Companies Act, 1956.

| <b>Nature of Dividend</b>     | <b>Transferable to IEPF on</b> |
|-------------------------------|--------------------------------|
| Interim Dividend 2003-04      | 30/05/2011                     |
| Interim Dividend 2004-05      | 27/02/2012                     |
| Final Dividend 2004-05        | 27/08/2012                     |
| Consolidated Dividend 2005-06 | 02/09/2013                     |
| Interim Dividend 2006-07      | 15/04/2014                     |
| Final Dividend 2006-07        | 24/08/2014                     |
| Interim Dividend 2007-08      | 27/06/2015                     |
| Final Dividend 2007-08        | 23/08/2015                     |
| Interim Dividend 2008-09      | 29/03/2016                     |
| Final Dividend 2008-09        | 23/08/2016                     |
| Interim Dividend 2009-10      | 06/03/2017                     |
| Final Dividend 2009-10        | 14/08/2017                     |
| Interim Dividend 2010-11      | 28/02/2018                     |

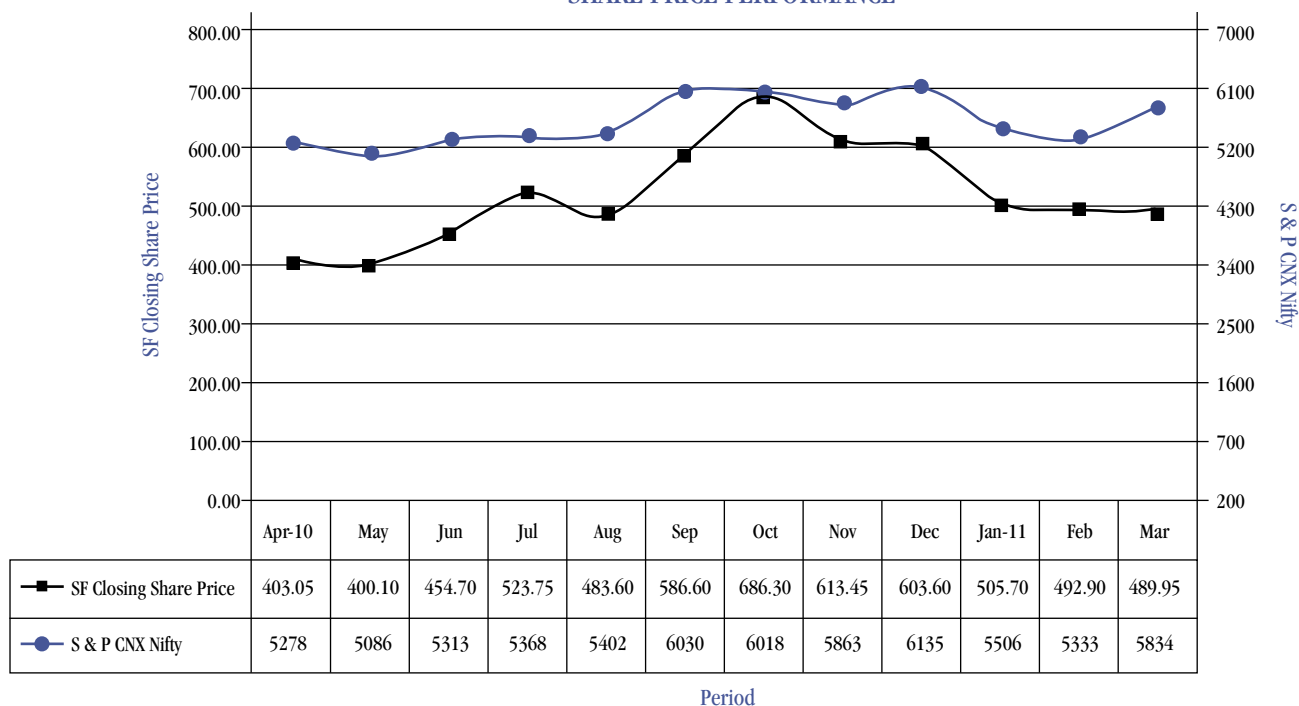
Reminders are sent to members for encashing unclaimed and unpaid dividends, on a regular basis. Members who have not yet made claims are, therefore, requested to contact the Registrar and Share Transfer Agents immediately.

No claim shall lie against the Fund or the Company in respect of unclaimed and unpaid dividends transferred to the IEPF as per Section 205C of the Companies Act, 1956.

#### MARKET PRICE DATA ON THE NATIONAL STOCK EXCHANGE

| <b>Month</b> | <b>High</b> | <b>Low</b> | <b>Month</b> | <b>High</b> | <b>Low</b> |
|--------------|-------------|------------|--------------|-------------|------------|
| Apr – 10     | 411.00      | 371.00     | Oct          | 699.50      | 580.10     |
| May          | 470.00      | 380.00     | Nov          | 689.00      | 575.00     |
| Jun          | 474.80      | 400.00     | Dec          | 639.00      | 573.00     |
| Jul          | 548.00      | 450.00     | Jan – 11     | 600.40      | 440.00     |
| Aug          | 540.60      | 470.25     | Feb          | 533.00      | 473.00     |
| Sep          | 612.00      | 471.65     | Mar          | 517.95      | 453.35     |

### SHARE PRICE PERFORMANCE



- Share transfers were processed and share certificates despatched within one month from lodgement in accordance with the stock exchange listing agreement.
- Dematerialisation requests have been confirmed within 21 days from the date of request.
- Investor Relation Services - Shares has been re-certified by Bureau Veritas Certification (India) Private Limited under the upgraded ISO 9001:2008 Standard.
- M/s Cameo Corporate Services Ltd, Registrars and Share Transfer Agents of the company have attended to the share transfer formalities regularly. The Registrar and Share Transfer Agents can be contacted by the investors at the following address:

M/s Cameo Corporate Services Ltd.

'Subramanian Building'

No 1 Club House Road

Chennai 600 002

Toll-free no. 1800-102-3669

Ph: 044 2846 0390 Fax: 044 2846 0129

Email: investor@cameoindia.com

Contact Persons: Mr. R. D. Ramasamy, Director

Mr. D. Narasimhan, Senior Executive (Shares)

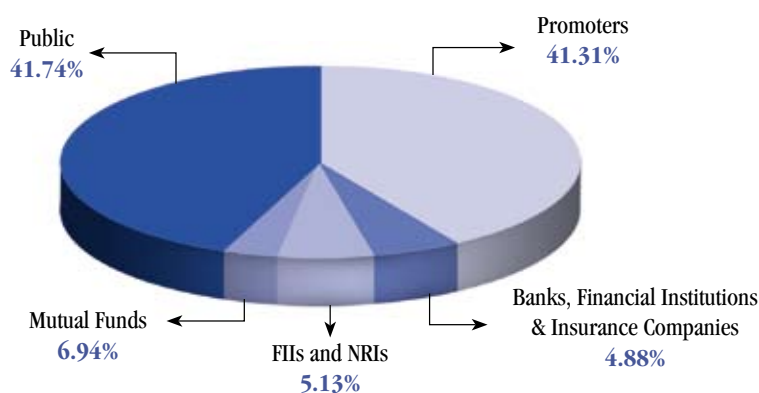
### DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2011

| No. of Equity Shares Held | Total Shareholders | Total Shares       | Total % to Capital |
|---------------------------|--------------------|--------------------|--------------------|
| Upto 250                  | 9,015              | 7,50,774           | 1.35%              |
| 251 to 500                | 1,734              | 6,71,209           | 1.21%              |
| 501 to 1000               | 1,262              | 9,76,521           | 1.76%              |
| 1001 to 5000              | 1,632              | 38,22,123          | 6.88%              |
| 5001 to 10000             | 273                | 19,74,735          | 3.56%              |
| 10001 to 50000            | 342                | 78,83,050          | 14.19%             |
| 50001 to 100000           | 87                 | 61,40,786          | 11.05%             |
| 100001 and above          | 105                | 3,33,32,732        | 60.00%             |
| <b>Total</b>              | <b>14,450</b>      | <b>5,55,51,930</b> | <b>100.00%</b>     |

Total shares held in dematerialised form 57.39%

Public shareholding in dematerialised form 80.12%

### SHAREHOLDING PATTERN AS ON 31.03.2011



**For your queries / grievances / complaints, please contact:**

Sri P. Viswanathan  
 Deputy Secretary & Compliance Officer  
 Sundaram Finance Limited  
 21, Patullos Road, Chennai 600 002  
 Phone : 044-28558207  
 Fax : 044-28550290  
 Mobile : 9444399168  
 E mail : investorservices@sundaramfinance.in

T. T. Srinivasaraghavan  
 Managing Director

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## Auditor's Certificate on Corporate Governance

We have examined the compliance of the conditions of corporate governance by Sundaram Finance Limited, Chennai for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement entered into by the company with the stock exchange.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: Chennai  
Date: 30th May 2011

For **BRAHMAYYA & CO.,**  
Chartered Accountants  
Registration No.000511S  
**L.RAVI SANKAR**  
Partner  
Membership No. 25929



