

# Sundaram BNP Paribas Home Finance Limited

12th Annual Report  
2010-11



**SUNDARAM BNP PARIBAS**  
— HOME FINANCE —

## **Board of Directors**

S. Viji	Chairman
T.T. Srinivasaraghavan	
A.N. Raju	
Alain Van Groenendael	
John Christopher Woodhouse	
N. Ganga Ram	
M.S. Parthasarathy	
Srinivas Acharya	Managing Director

## **Audit Committee**

M.S. Parthasarathy	Chairman
N. Ganga Ram	
T.T. Srinivasaraghavan	
John Christopher Woodhouse	

## **Executive Committee**

T.T. Srinivasaraghavan	Chairman
John Christopher Woodhouse	
Srinivas Acharya	

## **Asset Liability Risk Management Committee**

Srinivas Acharya	Chairman
John Christopher Woodhouse	
M. Ramaswamy	
G. Sundararajan	
S. Rajagopalan	
V. Swaminathan	

## **Company Secretary**

V. Swaminathan

## **Registered Office**

No.21, Patullos Road, Chennai – 600 002  
Phone: 044 2852 1181, Fax: 044 2858 6641  
Website: [www.sundarambnpparibashome.com](http://www.sundarambnpparibashome.com)

## **Corporate Office**

First Floor, 'Sundaram Towers'  
No.46, Whites Road, Chennai – 600 014  
Phone: 044 2851 5267, 044 2851 5269  
Fax: 044 2858 2235

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## Senior Executives

G. Sundararajan	Vice-President and Head – Finance & Accounts
S. Rajagopalan	General Manager and Head - Operations
V. Janaki	Deputy General Manager - Information Systems
V. Swaminathan	Company Secretary
R. Srinivasan	Area Head – Tamil Nadu (North)
G. Anandhan	Area Head – Tamil Nadu (South)
B. Dattu Reddy	Area Head – Andhra Pradesh
Ciby Jacob Kurian	Area Head – Kerala
K. Vasu	Area Head – Karnataka
S. Raghavan	Assistant General Manager – Concurrent Audit

## Statutory Auditors

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

## Internal Auditors

Internal Audit Department  
Sundaram Finance Limited  
21, Patullos Road, Chennai – 600 002

## Information Security Assurance Services

M/s. Tejas Brainware Systems (P) Ltd.,  
New No.28, Old No.19, Second Main Road  
C.I.T. Colony, Mylapore, Chennai 600 004

## Bankers

State Bank of India  
Central Bank of India  
HDFC Bank Limited  
Axis Bank  
Dhanlaxmi Bank Limited  
IDBI Bank Limited

## Debenture Trustee / Trustee for Public Deposits

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

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# Directors' Report

To the Members

The Directors have pleasure in presenting the Twelfth Annual Report of the Company together with the audited accounts for the year ended 31st March 2011 (FY11). The summarised financial results are given hereunder:

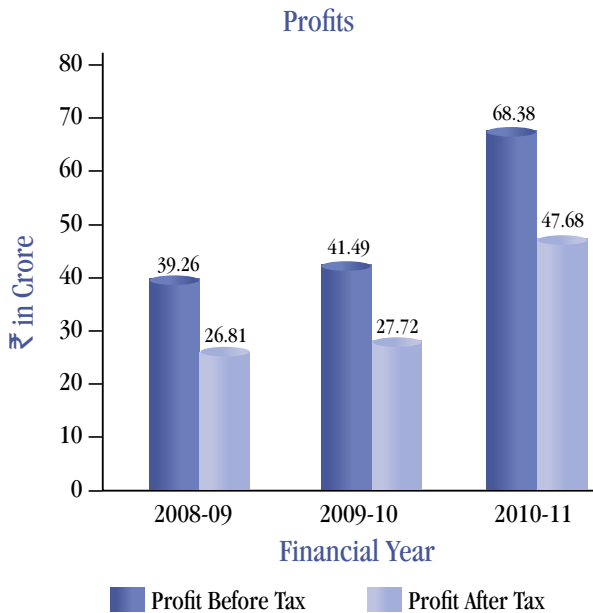
## FINANCIAL RESULTS :

(₹ in Lakh)

	For the Year ended	
	March 31, 2011	March 31, 2010
Profit Before Tax	6837.76	4148.60
Less: Provision for Tax	2069.67	1377.02
Profit After Tax	4768.09	2771.58
Add: Balance brought forward from the previous year	941.93	313.09
<b>Amount available for appropriation</b>	<b>5710.02</b>	<b>3084.67</b>
Appropriations proposed:		
1. Transfer to Special Reserve under Section 36(1)(viii) of the Income-tax Act, 1961	970.00	555.00
2. Transfer to General Reserve	2250.00	650.00
3. Dividend		
– Interim Dividend	–	801.52
– Final Dividend	1202.29	Nil
4. Dividend Tax	195.04	136.22
5. Surplus carried to the Balance Sheet	1092.69	941.93
<b>Total</b>	<b>5710.02</b>	<b>3084.67</b>

## DIVIDEND

The Directors are pleased to recommend a dividend of 15% for the financial year 2010-11 (FY11) on the total paid-up capital of ₹ 80.15 Crore. The dividend, together with dividend tax of ₹ 1.95 Crore, will absorb a sum of ₹ 13.97 Crore.