*Consolidated*

*Financial*

*Statements*



# Consolidated Balance Sheet

as at 31st March, 2011

(₹ in Lakh)

|  |       | 31.03.2011         |             | 31.03.2010         |             |
|--|-------|--------------------|-------------|--------------------|-------------|
| <b>I SOURCES OF FUNDS</b>                    |       |                    |             |                    |             |
| <b>1. Shareholders' Funds</b>                |       |                    |             |                    |             |
| a) Capital                                   | 1     | 55,55.19           |             | 55,55.19           |             |
| b) Stock Option Outstanding Account          | 2     | 55.34              |             | 23.28              |             |
| c) Reserves and Surplus                      | 3     | 1750,52.89         | 1806,63.42  | 1452,37.46         | 1508,15.93  |
|  |       | 142,64.32          |             | 150,58.26          |             |
| <b>2. Minority Interest</b>                  |       |                    |             |                    |             |
| <b>3. Loan Funds</b>                         |       |                    |             |                    |             |
| a) Secured Loans                             | 4     | 9112,74.19         |             | 7063,82.32         |             |
| b) Unsecured Loans                           | 5     | 3380,82.94         | 12493,57.13 | 3390,17.33         | 10453,99.65 |
| <b>Total</b>                                 |       | <b>14442,84.87</b> |             | <b>12112,73.84</b> |             |
| <b>II APPLICATION OF FUNDS</b>               |       |                    |             |                    |             |
| <b>1. Fixed Assets</b>                       |       |                    |             |                    |             |
| a) Gross Block                               | 6     | 770,59.47          |             | 587,61.54          |             |
| b) Less: Depreciation                        |       | 302,49.50          |             | 275,15.99          |             |
| c) Net Book Value                            |       | 468,09.97          |             | 312,45.55          |             |
| d) Less: Lease Adjustment Account            |       | 2,10.82            |             | 1,96.82            |             |
| e) Net Block                                 |       | 465,99.15          |             | 310,48.73          |             |
| <b>2. Investments</b>                        |       |                    |             |                    |             |
|  |       | 1432,91.52         |             | 999,48.06          |             |
| <b>3. Deferred Tax Asset (Net)</b>           |       |                    |             |                    |             |
|  |       | 59,50.21           |             | 70,12.63           |             |
| Less: Deferred Tax Liability                 |       | 12,66.41           | 46,83.80    | 12,75.77           | 57,36.86    |
| <b>4. Current Assets, Loans and Advances</b> |       |                    |             |                    |             |
| a) Current Assets                            | 9     | 1499,08.18         |             | 1834,52.27         |             |
| b) Loans and Advances                        | 10    | 12444,02.70        |             | 10176,64.35        |             |
|  |       | (A)                | 13943,10.88 | (A)                | 12011,16.62 |
| Less: Current Liabilities and Provisions     |       |                    |             |                    |             |
| a) Current Liabilities                       | 11    | 1303,46.59         |             | 1133,00.01         |             |
| b) Provisions                                | 12    | 142,53.89          |             | 132,76.42          |             |
|  |       | (B)                | 1446,00.48  | (B)                | 1265,76.43  |
| Net Current Assets                           | (A-B) | 12497,10.40        |             | 10745,40.19        |             |
| <b>Total</b>                                 |       | <b>14442,84.87</b> |             | <b>12112,73.84</b> |             |
| Notes to the accounts                        | 19    |                    |             |                    |             |

As per our report of even date attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman  
**T. T. Srinivasaraghavan**  
Managing Director  
**Harsha Viji**  
Director (Strategy & Planning)  
**S. Venkatesan**  
CFO & Secretary

**S. Prasad**  
**S. Ravindran**  
**S. Ram**  
**Srinivas Acharya**  
Directors

**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
Directors

# Consolidated Profit and Loss Account

for the Year Ended 31st March, 2011

|   | Schedule         | 2010-11                  | (₹ in Lakh)<br>2009-10   |
|---|------------------|--------------------------|--------------------------|
| <b>INCOME</b>   |                  |                          |                          |
| Income from Operations  | 13               | 2350,32.01               | 2012,72.21               |
| Profit on Sale of Shares  |                  | 65,52.94                 | 25,38.90                 |
| Other Income  | 14               | 23,39.28                 | 19,51.77                 |
| <b>Total</b>  | <b>(A)</b>       | <b><u>2439,24.23</u></b> | <b><u>2057,62.88</u></b> |
| <b>EXPENDITURE</b>  |                  |                          |                          |
| Financial Expenses  | 15               | 899,59.89                | 797,12.07                |
| Insurance claims incurred (net)   |                  | 329,44.88                | 254,02.67                |
| Establishment Expenses  | 16               | 233,29.71                | 207,43.64                |
| Administrative and Other Expenses   | 17               | 325,93.48                | 258,76.69                |
| General Provision on Standard Assets                                      |                  | 17,03.20                 | 32,30.50                 |
| Provisions and Write Off  | 18               | 6,78.71                  | 58,53.96                 |
| Depreciation  |                  | 71,02.51                 | 55,35.30                 |
| <b>Total</b>  | <b>(B)</b>       | <b><u>1883,12.38</u></b> | <b><u>1663,54.83</u></b> |
| <b>Profit before Tax</b>  | <b>(A) - (B)</b> | <b><u>556,11.85</u></b>  | <b><u>394,08.05</u></b>  |
| Taxation  |                  |                          |                          |
| – Current (Including Wealth Tax)  |                  | 176,32.88                | 13120.48                 |
| – Deferred  |                  | 10,53.06                 | (547.45)                 |
| – Fringe Benefit Tax  |                  | 0.49                     | 5.76                     |
| <b>Net Profit (before adjustment for minority interest)</b>               |                  | <b><u>369,25.42</u></b>  | <b><u>268,29.26</u></b>  |
| Less: Minority Interest   |                  | 20,25.11                 | 21,04.92                 |
|   |                  | <b><u>349,00.31</u></b>  | <b><u>247,24.34</u></b>  |
| Add: Share of Profit in Associates  |                  | 39,89.91                 | 26,37.95                 |
| <b>Profit after Tax</b>   |                  | <b><u>388,90.22</u></b>  | <b><u>273,62.29</u></b>  |
| Provision for Income tax relating to earlier year                         |                  | –                        | (1,45.71)                |
| <b>Profit after Tax and Prior Period Items</b>                            |                  | <b><u>388,90.22</u></b>  | <b><u>275,08.00</u></b>  |
| Add: Balance brought forward from previous year                           |                  | 185,25.53                | 128,06.66                |
| Change in value of holdings in Associates / Subsidiaries / Joint Ventures |                  | (2.06)                   | (58.79)                  |
| Transfer from Special Reserve   |                  | –                        | 76,00.00                 |
| Amount available for Appropriation  |                  | <b><u>574,13.69</u></b>  | <b><u>478,55.87</u></b>  |
| <b>APPROPRIATIONS</b>   |                  |                          |                          |
| Dividend  |                  |                          |                          |
| – Interim   |                  | 38,88.64                 | 33,33.12                 |
| – Final (proposed)  |                  | 38,88.64                 | 22,22.07                 |
| – Dividend Distribution tax   |                  | 13,16.21                 | 9,63.78                  |
| Special Reserve   |                  | 4,85.97                  | 2,78.05                  |
| Statutory Reserve   |                  | 59,10.00                 | 45,40.00                 |
| General Reserve   |                  | 179,42.30                | 179,93.32                |
| Surplus - Balance carried to Balance Sheet                                |                  | 239,81.93                | 185,25.53                |
|   |                  | <b><u>574,13.69</u></b>  | <b><u>478,55.87</u></b>  |
| Notes to the Accounts   | 19               |                          |                          |
| Earnings per Equity Share (Refer Note 2.5 Schedule 19)                    |                  |                          |                          |
| Number of Shares considered (Face value ₹ 10/- per share)                 |                  | 5,55,51,930              | 5,55,51,930              |
| Basic and Diluted earnings per share (in ₹)                               |                  | <b>70.01</b>             | <b>49.26</b>             |

As per our report of even date attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration No.000511S  
**L. Ravi Sankar**  
Partner  
Membership No.25929  
Chennai  
Dated : 30th May, 2011

**S. Viji**  
Chairman

**T. T. Srinivasaraghavan**  
Managing Director

**Harsha Viji**  
Director (Strategy & Planning)

**S. Venkatesan**  
CFO & Secretary

**S. Prasad**

**S. Ravindran**

**S. Ram**

**Srinivas Acharya**  
Directors

**T. R. Seshadri**

**P. N. Venkatachalam**

**Aroon Raman**  
Directors

## SCHEDULES

(₹ in Lakh)

|  | 31.03.2011       |                   | 31.03.2010       |                   |
|--|------------------|-------------------|------------------|-------------------|
| <b>1 Share Capital</b>   |                  |                   |                  |                   |
| <b>Authorised Capital</b>  |                  |                   |                  |                   |
| 10,00,00,000 Equity Shares of ₹ 10/- each  | <b>100,00.00</b> |                   | <b>100,00.00</b> |                   |
| <b>Issued, Subscribed and fully paid-up</b>  |                  |                   |                  |                   |
| 5,55,51,930 Equity Shares of ₹ 10/- each<br>(includes 5,09,75,545 Equity Shares<br>allotted as fully paid-up by way of bonus shares by<br>Capitalisation of Reserves and 37,75,965 Equity Shares<br>of ₹ 10/- each allotted for consideration other<br>than cash pursuant to a Scheme of Amalgamation) | <b>55,55.19</b>  |                   | <b>55,55.19</b>  |                   |
| <b>2 Stock Option Outstanding Account</b>  |                  |                   |                  |                   |
| Per Last Balance Sheet   | 27.94            |                   | -                |                   |
| Less: Shares transferred on Exercise   | 7.18             |                   | -                |                   |
| Less: Transfer to General Reserve  | 20.76            |                   | -                |                   |
| Add: Granted during the year   | 66.41            |                   | 27.94            |                   |
| Less: Deferred Employee Compensation Cost  | 11.07            | <b>55.34</b>      | 4.66             | <b>23.28</b>      |
| <b>3 Reserves and Surplus</b>  |                  |                   |                  |                   |
| <b>Capital Reserve (on Consolidation)</b>  |                  |                   |                  |                   |
| Per Last Balance Sheet   | 2,83.16          |                   | 2,71.73          |                   |
| Add: Changes in the value of holding in Joint Venture  | -                | 2,83.16           | 11.43            | 2,83.16           |
| <b>Capital Reserve</b>   |                  | <b>50,79.64</b>   |                  | <b>50,79.64</b>   |
| <b>Securities Premium Account</b>  |                  | <b>19,52.77</b>   |                  | <b>19,52.77</b>   |
| <b>General Reserve</b>   |                  |                   |                  |                   |
| Per Last Balance Sheet   | 877,36.96        |                   | 697,43.64        |                   |
| Add: Transfer from Stock Option Outstanding account  | 20.76            |                   | -                |                   |
| Add: Transfer from Profit and Loss account   | 179,42.30        | 1057,00.02        | 179,93.32        | 877,36.96         |
| <b>Statutory Reserve</b>   |                  |                   |                  |                   |
| Per last Balance Sheet   | 303,75.50        |                   | 258,35.50        |                   |
| Add: Transfer from Profit and Loss account   | 59,10.00         | 362,85.50         | 45,40.00         | 303,75.50         |
| <b>Special Reserve</b>   |                  |                   |                  |                   |
| Per Last Balance Sheet   | 12,83.90         |                   | 86,05.85         |                   |
| Less: Transfer to Profit and Loss account  | -                |                   | 76,00.00         |                   |
| Add: Transfer from Profit and Loss account   | 4,85.97          | 17,69.87          | 2,78.05          | 12,83.90          |
| Surplus - Balance in Profit and Loss account   |                  | <b>239,81.93</b>  |                  | <b>185,25.53</b>  |
|  |                  | <b>1750,52.89</b> |                  | <b>1452,37.46</b> |

**SCHEDULES**

(₹ in Lakh)

|   | 31.03.2011               | 31.03.2010               |
|---|--------------------------|--------------------------|
| <b>4 Secured Loans</b>                    |                          |                          |
| Non - Convertible Debentures              | 4392,97.75               | 3316,85.04               |
| From Scheduled Banks                      | 4719,76.44               | 3744,88.95               |
| From International Finance Corporation    | —                        | 2,08.33                  |
|   | <b><u>9112,74.19</u></b> | <b><u>7063,82.32</u></b> |
| <b>5 Unsecured loans</b>                  |                          |                          |
| Fixed deposits                            |                          |                          |
| – From Public                             | 1712,90.29               | 1573,47.66               |
| – From Directors                          | 5,85.27                  | 7,36.43                  |
|   | <u>1718,75.56</u>        | <u>1580,84.09</u>        |
| Non - Convertible Debentures              | —                        | 335,00.00                |
| Subordinated Non - Convertible Debentures | 537,10.00                | 395,00.00                |
| Debenture application money               | 35,00.00                 | —                        |
| Short Term Loans and advances             |                          |                          |
| – From Scheduled Banks                    | 306,51.36                | 306,61.39                |
| – Others                                  | —                        | 9,74.00                  |
| – Commercial Paper                        | 783,46.02                | 762,97.85                |
|   | <b><u>3380,82.94</u></b> | <b><u>3390,17.33</u></b> |

**SCHEDULES**

| (₹ in Lakh)                               |                     |           |            |                  |                 |                              |            |            |                |  |                 |                  |
|---|---------------------|-----------|------------|------------------|-----------------|------------------------------|------------|------------|----------------|--|-----------------|------------------|
| DESCRIPTION                               | GROSS BLOCK AT COST |           |            |                  | DEPRECIATION    |                              |            |            | Net Book Value | Balance in Lease Adjustment Account as at 31.03.2011 | NET BLOCK       |                  |
|   | As at 31.03.2010    | Additions | Deductions | As at 31.03.2011 | Upto 31.03.2010 | Adjustments on consolidation | Additions* | Deductions |                |  | Upto 31.03.2011 | As at 31.03.2011 |
| 1 Goodwill (on Consolidation)             | 35,80.42            | 112,96.09 | -          | 148,76.51        | -               | -                            | -          | -          | -              | -  | 148,76.51       | 35,80.42         |
| 2 Freehold Land and Buildings             | 73,89.62            | 1,04.27   | -          | 74,93.89         | 13,07.58        | -                            | 1,35.67    | -          | 14,43.25       | -  | 60,50.64        | 60,82.04         |
| 3 Leasehold Office / Residential Premises | 15,55.96            | 0.10      | -          | 15,56.06         | 7,36.28         | -                            | 40.99      | -          | 7,77.27        | -  | 7,78.79         | 8,19.68          |
| 4 Plant and Machinery and Computers       | 95,87.43            | 29,99.46  | 2,86.65    | 123,00.24        | 60,90.43        | -                            | 14,86.46   | 2,40.84    | 73,36.05       | -  | 49,64.19        | 34,97.00         |
| 5 Vehicles                                | 189,18.27           | 82,23.04  | 27,31.55   | 244,09.76        | 70,24.34        | -                            | 40,29.71   | 16,05.09   | 94,48.96       | -  | 149,60.80       | 118,93.93        |
| 6 Furniture / Office Equipment            | 56,48.52            | 6,46.67   | 66.63      | 62,28.56         | 36,55.28        | -                            | 5,06.16    | 52.66      | 41,08.78       | -  | 21,19.78        | 19,93.24         |
| <b>7 Intangible Assets:</b>               |                     |           |            |                  |                 |                              |            |            |                |  |                 |                  |
| Computer Software                         | 22,14.46            | 25,49.78  | -          | 47,64.24         | 12,54.94        | -                            | 889.32     | -          | 21,44.26       | -  | 26,19.98        | 9,59.52          |
| <b>8 Assets taken on Lease:</b>           |                     |           |            |                  |                 |                              |            |            |                |  |                 |                  |
| a) Computer                               | 68.00               | 37.78     | -          | 1,05.78          | 38.09           | -                            | 20.14      | -          | 58.23          | -  | 47.55           | 29.91            |
| b) Office equipment                       | 3.02                | -         | -          | 3.02             | 2.06            | -                            | 0.56       | -          | 2.62           | -  | 0.40            | 0.96             |
| <b>9 Assets on Finance Lease:</b>         |                     |           |            |                  |                 |                              |            |            |                |  |                 |                  |
| a) Plant and Machinery and Computers      | 44,43.08            | -         | 41.70      | 44,01.38         | 41,86.35        | -                            | 36.57      | 39.60      | 41,83.32       | (1,99.27)  | 2,18.06         | 49.05            |
| b) Vehicles                               | 31,85.39            | -         | 25,13.81   | 6,71.58          | 31,40.07        | -                            | 14.59      | 24,89.47   | 6,65.19        | (6.38)   | 6.39            | 62.19            |
| c) Furniture / Office Equipment           | 87.77               | -         | -          | 87.77            | 80.57           | -                            | 1.00       | -          | 81.57          | (5.17)   | 6.20            | 1.19             |
| <b>Total</b>                              | 566,81.94           | 258,57.19 | 56,40.34   | 768,98.79        | 275,15.99       | -                            | 71,61.17   | 44,27.66   | 302,49.50      | (2,10.82)  | 466,49.29       | 289,69.13        |
| Work in progress                          | 20,79.60            | 2,27.85   | 21,46.77   | 1,60.68          | -               | -                            | -          | -          | -              | -  | 1,60.68         | 20,79.60         |
| <b>Grand Total</b>                        | 587,61.54           | 260,85.04 | 77,87.11   | 770,59.47        | 275,15.99       | -                            | 71,61.17   | 44,27.66   | 302,49.50      | (2,10.82)  | 465,99.15       | 310,48.73        |
| Previous Year                             | 591,13.58           | 125,29.18 | 128,81.22  | 587,61.54        | 336,18.24       | 2.17                         | 56,42.32   | 117,46.74  | 275,15.99      | (1,96.82)  | 312,45.55       | 220,84.61        |

\* Finance Lease Depreciation of ₹ 52.16 Lakhs (Previous Year - ₹ 98.66 Lakhs) has been netted off against Lease Income. Depreciation on assets used for development of Computer Software amounting to ₹ 6.50 lakhs (Previous Year - ₹ 10.53 Lakhs) taken to Advance for Purchase of Assets.

## SCHEDULES

(₹ in Lakh)

|   | 31.03.2011        | 31.03.2010       |
|---|-------------------|------------------|
| <b>7 INVESTMENTS</b>  |                   |                  |
| <b>Long Term - At cost</b>  |                   |                  |
| <b>A. In Government / Trust Securities</b>  |                   |                  |
| Quoted  | 307,19.36         | 270,58.62        |
| Unquoted  | 59,57.46          | 15,41.60         |
| <b>B. In Equity Shares</b>  |                   |                  |
| Quoted  | 36,09.65          | 36,81.73         |
| Unquoted - Associates *   | 194,42.66         | 140,76.70        |
| Unquoted - Others   | 14,16.66          | 7,63.15          |
| <b>C. In Preference Shares</b>  | 11,00.00          | 6,00.00          |
| <b>D. In Bonds / Debentures</b>   |                   |                  |
| Quoted  | 294,33.97         | 213,67.18        |
| Unquoted  | 50.00             | 50.00            |
| <b>E. Others</b>  | 3,77.15           | 4,64.21          |
| <b>Current Investments</b>  |                   |                  |
| <b>A. In Government / Trust Securities</b>  |                   |                  |
| Quoted  | 38,81.13          | 27,92.51         |
| Unquoted  | 312,51.20         | 220,57.44        |
| <b>B. In Bonds / Debentures</b>   | 105,19.79         | 45,02.71         |
| <b>C. Others</b>  |                   |                  |
| Unquoted  | 55,32.49          | 9,92.21          |
| <b>Total</b>  | <b>1432,91.52</b> | <b>999,48.06</b> |
| * Carrying amount of associates includes Capital Reserve on acquisition of shares ₹ 38.36 lakhs (31.03.2010- ₹ 39.59 lakhs) |                   |                  |
| <b>8 Deferred Tax Asset (Net)</b>   |                   |                  |
| <b>Deferred Tax Assets</b>  |                   |                  |
| Provision for Standard Assets,<br>Non-performing Assets, etc.   | 39,80.13          | 47,78.58         |
| Income deferment on Non-performing Assets   | 2,11.51           | 3,35.44          |
| Net Asset on reserve for unexpired risk   | 1,76.67           | 4,67.90          |
| Depreciation  | 11,49.20          | 9,38.34          |
| Others  | 4,32.70           | 4,92.37          |
|   | 59,50.21          | 70,12.63         |
| <b>Less: Deferred Tax Liabilities</b>   |                   |                  |
| Hire Purchase Income  | 3,89.40           | 5,68.38          |
| Amortisation of Brokerage   | 5,45.16           | 6,30.72          |
| Others  | 3,31.85           | 76.67            |
|   | 12,66.41          | 12,75.77         |
|   | <b>46,83.80</b>   | <b>57,36.86</b>  |