## MATERIAL CHANGES AFTER BALANCE SHEET DATE (31ST MARCH 2011)

There have been no material changes and commitments between the end of FY11 and the date of this report, affecting the financial position of the Company.

## CORPORATE GOVERNANCE

The equity shares of the Company are not listed on any Stock Exchange. However, the debt securities privately placed by the Company are listed on the National Stock Exchange of India Ltd. (NSE). Although the provisions relating to corporate governance are not mandatory for companies issuing debt securities alone, the Company has voluntarily adopted them as brought out in the attached Report. The Board of Directors regularly reviews the management's reports on statutory and regulatory compliance.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMIC OVERVIEW

FY11 witnessed a strong performance by the Indian economy, with GDP estimated to have grown at 8.6%. Exports grew by 29.4%, and imports by 17.6%, during the first ten months of FY11 over the corresponding period of FY10. The economy is indicated to grow in the range 9 to 9.5% during the 12th plan period.

A principal concern has, however, been the strong and continuing inflationary pressures. The Reserve Bank of India (RBI) has, therefore, directed its monetary policy measures at moderating inflation, mainly by raising its policy rates.

### INDUSTRY OVERVIEW

With the severe impact of the economic downturn of FY09 well behind, the housing industry is back on a growth trajectory. Growth is largely driven by rising disposable incomes, a rapidly growing middle class, fiscal concessions for loan-servicing, increased urbanisation, and a growing number of nuclear families.

The housing industry is expected to receive a boost this year from official policies encouraging home acquisition by the middle- and lower-income strata. Under the Finance Act 2011, the scope of the scheme for granting interest subvention of 1% on housing loans has been expanded to include loans up to ₹ 15 Lakh (raised from ₹ 10 Lakh) where the acquisition cost does not exceed ₹ 25 Lakh (up from ₹ 20 Lakh). The Central Government has made a budgetary allocation of ₹ 3,000 Crore to the Rural Housing Fund. To enhance the creditworthiness of economically weaker home borrowers, a Mortgage Risk Guarantee Fund is proposed to be created under the Rajiv Awas Yojana. RBI has raised the limit on banks' housing loans, to be eligible as priority-sector lending, from ₹ 20 Lakh to ₹ 25 Lakh.

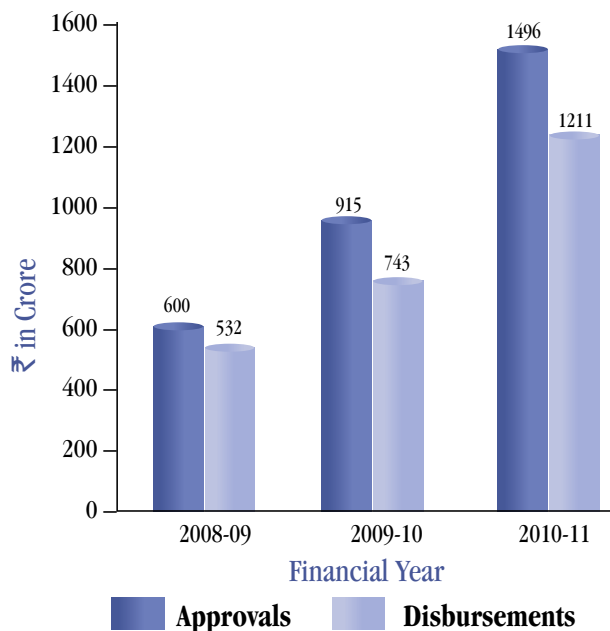
A new Central Electronic Registry called Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) formed by the Central Government for registering home-lenders' charges on mortgages has started functioning from 31st March 2011. It is expected to help prevent fraudulent multiple borrowings against the same property.

## OPERATING AND FINANCIAL PERFORMANCE

During the year, the Company approved loans totalling ₹ 1496.06 Crore, 64% higher than the ₹ 914.80 Crore in FY10.

Loan disbursements of ₹ 1,210.90 Crore during FY11 were 63% higher than the ₹ 742.72 Crore in the previous year, reflecting the beneficial impact of the economic upturn on the housing market.