**SCHEDULES**

(₹ in Lakh)

**9 Current Assets**

|   | 31.03.2011 |                   | 31.03.2010 |                   |
|---|------------|-------------------|------------|-------------------|
| a) Stock-on-hire and bills purchased                  |            |                   |            |                   |
| Net Investment in Stock-on-hire                       |            | 160,23.32         |            | 217,61.96         |
| Repossessed assets                                    |            | 6,61.99           |            | 10,76.35          |
| Debtors on Securitisation                             |            | 24.08             |            | 19.23             |
| Trade bills purchased<br>(unsecured, considered good) |            |                   |            |                   |
| Outstanding for a period exceeding six months         |            | –                 |            | –                 |
| Others  | 8,46.12    | 8,46.12           | 5,97.35    | 5,97.35           |
| Net Investment in lease                               |            | 48,63.37          |            | 44,75.85          |
|   |            | 224,18.88         |            | 279,30.74         |
| Inventories   |            | –                 |            | 13.14             |
| Sundry Debtors  |            | 5,96.95           |            | 7,09.93           |
| b) Interest accrued on investments                    |            | 6,10.44           |            | 4,63.88           |
| c) Cash and bank balances                             |            |                   |            |                   |
| Current Accounts                                      | 57,96.06   |                   | 34,61.49   |                   |
| Unpaid dividend account                               | 63.65      |                   | 59.27      |                   |
| Deposit accounts                                      | 1176,49.74 |                   | 1479,53.28 |                   |
| Cash on hand  | 16,97.45   |                   | 18,27.97   |                   |
| Stamps and Stamp Papers on hand                       | 1,07.78    | 1253,14.68        | 58.16      | 1533,60.17        |
| d) SFL Shares Trust                                   |            | 5,94.30           |            | 5,94.30           |
| e) SFL Employee Welfare Trust                         |            | 3,72.93           |            | 3,80.11           |
|   |            | <b>1499,08.18</b> |            | <b>1834,52.27</b> |

**10 Loans and Advances**

|  |  |                    |  |                    |
|--|--|--------------------|--|--------------------|
| Secured Loans  |  | 11829,97.16        |  | 9585,24.80         |
| Unsecured Loans  |  | 31,03.67           |  | 30,99.05           |
| Advance Income Tax and Tax Deducted at Source<br>(Net of Provision for Taxation) |  | 118,28.43          |  | 98,89.93           |
| Advances and deposits recoverable in cash<br>or kind or for value to be received |  | 99,64.43           |  | 74,00.90           |
| Advance for purchase of assets   |  |                    |  |                    |
| – Business Assets  |  | 166,84.01          |  | 129,32.96          |
| – Others   |  | 32,65.55           |  | 31,45.40           |
| Income receivable  |  | 165,59.45          |  | 226,71.31          |
|  |  | <b>12444,02.70</b> |  | <b>10176,64.35</b> |

**11 Current Liabilities\***

|                                |  |                   |  |                   |
|--------------------------------|--|-------------------|--|-------------------|
| Sundry Creditors               |  |                   |  |                   |
| – For expenses                 |  | 433,94.59         |  | 339,64.04         |
| – For other finance            |  | 292,32.25         |  | 272,24.28         |
| – For Unexpired Insurance Risk |  | 247,19.89         |  | 204,13.44         |
| Unpaid dividend                |  | 63.65             |  | 59.27             |
| Interest accrued but not due   |  | 329,36.21         |  | 316,38.98         |
|                                |  | <b>1303,46.59</b> |  | <b>1133,00.01</b> |

\* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

**12 Provisions**

|   |  |                  |  |                  |
|---|--|------------------|--|------------------|
| Non-performing assets                   |  | 41,92.51         |  | 69,14.27         |
| Standard Assets                         |  | 50,97.91         |  | 33,94.72         |
| Investments                             |  | 3,07.03          |  | 2,95.58          |
| Dividend                                |  | 38,88.64         |  | 22,22.07         |
| Dividend Distribution Tax and Surcharge |  | 7,67.80          |  | 4,49.78          |
|   |  | <b>142,53.89</b> |  | <b>132,76.42</b> |

## SCHEDULES

(₹ in Lakh)

**13 Income from Operations**

|  | 2010-11                  | 2009-10                  |
|--|--------------------------|--------------------------|
| Hire Purchase / Hypothecation Loans (net)<br>(tax deducted at source ₹ 329.82 lakhs)           | 1197,69.41               | 1020,05.65               |
| Insurance Premium Earned (net)   | 436,99.15                | 356,06.42                |
| Interest on Loans<br>(tax deducted at source ₹ 124.35 lakhs)                                   | 278,33.02                | 211,47.31                |
| Lease (net)<br>(tax deducted at source ₹ 165.64 lakhs)   | 67,83.94                 | 55,97.03                 |
| Investments<br>(tax deducted at source ₹ 147.63 lakhs)   | 112,07.44                | 125,26.45                |
| Investment Management and Advisory Fee<br>(tax deducted at source ₹ 1002.13 lakhs)             | 120,69.27                | 109,87.38                |
| Services<br>(tax deducted at source ₹ 598.10 lakhs)  | 91,57.17                 | 81,93.81                 |
| Income from Securitisation / Sell-down of Receivables<br>(tax deducted at source ₹ 1.07 lakhs) | 11,81.27                 | 30,52.79                 |
| Recovery of Bad Debts / Loss on Sale of assets   | 15,48.38                 | 9,94.90                  |
| Loan Processing and other fees   | 13,79.09                 | 8,08.00                  |
| Bills Purchased  | 1,33.93                  | 1,84.97                  |
| Profit on Sale of Leased Assets  | 1,55.60                  | 94.63                    |
| Sale of Products   | 1,14.34                  | 72.87                    |
|  | <b><u>2350,32.01</u></b> | <b><u>2012,72.21</u></b> |

**14 Other Income**

|   |                        |                        |
|---|------------------------|------------------------|
| Interest receipts<br>(tax deducted at source ₹ 0.72 lakh) | 7,56.18                | 6,44.38                |
| Dividend  | 6,62.06                | 6,06.41                |
| Rent receipts<br>(tax deducted at source ₹ 98.72 lakhs)   | 3,05.87                | 2,25.16                |
| Profit on sale of assets                                  | 43.42                  | 34.96                  |
| Miscellaneous income                                      | 5,71.75                | 4,40.86                |
|   | <b><u>23,39.28</u></b> | <b><u>19,51.77</u></b> |

**15 Financial Expenses**

|                          |                         |                         |
|--------------------------|-------------------------|-------------------------|
| Interest - Fixed loans   | 420,88.47               | 362,28.74               |
| - Debentures             | 398,00.73               | 356,48.11               |
| - Others                 | 4,50.66                 | 1,12.05                 |
| Other financial expenses | 76,20.03                | 77,23.17                |
|                          | <b><u>899,59.89</u></b> | <b><u>797,12.07</u></b> |



**SCHEDULES**

(₹ in Lakh)

|  | 2010-11                 | 2009-10                 |
|--|-------------------------|-------------------------|
| <b>16 Establishment Expenses</b>   |                         |                         |
| Salaries, allowances, commission and bonus   | 209,36.69               | 187,86.12               |
| Company's contribution to Provident Fund, Gratuity, Superannuation and Employees' State Insurance Scheme | 12,75.02                | 11,02.44                |
| Staff welfare expenses   | 11,18.00                | 8,55.08                 |
|  | <b><u>233,29.71</u></b> | <b><u>207,43.64</u></b> |
| <b>17 Administrative and Other Expenses</b>  |                         |                         |
| Rent   | 21,44.39                | 19,23.05                |
| Rates and taxes  | 13,71.71                | 4,91.22                 |
| Communication expenses   | 14,52.73                | 13,09.50                |
| Electricity expenses   | 7,86.97                 | 7,22.27                 |
| Travelling and conveyance  | 19,70.72                | 16,70.45                |
| Advertisement charges  | 11,50.40                | 12,07.67                |
| Marketing and related expenses   | 53,29.37                | 46,62.04                |
| Outsourcing Cost   | 99,17.33                | 65,38.03                |
| Directors' sitting fee   | 28.04                   | 33.44                   |
| Insurance  | 2,77.72                 | 2,40.58                 |
| Repairs  |                         |                         |
| – Buildings  | 21.34                   | 59.14                   |
| – Others   | 24,03.44                | 22,31.42                |
| Donations  | 3,46.87                 | 3,03.60                 |
| Miscellaneous expenses   | 53,92.45                | 44,84.28                |
|  | <b><u>325,93.48</u></b> | <b><u>258,76.69</u></b> |
| <b>18 Provisions and Write off</b>   |                         |                         |
| Bad Debts  | 29,22.62                | 36,95.60                |
| Loss on Assets sold / written off  | 9,07.86                 | 13,76.02                |
| Provision against non-performing assets (net)  | (29,51.90)              | 6,01.13                 |
| Loss on sale of investments  | 2,38.24                 | 4.24                    |
| Provision against Investments (net)  | (4,38.11)               | 1,76.97                 |
|  | <b><u>6,78.71</u></b>   | <b><u>58,53.96</u></b>  |

SCHEDULES

19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 SIGNIFICANT ACCOUNTING POLICIES:

1.1.1 The Parent Company, Sundaram Finance Limited follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies, while the subsidiary, Sundaram BNP Paribas Home Finance Limited and Joint Venture, Royal Sundaram Alliance Insurance Company Limited follow the directions prescribed by the National Housing Bank for Housing Finance Companies and the Insurance Regulatory and Development Authority (IRDA) respectively.