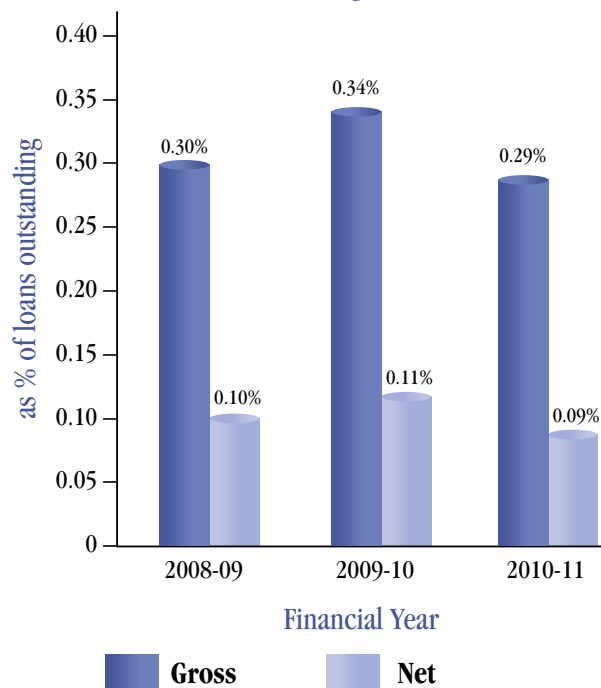
### Approvals & Disbursements



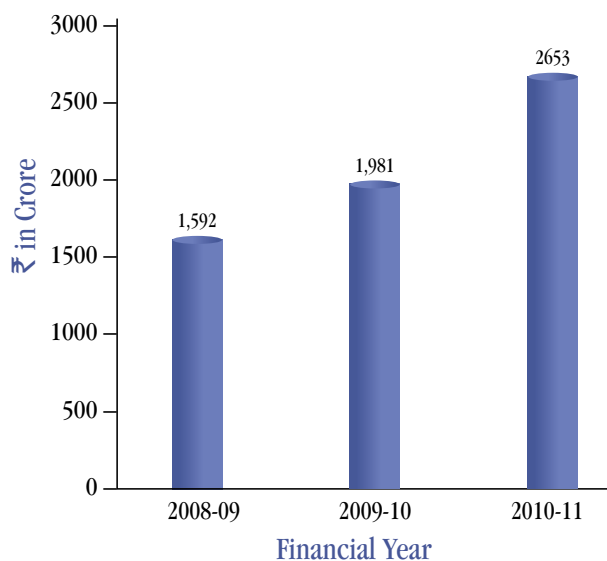
The average size of home loans disbursed to individuals during the year was ₹ 15.84 Lakh.

Gross non-performing loans (NPLs) (where equated monthly instalments [EMIs] continue to be in arrears for over 90 days) amounted to ₹ 7.68 Crore as on 31st March 2011, constituting 0.29% of the loan portfolio, down from 0.34% a year earlier. Net NPLs declined from 0.11% to 0.09% of the loan portfolio over the year.

### Non-Performing Loans



### Loan Outstanding (Net of Securitised Loan)



Gross income during the year amounted to ₹ 307.93 Crore, a growth of 30.54% over ₹ 235.90 Crore in the previous year. Profit before tax was ₹ 68.38 Crore, up by 65% over the previous year's ₹ 41.49 Crore and Profit after tax was ₹ 47.68 Crore, up by 72% over the previous year's ₹ 27.72 Crore.

The Company's net worth stood at ₹ 255.50 Crore as on 31st March 2011 while the capital adequacy ratio (CAR) was 15.24%, much higher than the minimum regulatory requirement of 12%.

## BRANCH EXPANSION

The Company opened 11 new branches during FY11, taking the total number of branches to 51.

## CREDIT RATINGS

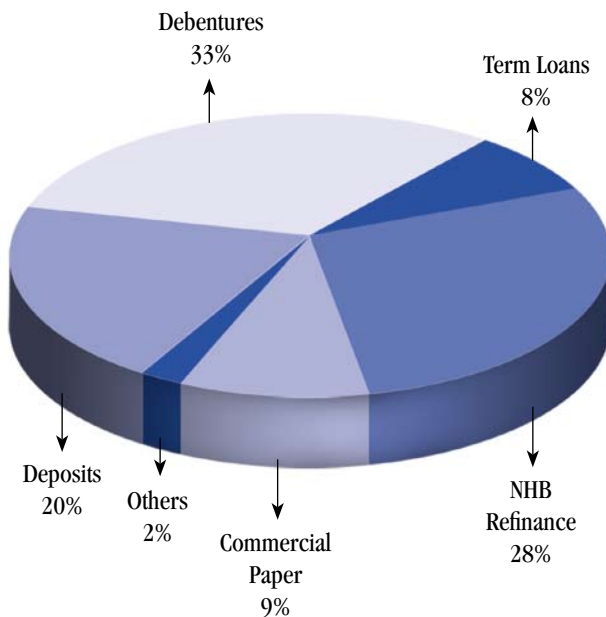
The Company's borrowings enjoy the following credit ratings:

Nature of Borrowing	Rating / Outlook		
	ICRA	CRISIL	CARE
Short-Term Debt / Commercial Paper	A1+	P1+	—
Fixed Deposits	MAA+/ Stable	FAA+/ Stable	—
Subordinated Debt	LAA / Positive	AA / Stable	AA
Non-Convertible Debentures	LAA / Positive	—	AA+
Long-term Bank Loans	LAA / Positive	—	—
Structured Obligations	LAAA (SO)	—	—

## RESOURCE MOBILISATION

Total debt funds as on 31st March 2011 amounted to ₹ 2556.62 Crore, as against ₹ 1977.40 Crore a year earlier, an increase of 29%. Of the total borrowing, National Housing Bank (NHB) refinance constituted 28%, term loans from banks and financial institutions 8%, public deposits 20%, non-convertible debentures 33%, commercial paper 9%, and short-term funds from banks 2%.