The financial statements of the associate, The Dunes Oman LLC(FZC) have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

1.1.2 Income Recognition:

- a) Income from Hypothecation loan transactions, Hire Purchase and Housing Finance loan transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per the Accounting Standard – AS 19 – Leases.
- c) Income from other financing activities and services is recognised on accrual basis.
- d) Premium from Insurance business is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk) and premium deficiency, if any.
- e) Trusteeship fee, investment management, and advisory fee are accounted on accrual basis.
- f) Sales of Products are recorded when significant risks and rewards of ownership of products are passed on to the customers. Sales are stated at contractual realisable values, net of value added tax and inclusive of resale sales tax and trade discounts and returns if any.

Revenues from software development, which are generally time bound fixed price are recognised over the life of the contract using the proportionate completion method, with contract cost determining the degree of completion.

Revenue from other services is recognised as income on completion.

1.1.3 Financial Instruments:

Commercial Paper, Zero Coupon Non Convertible Debentures etc., issued at a discount to the face value are accounted at their carrying cost, comprising issue price and accrued finance cost.

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## SCHEDULES

### 19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 1.1.4 Fixed Assets and Depreciation / Amortisation:

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing ₹ 5000 or less acquired during the year are fully depreciated.

Cost of assets given on lease is amortised during the lease period for all leased assets acquired prior to 01.04.2001, as recommended in the "Guidance Note on Accounting for Leases (Revised)" issued by the The Institute of Chartered Accountants of India (ICAI). Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised. The value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

Cost of assets taken on lease on or after 01st April, 2001 is amortised over the lease tenure as per the Accounting Standard – AS 19 – Leases, based on the capital recovery method.

Items of Computer software acquired / developed are recorded as intangible assets and their cost is amortised over their expected useful life.

#### 1.1.5 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, has been considered wherever necessary.

Current investments are valued at lower of cost and market value / net asset value.

#### 1.1.6 Foreign Currency Transactions:

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date(s) of the transaction.

Monetary items denominated in foreign currencies are restated at the prevailing rates of exchange at the Balance Sheet date. Gain or loss arising out of fluctuations in exchange rates are accounted for in the Profit and Loss Account.

Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of asset / liability are recognised in the Profit and Loss Account in the reporting period in which the exchange rate changes. Premium on forward exchange contracts is expensed over the tenure of the contract.

Interest accrued on secured / unsecured foreign currency loans which are covered by forward contracts has been provided at the forward exchange contract rate and on loans not so covered at the exchange rate prevailing at the year-end.

#### 1.1.7 Employee Benefits:

##### A) Short Term Employee Benefits:

Short Term Employee Benefits for services rendered by employees are recognized during the period when the services are rendered.

## SCHEDULES

## 19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

## B) Post employment benefits:

**Defined Contribution Plan**

## i) Provident Fund

Contributions are made to the company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the trust and the notified interest rate.

The Company also contributes to a government administered Employees Pension Scheme under the Employees Provident Fund Act and to Employees' State Insurance Schemes on behalf of its employees.

## ii) Superannuation

The Company makes fixed contributions as a percentage on salary to the Superannuation Fund, which is administered by trustees and managed by the Life Insurance Corporation of India (LIC).

The above contributions are charged to the Profit and Loss Account.

**Defined Benefit Plan**

## i) Gratuity

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by LIC and SBI Life Insurance Company Limited (SBI Life). The Company accounts its liability based on an actuarial valuation, as at the balance sheet date, determined every year by LIC and SBI Life using the Projected Unit Credit method.

## ii) Leave Encashment

The Company contributes to a staff leave encashment scheme managed by SBI Life. Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation.

The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the profit and loss account on the basis of an actuarial valuation.

## C) Other Long Term Employee Benefits:

The estimated liability in respect of other long term benefits like Employee Assured Bonus Scheme, reimbursement of medical expenses and entitlement of sick leave has been provided on the basis of actuarial valuation.

## D) Employee Stock Options:

The Company determines the compensation cost based on the intrinsic value method. The compensation cost is amortised on a straight line basis over the vesting period.

## 1.1.8 Taxation:

Current tax is provided on the taxable income for the year.

Deferred tax liabilities arising from timing differences have been fully provided for. Deferred tax assets are recognised on the consideration of prudence.

## 1.1.9 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets and their value in use.

## SCHEDULES

### 19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 1.1.10 Provisions:

Provisions are recognised when the Company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

#### 1.2 Basis of Presentation:

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the relevant provisions of the Companies Act, 1956.

#### 1.3 Basis of Consolidation:

- a) The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard – AS 21 – Consolidated Financial Statements.

| Name of the Subsidiary  | Country of Incorporation | Proportion of ownership interest (%) |
|---|--------------------------|--------------------------------------|
| Sundaram BNP Paribas Home Finance Limited   | India                    | 50.10                                |
| Sundaram Asset Management Company Limited.  | India                    | 100.00                               |
| Sundaram Trustee Company Limited  | India                    | 100.00                               |
| Sundaram Business Services Limited  | India                    | 100.00                               |
| Sundaram Infotech Solutions Limited   | India                    | 100.00                               |
| Sundaram Finance Distribution Limited   | India                    | 100.00                               |
| LGF Services Limited  | India                    | 100.00                               |
| Infreight Logistics Solutions Limited   | India                    | 78.59                                |
| Professional Management Consultants Limited   | India                    | 100.00                               |
| Sundaram BNP Paribas Fund Services Limited  | India                    | 51.00                                |
| Sundaram Insurance Broking Services Limited<br>(Incorporated on 15th November 2010) | India                    | 100.00                               |
| Sundaram Parekh Warehousing Services Limited<br>(Incorporated on 25th August 2010)  | India                    | 51.00                                |

- b) The Company has the following investments in Joint Venture for which the required treatment as per Accounting Standard – AS 27 – Accounting for Interests in Joint Ventures has been given in the Consolidated Financial Statements.

| Name of the Joint Ventures  | Country of Incorporation | Proportion of ownership interest (%) |
|---|--------------------------|--------------------------------------|
| Royal Sundaram Alliance Insurance Company Limited                 | India                    | 49.90                                |
| Gulf Outsourcing Services Limited @                               | India                    | 40.00                                |
| BNP Paribas Sundaram Global Securities Operations Private Limited | India                    | 49.00                                |

@ ceased to be a joint venture with effect from 16/02/2011 and considered on the basis of unaudited financial statement.

## SCHEDULES

## 19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

- c) The Company has the following investments in Associates for which the required treatment as per Accounting Standard – AS 23 – Accounting for Investments in Associates has been given in the Consolidated Financial Statements.

| Name of the Associates            | Country of Incorporation | Proportion of ownership interest (%) |
|-----------------------------------|--------------------------|--------------------------------------|
| Axles India Limited*              | India                    | 38.81                                |
| Turbo Energy Limited*             | India                    | 32.00                                |
| Transenergy Limited*              | India                    | 42.31                                |
| Sundaram Dynacast Private Limited | India                    | 26.00                                |
| Sundaram Hydraulics Limited*      | India                    | 49.00                                |
| Flometallic India Limited*        | India                    | 47.75                                |
| Dunes Oman LLC (FZC)*             | Sultanate of Oman        | 43.69                                |

\* considered on the basis of unaudited financial statements / details.

- d) The Consolidated Financial Statements have been prepared on the following basis.
- The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
  - The Consolidated Financial Statements have been prepared by adopting Uniform Accounting Policies except for the following Companies.
    - BNP Paribas Sundaram Global Securities Operations Private Limited depreciates Information Technology Software using straight-line method of depreciation.
    - Royal Sundaram Alliance Insurance Company Limited depreciates Information Technology Software, vehicles, improvements to leased premises and office equipments using straight-line method of depreciation.
  - The associate, Sundaram Dynacast Private Limited's reporting date was 31.12.2010 and the Financial Statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.

## 2. General

- 2.1 During the year, the Indian Motor Third Party Insurance Pool has distributed the funds available in the motor pool to the members in the proportion of their respective market share. A sum of ₹ 18429.00 lakhs has been invested as per IRDA directions and the same is part of the overall Investments of Royal Sundaram Alliance Insurance Company Limited.

IRDA has directed the Indian Motor Third Party Insurance Pool to value the losses at an ultimate loss ratio of not less than 153% for all the financial years from 2007-08 to 2010-11. Accordingly, the Motor Pool losses for the 3 previous financial years from 2007-08 to 2009-10 were revised at an ultimate loss ratio of 153% and the impact of the same on the operating loss of the Company in the current year is ₹ 4385.93 lakhs.

- 2.2 Profit on sale of shares pertains to the sale of equity shares of Credit Analysis and Research Limited, by Sundaram Finance Distribution Limited.