### Loan Funds



During the year, the Company availed itself of NHB refinance aggregating ₹ 175 Crore and repaid ₹ 245.94 Crore. The Company raised term funding in the form of NCDs and term loans from banks to the tune of ₹ 613.70 Crore.

The Company issued commercial paper aggregating ₹ 300 Crore during the year. The maximum amount outstanding at any time during the year was ₹ 300 Crore and the amount outstanding at the end of the year was ₹ 225 Crore.

During the year, the Company mobilised fresh public deposits of ₹ 156.20 Crore. Of the deposits that matured during the year, 42% (₹ 73.50 Crore) were renewed. Deposits outstanding at the year-end, were ₹ 526.73 Crore as against ₹ 485.93 Crore in the previous year.

The Company notifies the depositors at least two months ahead of maturity, and thereafter issues periodical reminders if the deposits are not renewed or claimed on or after maturity. As of 31st March 2011, deposits totalling ₹ 490.72 Lakh from 492 depositors had matured but had not been renewed or claimed. The Company has closely followed up these cases and as on date, it has reduced to ₹ 270.23 Lakh from 258 depositors.

## BILATERAL SALE OF LOANS

During the year, the Company sold a pool of housing and non-housing loans totalling ₹ 125.36 Crore. The pool was rated "LAAA (SO)" by ICRA with credit enhancement. The Company will, however, continue to collect the interest and EMI payments on these loans as the agent of the acquirer of the loans. The excess interest spread on the loans to which the Company is entitled beyond what is to be passed on to the acquirer is recognised as the Company's income in the year in which the spread is actually realised.

## INTERNAL AUDIT

The Company has put in place an effective and robust internal audit system and has engaged the Internal Audit Department of Sundaram Finance Ltd. as Internal Auditors. The internal audit covers the Corporate Office, branches and other offices of the Company. The Auditors review all the internal control measures, highlight areas requiring attention, and recommend improvements, where needed, to the Audit Committee of the Board. The Committee regularly reviews the audit findings and action taken thereon, as well as the adequacy and effectiveness of the internal control measures.



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Information security assurance service is provided by Tejas Brainware Systems (P) Ltd., whose recommendations have led to the introduction of several control measures in operational, accounting and security-related areas.

Apart from this, the Company also has in-house audit team to audit the loan disbursement process.

## **RISK MANAGEMENT**

Successful mortgage lending calls for identification, measurement, and management of various risks, such as the credit, operational, market (interest-rate and liquidity), and reputation risks. The Company has sought to strike an appropriate balance between risk and returns through an efficient risk-management framework. The Company has been adopting suitable measures for risk mitigation, such as accessing the applicant's credit history from credit information bureaus, field investigation of the applicant's credentials, prudent loan/value ratio, thorough in-house scrutiny of the legal documents, monitoring the end-use of property held as security, funding only approved properties, developing risk-based loan pricing, and cross-selling property insurance. The Company has employed qualified civil engineers to value properties and track property price movements.

## **ASSET LIABILITY RISK MANAGEMENT COMMITTEE (ALCO)**

The Asset Liability Risk Management Committee (ALCO), functioning under the supervision of the Board of Directors, lays down policies and quantitative limits that involve assessment of various types of risks and shifts in assets and liabilities to manage such risks. ALCO ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Board. Being dynamic, the risk management framework will continue to evolve in line with the emerging risk perceptions. The Company has also implemented NHB's Asset Liability Management Guidelines and reports to NHB.

## **HUMAN RESOURCES**

Human resources are a key to heightened organisational performance. Accordingly, the Company's performance management system is used effectively to improve staff capabilities in areas such as leadership,

team building, knowledge accessibility and productivity enhancement. In-house, on-the-job coaching and training programmes on various other functional areas were conducted during the year to upgrade the skills of employees and achieve functional effectiveness. In addition, executives were seconded to various external training programmes and seminars on risk management, regulatory know-your-customer guidelines, anti-money laundering and the Fair Practices Code. These training programmes enabled staff to sharpen their knowledge in the areas of their responsibility.

## **STATUTORY AND REGULATORY COMPLIANCE**

The Company has complied with the applicable statutory provisions, including those of the Companies Act, 1956, and the Income-tax Act, 1961. Further, the Company has complied with Housing Finance Companies (NHB) Directions, 2010, on accounting standards, prudential norms, asset classification, income recognition, loss provisioning, capital adequacy, credit concentration, and credit rating.

## **DIRECTORS**

Mr. Srinivas Acharya was appointed as the Managing Director of the Company with effect from 1st April 2010 for a period of five years.

The Board appointed Mr. Alain Van Groenendael as a Director with effect from 28th April 2010. Mr. A.N. Raju and Mr. Jacques Michel were appointed as Additional Directors with effect from 10th December 2010.

Mr. Jacques Michel resigned from the Board during the year. The Board places on record its appreciation of the contribution made by him.

Mr. S. Viji and Mr. M.S. Parthasarathy retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

## **AUDITORS**

The Company's statutory auditors, M/s. Brahmayya & Co., Chartered Accountants, Chennai, retire at the Twelfth Annual General Meeting and are eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956, has been received from them.

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

Since the Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable.