## 2.3 Segment Reporting

(₹ in Lakh)

| Business Segments                         | Asset Financing |               | Insurance    |               | Other Operations |               | Eliminations |               | Consolidated Total |               |
|---|-----------------|---------------|--------------|---------------|------------------|---------------|--------------|---------------|--------------------|---------------|
|   | Current Year    | Previous Year | Current Year | Previous Year | Current Year     | Previous Year | Current Year | Previous Year | Current Year       | Previous Year |
| <b>REVENUE</b>                            |                 |               |              |               |                  |               |              |               |                    |               |
| Segment Revenue                           | 1651,82.61      | 1417,71.23    | 483,13.25    | 401,10.49     | 215,36.15        | 193,90.49     | -            | -             | -                  | -             |
| Inter segment sales                       | 2,53.41         | 3,36.26       | 1,39.15      | 1,90.26       | 62,08.54         | 55,28.70      | 66,01.10     | 60,55.22      | -                  | -             |
| Total Revenue                             | 1654,36.02      | 1421,07.49    | 484,52.40    | 403,00.75     | 277,44.69        | 249,19.19     | 66,01.10     | 60,55.22      | 2350,32.01         | 2012,72.21    |
| <b>RESULT</b>                             |                 |               |              |               |                  |               |              |               |                    |               |
| Segment Result                            | 476,50.18       | 320,91.09     | (7,51.11)    | 16,82.19      | 25,95.11         | 35,76.56      | 6,06.23      | 7,29.68       | 501,00.41          | 380,79.52     |
| Unallocated income (net of expense)       | -               | -             | -            | -             | -                | -             | -            | -             | 55,11.44           | 13,28.53      |
| Profit before tax                         | -               | -             | -            | -             | -                | -             | -            | -             | 556,11.85          | 394,08.05     |
| Less: Income tax                          | -               | -             | -            | -             | -                | -             | -            | -             | 186,86.43          | 125,78.79     |
| Add: Share of Profit in Associates        | -               | -             | -            | -             | -                | -             | -            | -             | 39,89.91           | 26,37.95      |
| Less: Minority Interest                   | -               | -             | -            | -             | -                | -             | -            | -             | 20,25.11           | 21,04.92      |
| Profit after Tax                          | -               | -             | -            | -             | -                | -             | -            | -             | 388,90.22          | 273,62.29     |
| <b>OTHER INFORMATION</b>                  |                 |               |              |               |                  |               |              |               |                    |               |
| Segment Assets                            | 14902,77.78     | 12549,63.42   | 778,90.23    | 610,36.04     | 163,92.52        | 153,38.38     | 176,65.09    | 148,02.02     | 15668,95.44        | 13165,35.82   |
| Unallocated Assets                        | -               | -             | -            | -             | -                | -             | -            | -             | 219,89.91          | 213,14.45     |
| Total Assets                              | -               | -             | -            | -             | -                | -             | -            | -             | 15888,85.35        | 13378,50.27   |
| Segment Liabilities                       | 13234,58.50     | 11184,41.84   | 640,28.52    | 495,00.56     | 62,40.36         | 62,00.44      | 44,26.21     | 48,38.61      | 13893,01.17        | 11693,04.23   |
| Unallocated Liabilities                   | -               | -             | -            | -             | -                | -             | -            | -             | 46,56.44           | 26,71.85      |
| Total Liabilities                         | -               | -             | -            | -             | -                | -             | -            | -             | 13939,57.61        | 11719,76.08   |
| Capital Expenditure                       | 106,03.03       | 83,32.29      | 2,62.02      | 5,10.53       | 39,23.90         | 31,51.95      | -            | -             | 147,88.95          | 119,94.77     |
| Depreciation                              | 54,08.55        | 43,91.39      | 3,96.45      | 4,97.94       | 12,97.51         | 6,45.97       | -            | -             | 71,02.51           | 55,35.30      |
| Non-cash expenses other than depreciation | 21,33.47        | 89,56.38      | 12.05        | 3.32          | 2,30.41          | 1,04.13       | -            | -             | 23,75.93           | 90,63.83      |

## 2.4 Related Parties Disclosures:

2.4.1 Related party disclosures, as stipulated by Accounting Standard – AS 18 – Related Party Disclosures, are given below:

### Associates:

Axles India Ltd.

Sundaram Dynacast Private Ltd.

Sundaram Hydraulics Ltd.

Turbo Energy Ltd.

Sundaram Mutual Fund

The Dunes Oman LLC (FZC)

Transenergy Ltd.

Sundaram Medical Foundation

Flometallic India Ltd.

### Key Management Personnel:

Mr. T. T. Srinivasaraghavan, Managing Director

Mr. Harsha Viji, Director (Strategy & Planning) - with effect from 24.09.2010

### Relatives of Key Management Personnel:

|                             |   |  |
|-----------------------------|---|--|
| Mr. T. T. Srinivasaraghavan | Mr. T. T. Rangaswamy<br>Mrs. Vimala Rangaswamy<br>Mrs. Bagyam Raghavan<br>Miss. Anjana Raghavan<br>Mr T. T. Venkatraghavan<br>Mr. T. T. Narendran | Father<br>Mother<br>Wife<br>Daughter<br>Son<br>Brother |
| Mr. Harsha Viji             | Mr. S. Viji<br>Mrs. Chitra Viji<br>Mrs. Sara Vetteth<br>Miss. Anya Padma Viji<br>Master. Arun Mathew Viji<br>Mr. Sriram Viji                      | Father<br>Mother<br>Wife<br>Daughter<br>Son<br>Brother |

## SCHEDULES

## 19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

## 2.4.2 RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31ST MARCH 2011

The nature and volume of transactions of the company during the year, with the above related parties are as follows. (₹ in Lakh)

| Nature of Transactions  | Associates     | Key Management Personnel | Relatives of Key Management Personnel | Total Apr10 – Mar11 | Previous Year 2009-10 |
|---|----------------|--------------------------|---------------------------------------|---------------------|-----------------------|
| <b>INCOME</b>   |                |                          |                                       |                     |                       |
| <b>Income from Services rendered</b>                              |                |                          |                                       |                     |                       |
| Sundaram Mutual Fund  | 3,52.69        |                          |                                       | 3,52.69             | 2,25.09               |
| Turbo Energy Ltd.   | 52.00          |                          |                                       | 52.00               | 52.00                 |
| <b>Total</b>  | <b>4,04.69</b> |                          |                                       | <b>4,04.69</b>      | <b>2,77.09</b>        |
| <b>Dividend</b>   |                |                          |                                       |                     |                       |
| Turbo Energy Ltd.   | 5,76.00        |                          |                                       | 5,76.00             | 5,76.00               |
| Others  | 35.10          |                          |                                       | 35.10               | 11.70                 |
| <b>Total</b>  | <b>6,11.10</b> |                          |                                       | <b>6,11.10</b>      | <b>5,87.70</b>        |
| <b>Rent Receipts</b>  |                |                          |                                       |                     |                       |
| Turbo Energy Ltd.   | 14.05          |                          |                                       | 14.05               | 14.05                 |
| <b>Interest</b>   |                |                          |                                       |                     |                       |
| Axles India Ltd.  | 60.00          |                          |                                       | 60.00               | 50.77                 |
| <b>Income from Lease</b>  |                |                          |                                       |                     |                       |
| Turbo Energy Ltd.   | 79.57          |                          |                                       | 79.57               | 70.72                 |
| Axles India Ltd.  | 10.21          |                          |                                       | 10.21               | 7.62                  |
| Others  | 1.41           |                          |                                       | 1.41                | 1.41                  |
| <b>Total</b>  | <b>91.19</b>   |                          |                                       | <b>91.19</b>        | <b>79.75</b>          |
| <b>Income from Bill Discounting</b>                               |                |                          |                                       |                     |                       |
| Axles India Ltd.  | 21.39          |                          |                                       | 21.39               | 1,12.86               |
| <b>Profit on Redemption of Mutual Fund Investments</b>            |                |                          |                                       |                     |                       |
| Sundaram Mutual Fund  | 3,22.63        |                          |                                       | 3,22.63             | 1,57.45               |
| <b>Trusteeship Fees &amp; Investment Management Advisory Fees</b> |                |                          |                                       |                     |                       |
| Sundaram Mutual Fund  | 114,61.72      |                          |                                       | 114,61.72           | 102,80.46             |
| <b>Other Income</b>   | 0.03           |                          |                                       | 0.03                | 0.05                  |
| <b>EXPENSE</b>  |                |                          |                                       |                     |                       |
| <b>Scheme Expenses</b>  |                |                          |                                       |                     |                       |
| Sundaram Mutual Fund  | 35.00          |                          |                                       | 35.00               | 35.00                 |
| <b>Interest</b>   |                |                          |                                       |                     |                       |
| Others  |                | 3.21                     | 33.71                                 | 36.92               | 70.77                 |
| <b>Remuneration</b>   |                |                          |                                       |                     |                       |
|   |                | 2,71.75                  |                                       | 2,71.75             | 2,58.14               |
| <b>Dividend</b>   |                |                          |                                       |                     |                       |
|   |                | 84.41                    | 4,16.87                               | 5,01.28             | 49.11                 |
| <b>Donation</b>   |                |                          |                                       |                     |                       |
| Sundaram Medical Foundation                                       | 2,00.00        |                          |                                       | 2,00.00             | 2,00.00               |
| <b>Other Expenses</b>   |                |                          |                                       |                     | 2.50                  |



**SCHEDULES**

**19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)**

(₹ in Lakh)

| Nature of Transactions                              | Associates      | Key Management Personnel | Relatives of Key Management Personnel | 31.03.2011      | 31.03.2010      |
|---|-----------------|--------------------------|---------------------------------------|-----------------|-----------------|
| <b>ASSETS</b>                                       |                 |                          |                                       |                 |                 |
| <b>Investment in Equity Shares</b>                  |                 |                          |                                       |                 |                 |
| Flometallic India Ltd.                              | 16,00.00        |                          |                                       | 16,00.00        |                 |
| The Dunes Oman LLC (FZC)                            | 4,30.54         |                          |                                       | 4,30.54         | 4,32.19         |
| <b>Total</b>  | <b>20,30.54</b> |                          |                                       | <b>20,30.54</b> | <b>4,32.19</b>  |
| <b>Investment in Preference Shares</b>              |                 |                          |                                       |                 |                 |
| Sundaram Hydraulics Ltd.                            | 5,00.00         |                          |                                       | 5,00.00         |                 |
| <b>Intercorporate Loans Disbursed to</b>            |                 |                          |                                       |                 |                 |
| Axles India Ltd.                                    |                 |                          |                                       |                 | 5,00.00         |
| <b>Investment in Trust Securities</b>               |                 |                          |                                       |                 |                 |
| Sundaram Mutual Fund                                | 1246,47.52      |                          |                                       | 1246,47.52      | 1282,22.94      |
| <b>Purchase of Certificate of Deposit</b>           |                 |                          |                                       |                 |                 |
| Sundaram Mutual Fund                                | 129,10.96       |                          |                                       | 129,10.96       |                 |
| <b>Disinvestment in Trust Securities</b>            |                 |                          |                                       |                 |                 |
| Sundaram Mutual Fund                                | 1223,39.46      |                          |                                       | 1223,39.46      | 1306,82.48      |
| <b>Assets-Outstanding Balances as on 31.03.2011</b> |                 |                          |                                       |                 |                 |
| <b>Preference Share Holdings</b>                    |                 |                          |                                       |                 |                 |
| Axles India Ltd.                                    | 6,00.00         |                          |                                       | 6,00.00         | 6,00.00         |
| Sundaram Hydraulics Ltd.                            | 5,00.00         |                          |                                       | 5,00.00         |                 |
| <b>Total</b>  | <b>11,00.00</b> |                          |                                       | <b>11,00.00</b> | <b>6,00.00</b>  |
| <b>Equity Holdings</b>                              |                 |                          |                                       |                 |                 |
| Axles India Ltd.                                    | 10,15.70        |                          |                                       | 10,15.70        | 10,15.70        |
| The Dunes Oman LLC (FZC)                            | 26,94.87        |                          |                                       | 26,94.87        | 22,64.33        |
| Flometallic India Ltd.                              | 16,00.00        |                          |                                       | 16,00.00        |                 |
| Sundaram Hydraulics Ltd.                            | 7,35.00         |                          |                                       | 7,35.00         | 7,35.00         |
| Others  | 3,35.41         |                          |                                       | 3,35.41         | 3,35.41         |
| <b>Total</b>  | <b>63,80.98</b> |                          |                                       | <b>63,80.98</b> | <b>43,50.44</b> |
| <b>Intercorporate Loans</b>                         |                 |                          |                                       |                 |                 |
| Axles India Ltd.                                    | 5,00.00         |                          |                                       | 5,00.00         | 5,00.00         |
| <b>Trust Securities</b>                             |                 |                          |                                       |                 |                 |
| Sundaram Mutual Fund                                | 63,92.12        |                          |                                       | 63,92.12        | 38,38.38        |
| <b>Investment Management Fee receivable</b>         |                 |                          |                                       |                 |                 |
| Sundaram Mutual Fund                                | 4,95.04         |                          |                                       | 4,95.04         | 6,72.80         |
| <b>Future Lease Receivables</b>                     |                 |                          |                                       |                 |                 |
| Turbo Energy Ltd.                                   | 1,76.59         |                          |                                       | 1,76.59         | 1,56.46         |
| Axles India Ltd.                                    | 61.46           |                          |                                       | 61.46           | 63.20           |
| Others  | 2.51            |                          |                                       | 2.51            | 3.39            |
| <b>Total</b>  | <b>2,40.56</b>  |                          |                                       | <b>2,40.56</b>  | <b>2,23.05</b>  |
| <b>Other Assets</b>                                 | <b>1,15.90</b>  |                          |                                       | <b>1,15.90</b>  | <b>42.75</b>    |

SCHEDULES

19 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

| Nature of Transactions                                   | Associates | Key Management Personnel | Relatives of Key Management Personnel | 31.03.2011 | 31.03.2010 |
|--|------------|--------------------------|---------------------------------------|------------|------------|
| <b>LIABILITIES</b>                                       |            |                          |                                       |            |            |
| <b>Liabilities-Outstanding Balances as on 31.03.2011</b> |            |                          |                                       |            |            |
| Equity Holdings  |            | 76.74                    | 3,78.97                               | 4,55.71    | 57.72      |
| Deposits   |            | 25.05                    | 4,38.77                               | 4,63.82    | 2,11.86    |
| Interest on Deposits                                     |            | 6.07                     | 30.86                                 | 36.93      | 23.62      |
| <b>Other Liabilities</b>                                 |            |                          |                                       |            | 0.17       |

2.5 Earnings per Share (Basic and diluted)

- A. Profit for the year after taxation (₹ in Lakh)  
 B. Number of equity shares  
 C. Basic and diluted earnings per share (in ₹ )

|    | 2010-11     | 2009-10     |
|----|-------------|-------------|
| A. | 388,90.22   | 273,62.29   |
| B. | 5,55,51,930 | 5,55,51,930 |
| C. | 70.01       | 49.26       |

2.6 Contingent liabilities in respect of

(₹ in Lakh)

- a) Liability:  
 To Banks – On Cheques discounted  
     – On Counter Guarantee  
     – To Sales Tax Authorities  
     – On Letter of Credit  
 b) Claims against the company not acknowledged as debts

|   | As at 31.03.2011 | As at 31.03.2010 |
|---|------------------|------------------|
| To Banks – On Cheques discounted                        | 16,66.75         | 40,15.98         |
| – On Counter Guarantee                                  | 88.87            | 50.37            |
| – To Sales Tax Authorities                              | 10.32            | 10.32            |
| – On Letter of Credit                                   | 11,86.00         | 9,12.49          |
| b) Claims against the company not acknowledged as debts | 161,92.26        | 105,43.43        |

2.7 Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

Signatures to Schedules 1 to 19

As per our report of even date attached  
 For **Brahmayya & Co.**,  
 Chartered Accountants  
 Registration No.000511S  
**L. Ravi Sankar**  
 Partner  
 Membership No.25929  
 Chennai  
 Dated : 30th May, 2011

**S. Viji**  
 Chairman  
**T. T. Srinivasaraghavan**  
 Managing Director  
**Harsha Viji**  
 Director (Strategy & Planning)  
**S. Venkatesan**  
 CFO & Secretary

**S. Prasad**  
**S. Ravindran**  
**S. Ram**  
**Srinivas Acharya**  
 Directors  
**T. R. Seshadri**  
**P. N. Venkatachalam**  
**Aroon Raman**  
 Directors

# Consolidated Cash Flow Statement

(₹ in Lakh)

|  | 2010-11             | 2009-10             |
|--|---------------------|---------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                             |                     |                     |
| Net Profit   | 388,90.22           | 275,08.00           |
| Add: Lease Equalisation Account  | 40.53               | (91.85)             |
| Provision for Taxation (Including Wealth Tax)                          | 186,86.43           | 125,78.79           |
| Provision for tax relating to earlier years                            | -                   | (1,45.71)           |
|  | 576,17.18           | 398,49.23           |
| Add: Financial Expenses  | 899,59.89           | 797,12.07           |
| Dividend received from Subsidiaries / Associates / Joint Venture       | 1475,77.07          | 1195,61.30          |
| Depreciation   | 52,16.35            | 16,11.32            |
| Profit attributable to Minority Interests                              | 71,54.68            | 56,33.95            |
| Provision against Investments (net)                                    | 20,25.11            | 21,04.92            |
| Provision against Non - Performing assets (net)                        | (4,38.11)           | 1,76.97             |
| General Provision on Standard Assets                                   | (29,51.90)          | 6,01.13             |
| Employee Stock Option Compensation Expenses                            | 17,03.19            | 32,30.50            |
| (Profit) loss on sale of assets  | 60.00               | 23.28               |
| (Profit) loss on sale of Investments                                   | (35.03)             | 36.75               |
| Interest / Dividend Received   | (87,17.71)          | (70,66.52)          |
| Preliminary Expenses Written Off                                       | (123,40.71)         | (63,22.23)          |
| Effect of Foreign Exchange rates on Cash and Cash Equivalents, net     | 2.32                | -                   |
| Less: Share of Profits from Associates                                 | 4.41                | 14.21               |
|  | (39,89.91)          | (26,37.95)          |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>                 | <b>1352,69.76</b>   | <b>1169,67.63</b>   |
| (Increase) Decrease in net stock on hire                               | 63,83.14            | 6708.38             |
| (Increase) Decrease in leased assets - net of sales                    | (751,36.39)         | (45027.29)          |
| (Increase) Decrease in Trade Bills purchased                           | (2,48.77)           | 1544.60             |
| (Increase) Decrease in Net Investment in Lease                         | (3,47.31)           | 7.96                |
| (Increase) Decrease in Loans and Advances                              | (1661,73.21)        | (142725.13)         |
| Preliminary Expenses paid  | (2.32)              | -                   |
| (Increase) Decrease in Inventories                                     | 13.14               | 0.47                |
| (Increase) Decrease in Other Receivables                               | 79,98.99            | (3607.50)           |
| (Increase) Decrease in Bank Deposits (net)                             | 316,43.38           | (108904.00)         |
| (Increase) Decrease in SLR Investments - net of sales                  | (15,09.20)          | (2125.75)           |
| Increase (Decrease) in Current Liabilities                             | 146,34.08           | 14636.79            |
| <b>Cash generated from Operations</b>                                  | <b>(474,74.71)</b>  | <b>(1625,23.84)</b> |
| Financial Expenses   | (887,07.77)         | (78224.52)          |
| Direct Taxes Paid  | (167,68.21)         | (12098.22)          |
| <b>NET CASH FROM OPERATING ACTIVITIES (A)</b>                          | <b>(1529,50.69)</b> | <b>(2528,46.58)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                             |                     |                     |
| Purchase of Fixed Assets   | (36,79.57)          | (49,64.90)          |
| Sale of Fixed Assets   | 1,84.55             | 1,17.73             |
| Purchase of Investments  | (11491,56.47)       | (15989,88.90)       |
| Sale of Investments  | 11025,83.98         | 16075,52.27         |
| Redemption / Sale of Investments                                       | (1,94.25)           | -                   |
| Interest Received  | 56,77.79            | 39,54.11            |
| Dividend Received  | 13,97.39            | 13,33.52            |
| <b>NET CASH FROM INVESTING ACTIVITIES (B)</b>                          | <b>(431,86.58)</b>  | <b>90,03.83</b>     |
| <b>CASH FROM FINANCING ACTIVITIES</b>                                  |                     |                     |
| Proceeds from Issue of debentures                                      | 2152,23.72          | 3470,76.18          |
| Debentures Redeemed  | (1234,01.00)        | (2686,00.00)        |
| Increase (Decrease) in long term borrowings                            | 951,89.83           | 1015,45.46          |
| Increase (Decrease) in Fixed Deposits                                  | 137,91.46           | 281,98.11           |
| Increase (Decrease) in short term loans and advances                   | 31,53.14            | 388,96.83           |
| Dividend paid (including Corporate Dividend Tax)                       | (75,27.24)          | (66,10.07)          |
| Increase in Share capital /premium                                     | 33,03.62            | -                   |
| <b>NET CASH FROM FINANCING ACTIVITIES (C)</b>                          | <b>1997,33.53</b>   | <b>2405,06.51</b>   |
| Effect of foreign exchange rate on Cash and Cash Equivalents, net      | (4.41)              | (14.21)             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)+(D)</b>       | <b>35,91.85</b>     | <b>(33,50.45)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>          | <b>154,76.80</b>    | <b>188,27.25</b>    |
| Add: Adjustment for change in holdings in subsidiaries / joint venture | (0.02)              | -                   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                | <b>190,68.63</b>    | <b>154,76.80</b>    |
| <b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>  |                     |                     |
| Current Account with Banks   | 58,59.71            | 35,20.76            |
| Cash, Stamps and Stamp Papers on Hand                                  | 18,05.23            | 18,86.12            |
| Short Term Deposit   | 114,03.69           | 100,69.92           |