During the year, the Company did not have any foreign currency earnings. The Company incurred expenditure of ₹ 0.01 Lakh in foreign exchange.

## **PERSONNEL**

During the year, no employee of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Board of Directors confirms:

- that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- that the Directors had 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;
- that the Directors had 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

- that the Directors had prepared the Annual Accounts on a 'going concern' basis.

## **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, expectations or predictions may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement, since various economic, legal, policy and regulatory factors may affect or influence the performance of the Company.

## **ACKNOWLEDGEMENT**

The Directors extend their sincere thanks to the Company's shareholders, executives of Sundaram Finance Ltd., depositors, investors, borrowers and bankers for their support and co-operation during the year. The Directors also thank NHB for its guidance and financial assistance and look forward to its continued support.

The Directors record their appreciation of the dedication and commitment of the employees of the Company at all levels and look forward to their continued contribution and co-operation in the years to come.

For and on behalf of the Board of Directors

Chennai  
28th April 2011

**S VIJI**  
CHAIRMAN

## HIGHLIGHTS

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>OPERATIONAL HIGHLIGHTS:</b>					(₹ in Crore)
Approvals	1496	915	600	721	556
Disbursements	1211	743	532	596	477
Loans outstanding	2653	1981	1592	1433	1169
Loans under Management	2940	2214	1896	1712	1371
<b>FINANCIAL HIGHLIGHTS:</b>					(₹ in Crore)
Paid-up capital	80.15	80.15	80.15	80.15	70.00
Reserves and surplus	175.34	141.64	123.30	105.86	43.92
Networth	255.49	221.79	203.45	186.01	113.92
Total borrowings	2556.62	1977.40	1732.27	1366.19	1144.53
Deposits	526.73	485.93	358.80	165.49	46.32
Net interest income	77.24	41.20	45.38	37.97	20.55
Other Income	35.56	30.25	21.78	17.12	16.82
Operating Income	112.80	71.45	67.16	55.09	37.37
Operating Cost	31.12	25.27	24.54	20.41	16.26
Operating Profit	81.68	46.18	42.62	34.68	21.11
Profit before tax	68.38	41.49	39.26	31.44	18.31
Profit after tax	47.68	27.72	26.81	22.10	14.60
Return on average networth (%)	19.98%	13.04%	13.77%	14.74%	25.64%
Book value (₹)	31.88	27.67	25.38	23.21	16.27
Earnings per share (₹)	5.95	3.46	3.35	2.97	2.09
Capital Adequacy Ratio (%)	15.24%	18.66%	14.36%	18.64%	14.91%
Cost-to-income ratio (%)	27.59%	35.37%	36.54%	37.05%	43.51%
Gross non-performing loans (₹ in Crore)	7.68	6.71	4.83	5.24	7.09
Gross non-performing loans (%)	0.29%	0.34%	0.30%	0.37%	0.61%

## Auditors' Report

### To the Members of Sundaram BNP Paribas Home Finance Limited

1. We have audited the attached Balance Sheet of Sundaram BNP Paribas Home Finance Limited as at 31st March 2011, the Profit and Loss Account and the Cash Flow Statement of the company 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 have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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 the 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 the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, 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 Companies Act, 1956; 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  
Membership No.25929

Place : Chennai  
Date: 28th April, 2011

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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) Fixed assets have been physically verified by the management during the year, in accordance with an annual plan of verification which in our opinion is reasonable having regard to the size of the company and the nature of fixed assets. 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 of by the company during the year.
2. In our opinion and according to the information and explanations given to us, the company has neither granted nor taken any loans secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, clauses (iii) (a) to (g) of paragraph 4 of the Order are not applicable to the company for the year.
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 purchase of fixed assets. During the course of our audit, no major weaknesses have been noticed in the internal 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 Section 301 of the Act have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registered 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 services and 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 directions issued by the National Housing Bank and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act and the rules framed thereunder with regard to the 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. According to the records of the company and the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Wealth tax and Service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues 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 Income tax, Sales tax, Wealth tax, Service tax, Excise duty and Cess which have not been deposited on account of any dispute.

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 years.
11. Based on our audit procedures and 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 fund / societies are not applicable to the company.
14. Based on our examination of the records and the information and explanations given to us, the company has not dealt / traded in shares and debentures during the year. As informed and explained to us, proper records have been maintained of the transactions and contracts relating to investments in securities and timely entries have been made therein. The securities have been held by the company in its own name.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or 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 is required to create a pari passu charge over an immovable property in respect of secured debentures issued during the year. The charge was created on 25th April, 2011 within the stipulated time.
19. The company has not raised monies by public issue during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, during the year no fraud by the company and no frauds on the company were 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 has been such that clauses ii and xviii of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the year.