Notes: 1. Cash and Cash equivalents includes balance in Unpaid Dividend account of ₹ 63.65 lakhs (31.03.2010 – ₹ 59.27 lakhs).  
2. Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

|   |  |  |  |
|---|--|--|--|
| As per our report of even date attached<br>For <b>Brahmayya &amp; Co.</b> ,<br>Chartered Accountants<br>Registration No.000511S<br><b>L. Ravi Sankar</b><br>Partner<br>Membership No.25929<br>Chennai<br>Dated : 30th May, 2011 | <b>S. Viji</b><br>Chairman<br><b>T. T. Srinivasaraghavan</b><br>Managing Director<br><b>Harsha Viji</b><br>Director (Strategy & Planning)<br><b>S. Venkatesan</b><br>CFO & Secretary | <b>S. Prasad</b><br><br><b>S. Ravindran</b><br><br><b>S. Ram</b><br><br><b>Srinivas Acharya</b><br>Directors | <b>T. R. Seshadri</b><br><br><b>P. N. Venkatachalam</b><br><br><b>Aroon Raman</b><br>Directors |
|---|--|--|--|

SUNDARAM FINANCE LIMITED

## Auditors' Report to the Board of Directors of Sundaram Finance Limited On the Consolidated Financial Statements

We have examined the attached consolidated balance sheet of Sundaram Finance Limited, its subsidiaries and associate companies as at 31st March, 2011, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the management of Sundaram Finance Limited. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of two subsidiary companies and two joint venture companies reflecting total assets of ₹ 162750.43 lakhs as at 31st March, 2011, total revenue of ₹ 104575.42 lakhs and net cash inflows amounting to ₹ 489.53 lakhs for the year ended on that date, the financial statements of an associate company reflecting total assets of ₹ 1373.88 lakhs as at 31st December, 2010 and total revenue of ₹ 2231.92 lakhs for the year ended on that date have been audited by other auditors, whose reports have been furnished to us. We have relied upon these reports for the purpose of the amounts included in respect of the above companies in the Consolidated Financial Statements.

The financial statements of five associate companies reflecting total assets of ₹ 49524.30 lakhs as at 31st March, 2011 and total revenue of ₹ 60974.06 lakhs for the year ended on that date are based on their unaudited financial statements as on 31st March, 2011.

In respect of one associate company the total assets of ₹ 46488 lakhs as at 31st March, 2011 and total revenue of ₹ 68287 lakhs for the year ended on that date are based on the unaudited financial details.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard-

AS 21 – Consolidated Financial Statements

AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements.

AS 27 – Financial reporting of Interest in Joint Ventures

as prescribed in Section 211 (3C) of the Companies Act, 1956 and on the basis of the separate audited financial statements of Sundaram Finance Limited and its subsidiaries, the audited / unaudited financial statements of its associate and joint venture companies as mentioned above, included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports of individual audited financial statements of Sundaram Finance Limited, its subsidiaries and the audited / unaudited financial statements of its associate and joint venture companies, we are of the opinion that in conformity with the accounting principles generally accepted in India,

- a) the Consolidated Balance Sheet gives a true and fair view of the Consolidated State of Affairs of Sundaram Finance Limited, its subsidiaries, associate and joint venture companies as at 31st March, 2011.
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Sundaram Finance Limited, its subsidiaries, associate and joint venture companies for the year ended 31st March, 2011 and
- c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Sundaram Finance Limited, its subsidiaries and joint venture companies for the year ended 31st March, 2011.

For **BRAHMAYYA & CO.**,  
Chartered Accountants  
Registration No.000511S

**L.RAVI SANKAR**

Partner

Place: Chennai

Date: 30th May, 2011

Membership No. 25929

**FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31.03.2011**

(As per general exemption under Section 212(8) of the Companies Act, 1956)

(₹ in Lakh)

| Description                      | Sundaram<br>BNP Paribas<br>Home Finance<br>Limited | Sundaram<br>Asset<br>Management<br>Company<br>Limited | Sundaram<br>Trustee<br>Company<br>Limited | Sundaram<br>Finance<br>Distribution<br>Limited | IGF<br>Services<br>Limited | Sundaram<br>Infotech<br>Solutions<br>Limited | Sundaram<br>Business<br>Services<br>Limited | Professional<br>Management<br>Consultants<br>Private<br>Limited | Infreight<br>Logistics<br>Solutions<br>Limited | Sundaram<br>BNP Paribas<br>Fund Services<br>Limited | Sundaram<br>Insurance<br>Broking<br>Services<br>Limited | Sundaram<br>Parekh<br>Warehousing<br>Services<br>Limited |
|----------------------------------|--|---|---|--|----------------------------|--|---|---|--|---|---|--|
| Share Capital                    | 80,15.23   | 15,33.32  | 5.00                                      | 50.00  | 25.00                      | 4,00.00                                      | 15,00.00                                    | 22.06   | 5,61.12  | 42,50.00  | 50.00   | 10.00  |
| Reserves                         | 175,34.46  | 43,93.71  | 39.28                                     | 12,37.19                                       | 2,63.41                    | (12,97.25)*                                  | (4,16.26)*                                  | 2,08.76   | (12,27.34)*                                    | (23,91.74)*   | (1.98)*   | (0.56)*  |
| Total Assets                     | 2940,08.68   | 81,83.79  | 1,11.70                                   | 13,10.07                                       | 4,47.02                    | 7,14.49                                      | 14,65.56                                    | 3,58.56   | 7,18.09  | 24,35.05  | 48.16   | 9.50   |
| Total Liabilities                | 2684,58.99   | 22,56.76  | 67.41                                     | 22.88  | 1,58.61                    | 16,11.74                                     | 3,81.82                                     | 1,27.75   | 13,84.32                                       | 5,76.78   | 0.13  | 0.07   |
| Investment                       | 42,28.59   | 21,30.52  | 93.77                                     | 8,02.25  | 95.46                      | -  | -   | -   | 5.10   | 95.67   | 48.00   | -  |
| Turnover                         | 307,93.19  | 122,39.65   | 1,29.18                                   | 75,55.58                                       | 5,15.94                    | 21,21.95                                     | 22,81.81                                    | 4,82.89   | 19,16.37                                       | 3,65.69   | -   | -  |
| Profit/(Loss)<br>Before Taxation | 68,37.76   | 20,80.92  | 58.27                                     | 71,66.07                                       | 2,90.25                    | 81.12  | (1,46.81)                                   | 1.82  | (1,27.31)                                      | (14,55.64)  | (1.98)  | (0.56)   |
| Provision for Taxation           | 20,69.67   | 7,44.77   | 17.37                                     | 17,33.50                                       | 98.01                      | (1.53)                                       | 4.28  | (0.56)  | -  | 2,46.41   | -   | -  |
| Profit/(Loss)<br>After Taxation  | 47,68.09   | 13,36.15  | 40.90                                     | 54,32.57                                       | 1,92.25                    | 82.65  | (1,51.09)                                   | 2.38  | (1,27.31)                                      | (17,02.05)  | (1.98)  | (0.56)   |
| Dividend                         | 12,02.29   | 3,83.33   | 40.00                                     | 38,85.00                                       | 1,25.00                    | -  | -   | -   | -  | -   | -   | -  |

\* Represents Debit balance in P&L account

# Sundaram Finance Branch Network – 519 Branches