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

**L. RAVI SANKAR**  
 Partner

Membership No.25929

Place : Chennai  
 Date: 28th April, 2011

## Balance Sheet as at 31st March 2011

	Schedule	31.03.2011 ₹ in Lakh		31.03.2010 ₹ in Lakh	
<b>I SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
a) Capital	1	8015.23		8015.23	
b) Reserves and Surplus	2	17534.46	25549.69	14163.70	22178.93
<b>2. Loan Funds</b>					
a) Secured Loans	3	162989.05		119146.58	
b) Unsecured Loans	4	92672.75	255661.80	78593.20	197739.78
<b>Total</b>			<b>281211.49</b>		<b>219918.71</b>
<b>II APPLICATION OF FUNDS</b>					
<b>1. Loans</b>	5		265273.88		198128.68
<b>2. Fixed Assets</b>	6				
Gross Block		771.67		681.93	
Less : Depreciation		493.95		405.13	
Net Block			277.72		276.80
<b>3. Investments</b>	7		4228.59		11849.12
<b>4. Deferred Tax Asset (Net)</b>	8		638.95		283.37
<b>5. Current Assets, Loans and Advances</b>					
a) Current Assets	9	19322.49		13744.32	
b) Loans and Advances	10	4267.05		2933.04	
	(A)		23589.54		16677.36
Less : Current Liabilities and Provisions					
a) Current Liabilities	11	9414.64		6465.53	
b) Provisions	12	3382.55		831.09	
	(B)		12797.19		7296.62
Net Current Assets	(A - B)		10792.35		9380.74
<b>Total</b>			<b>281211.49</b>		<b>219918.71</b>
Notes to the Accounts	19				

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our report of even date attached

For Brahmayya & Co.  
Chartered Accountants

**L. Ravi Sankar**  
Partner

Membership No. 25929

Chennai  
28th April 2011

**S. Viji**  
Chairman

**Srinivas Acharya**  
Managing Director

**G. Sundararajan**  
VP & Head - Finance & Accounts

**V. Swaminathan**  
Company Secretary

Directors

**T.T. Srinivasaraghavan**

**A.N. Raju**

**John Woodhouse**

**N. Ganga Ram**

**M.S. Parthasarathy**

## Profit and Loss Account for the year ended 31st March 2011

	Schedule	2010-2011 ₹ in Lakh	2009-2010 ₹ in Lakh
<b>INCOME</b>			
Income from Operations	13	29257.62	22687.12
Loan Processing and Other Fees		1437.60	834.02
Other Income	14	97.97	68.83
<b>Total</b>	<b>(A)</b>	<b>30793.19</b>	<b>23589.97</b>
<b>EXPENDITURE</b>			
Financial Expenses	15	19512.93	16444.90
Establishment Expenses	16	1170.02	896.93
Administrative and Other Expenses	17	1941.67	1630.22
Provisions and Write-offs	18	1200.78	368.41
<b>Total</b>	<b>(B)</b>	<b>23825.40</b>	<b>19340.46</b>
Profit Before Depreciation and Tax	(A - B)	6967.79	4249.51
Less: Depreciation		130.03	100.91
<b>Profit Before Tax</b>		<b>6837.76</b>	<b>4148.60</b>
Less: Provision for Taxation			
Current		2425.00	1425.00
Deferred Tax		(355.58)	(48.23)
Wealth Tax		0.25	0.25
<b>Profit After Tax</b>		<b>4768.09</b>	<b>2771.58</b>
Balance brought forward from the previous year		941.93	313.09
Amount available for Appropriation		<b>5710.02</b>	<b>3084.67</b>
<b>APPROPRIATIONS</b>			
Dividend			
– Interim		-	801.52
– Final (Proposed)		1202.29	-
– Dividend Distribution Tax		195.04	136.22
Special Reserve		970.00	555.00
General Reserve		2250.00	650.00
Surplus - Balance carried to Balance Sheet		1092.69	941.93
		<b>5710.02</b>	<b>3084.67</b>
Notes to the Accounts	19		
Earnings per Equity Share (Refer note 4.5 of Schedule 19)			
Number of Equity Shares (Face Value of ₹ 10/- per share)		80152288	80152288
Weighted Average Number of Shares (Face Value of ₹ 10/- per share)		80152288	80152288
Basic and Diluted Earnings per Share in ₹		5.95	3.46

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our report of even date attached	<b>S. Viji</b> Chairman	Directors
For Brahmayya & Co. Chartered Accountants	<b>Srinivas Acharya</b> Managing Director	<b>T.T. Srinivasaraghavan</b>
<b>L. Ravi Sankar</b> Partner	<b>G. Sundararajan</b> VP & Head - Finance & Accounts	<b>A.N. Raju</b>
Membership No. 25929	<b>V. Swaminathan</b> Company Secretary	<b>John Woodhouse</b>
Chennai 28th April 2011		<b>N. Ganga Ram</b>
		<b>M.S. Parthasarathy</b>



## Schedules forming part of the Accounts

	31.03.2011		31.03.2010	
	₹ in Lakh		₹ in Lakh	
<b>Schedule 1</b>				
<b>Capital</b>				
Authorised :				
10,00,00,000 Equity Shares of ₹ 10/- each		10000.00		10000.00
Issued :				
8,51,52,288 Equity Shares of ₹ 10/- each		8515.23		8515.23
Subscribed and Fully Paid-up :				
8,01,52,288 Equity Shares of ₹ 10/- each		8015.23		8015.23
[Of the above 4,01,56,296 equity shares are held by Sundaram Finance Ltd. (the Holding Company) and its nominees]				
		<b>8015.23</b>		<b>8015.23</b>
<b>Schedule 2</b>				
<b>Reserves and Surplus</b>				
Special Reserve				
Per last Balance Sheet	2887.00		2332.00	
Add : Transfer from Profit and Loss Account	970.00	3857.00	555.00	2887.00
Securities Premium Account				
As Per last Balance Sheet		4584.77		4584.77
General Reserve				
Per last Balance Sheet	5750.00		5100.00	
Add : Transfer from Profit and Loss Account	2250.00	8000.00	650.00	5750.00
Surplus - Balance in Profit and Loss Account		1092.69		941.93
		<b>17534.46</b>		<b>14163.70</b>

## Schedules forming part of the Accounts

	31.03.2011		31.03.2010	
	₹ in Lakh		₹ in Lakh	
<b>Schedule 3</b>				
<b>Secured Loans</b>				
Non-Convertible Debentures	65870.00		15500.00	
From Scheduled Banks :				
Ruppee Term Loans	21355.30		22288.22	
Overdraft facilities with Scheduled Banks	4417.47		2709.71	
From Others :				
Term Loans :				
National Housing Bank (NHB)	71346.28		78440.32	
International Finance Corporation, Washington	— 71346.28		208.33 78648.65	
	<b>162989.05</b>		<b>119146.58</b>	
<b>Schedule 4</b>				
<b>Unsecured Loans</b>				
Fixed Deposits				
From Public	51769.14		47496.91	
From Companies	838.90		1001.40	
From Directors	64.71 52672.75		94.89 48593.20	
Subordinated Non-Convertible Debentures	15000.00		15000.00	
Commercial Paper	22500.00		15000.00	
Debenture Application Money	2500.00		—	
	<b>92672.75</b>		<b>78593.20</b>	
<b>Schedule 5</b>				
<b>Loans</b>				
Housing Loans				
Individuals	191230.58		139735.61	
Non-Housing Loans				
Individuals	65497.75		48508.28	
Others	8545.55 74043.30		9884.79 58393.07	
	<b>265273.88</b>		<b>198128.68</b>	

## Schedule : 6

## Schedules forming part of the Accounts

Fixed Assets	₹ in Lakh									
	Gross Block at Cost					Depreciation			Net Block	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Up to 01.04.2010	For The Year	Deductions	Up to 31.03.2011	31.03.2011	31.03.2010
Tangible Assets										
Land	1.92 (1.92)	- (-)	- (-)	1.92 (1.92)	- (-)	- (-)	- (-)	- (-)	1.92 (1.92)	1.92 (1.92)
Plant and Machinery	48.47 (47.96)	9.86 (2.05)	4.95 (1.54)	53.38 (48.47)	31.73 (30.12)	3.29 (2.85)	3.37 (1.24)	31.65 (31.73)	21.73 (16.74)	16.74 (17.84)
Vehicles	96.79 (85.53)	24.17 (22.14)	34.21 (10.88)	86.75 (96.79)	51.52 (44.87)	13.92 (14.36)	26.23 (7.71)	39.21 (51.52)	47.54 (45.27)	45.27 (40.66)
Furniture and Fixtures	119.53 (137.28)	5.35 (3.30)	- (21.05)	124.88 (119.53)	92.98 (103.95)	7.81 (6.59)	- (17.56)	100.79 (92.98)	24.09 (26.55)	26.55 (33.33)
Computers - Hardware	166.83 (184.89)	60.79 (25.79)	11.67 (43.85)	215.95 (166.83)	130.19 (150.35)	30.26 (21.81)	10.92 (41.97)	149.53 (130.19)	66.42 (36.64)	36.64 (34.54)
Office Equipment	56.51 (61.71)	16.56 (2.16)	0.89 (7.36)	72.18 (56.51)	33.40 (34.23)	6.82 (4.07)	0.69 (4.90)	39.53 (33.40)	32.65 (23.11)	23.11 (27.48)
Intangible Assets										
Computer Software	191.88 (185.56)	24.73 (40.42)	- (34.10)	216.61 (191.88)	65.31 (48.18)	67.93 (51.23)	- (34.10)	133.24 (65.31)	83.37 (126.57)	126.57 (137.38)
<b>Total</b>	<b>681.93</b>	<b>141.46</b>	<b>51.72</b>	<b>771.67</b>	<b>405.13</b>	<b>130.03</b>	<b>41.21</b>	<b>493.95</b>	<b>277.72</b>	<b>276.80</b>
Previous year	(704.85)	(95.86)	(118.78)	(681.93)	(411.70)	(100.91)	(107.48)	(405.13)	(276.80)	(293.15)

Figures in brackets pertain to 31st March 2010

## Schedules forming part of the Accounts

	Face Value ₹ in Lakh	31.03.2011 ₹ in Lakh	31.03.2010 ₹ in Lakh
<b>Schedule 7</b>			
<b>Investments (At Cost)</b>			
<b>I Long Term</b>			
In Government / Trust Securities			
Non Trade			
A Quoted :			
Government Securities			
Central Government Loans (Face Value of ₹ 450.00 Lakh purchased during the year)	3351.27	3426.44	2977.29
B Unquoted			
In Trust Securities			
(i) In Mortgage Backed Securities (on Securitisation) in SHFL Housing Finance Trust August 2004			
Investment in Senior Pass Through Certificate (PTC) (A2) Securities		171.47	215.49
Investment in Subordinate Tranche Securities		205.68	248.72
<b>II Current</b>			
Un-Quoted			
In Trust Securities			
Investments in Mutual Funds - As per Annexure: 1		425.00	8407.62
<b>Grand Total</b>		<b>4228.59</b>	<b>11849.12</b>
		<b>Cost</b> ₹ in Lakh	<b>Market Value</b> ₹ in Lakh
Aggregate of Quoted Investments		3426.44	3412.72
Aggregate of Unquoted Investments		802.15	—
<b>Total</b>		<b>4228.59</b>	

## Current Investments

## Schedules forming part of the Accounts

Annexure :1

## Investment in Mutual Funds

₹ in Lakh

Particulars	Face Value		Opening as on 01.04.2010		Purchases during the year		Redeemed during the year		Closing as on 31.03.2011	
	₹	Units in Lakh	Value	Units in Lakh	Value	Units in Lakh	Value	Units in Lakh	Value	
Birla Sunlife Cash Plus - Institutional Premium - Growth Option	10	190.17	2800.46	575.57	8800.00	765.74	11600.46	-	-	
JP Morgan India Liquid Fund - Super Institutional - Growth Plan	10	235.48	2800.54	543.50	6559.26	778.98	9359.80	-	-	
BNP Paribas Overnight - Institutional - Growth	10	280.37	2806.62	1061.27	13357.53	1341.64	16164.15	-	-	
Sundaram Ultra Short Term - Super Institutional Plan - Growth Option	10	-	-	329.91	4220.00	297.84	3795.00	32.07	425.00	
<b>Total</b>		<b>706.02</b>	<b>8407.62</b>	<b>2510.25</b>	<b>32936.79</b>	<b>3184.20</b>	<b>40919.41</b>	<b>32.07</b>	<b>425.00</b>	

## Schedules forming part of the Accounts

Units of Mutual Funds Purchased and Redeemed during the year

Particulars	Face Value ₹	Units in Lakh	Amount ₹ in Lakh
Sundaram Flexible Fund ST Institutional - Growth Option	10	212.25	3100.35
Sundaram Money Fund - Super Institutional Plan - Growth Option	10	479.66	9583.90
BNP Paribas Money Plus - Institutional Growth	10	643.09	9100.61
Birla Sunlife Cash Manager - IP - Growth	10	190.22	3000.00
Birla Sunlife Ultra Short Term Fund - Institutional Growth	10	207.83	2300.00
Birla Sunlife Saving Fund - Institutional - Growth	10	131.95	2375.00
Reliance Money Manager Fund - Institutional Option - Growth Plan	1000	6.06	7800.62
Reliance Liquidity Fund - Growth Plan	10	178.44	2500.00
Reliance Liquid Fund Treasury - Institutional Option - Growth	10	101.82	2300.00
Reliance Floating Rate Fund - STP - Growth Plan - Growth Option	10	342.31	5000.36
Reliance Liquid Fund - Cash Plan	10	127.75	2000.00
Templeton India Treasury Management Account - Super Institutional Plan - Growth	1000	4.20	5800.00
Templeton India Floating Rate Income Fund Long Term Plan - Super Institutional Growth	10	410.21	5300.29
Templeton India Ultra Short Term Fund - SIP- Growth	10	461.91	5600.46
Kotak Flexi Debt Scheme - Institutional Growth	10	666.74	7611.07
Kotak Liquid (Institutional Premium) - Growth	10	596.48	11265.11
Kotak Floater - Short Term - Growth	10	204.41	3150.00
Religare Liquid Fund - Super Institutional Growth	10	136.97	1750.00
Religare Ultra Short Term Fund - Institutional Growth	10	37.91	500.00
LIC MF Floating Rate Fund -Short Term - Growth Plan	10	529.84	8101.05
LIC MF - Liquid Fund - Growth Plan	10	564.22	9603.38
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Growth	10	243.02	4000.00
IDFC Cash Fund - Super Institutional Plan C - Growth	10	232.61	2700.00
IDFC Money Manager Treasury plan - Super Institutional Plan C - Growth	10	201.59	2320.00
Tata Floater Fund - Growth	10	415.22	6000.00
Canara Robeco Treasury Advantage Fund - SIP - Growth	10	55.25	800.00
Canara Robeco Floating Rate Short Term Growth Fund	10	149.69	2250.00
UTI Liquid Cash Plan - Institutional - Growth	1000	1.90	2950.00
UTI Floating Rate Fund Short Term Plan - Institutional - Growth	1000	2.06	2200.39
JP Morgan India Treasury Fund - SIP - Growth	10	783.24	9553.98
JM High Liquidity Fund - Super Institutional Plan - Growth	10	42.27	610.00
JM Money Manager Fund - Super Plus Plan - Growth	10	46.86	610.07
ICICI Prudential Liquid Fund - Super IP - Growth	100	9.80	1400.00
SBI-SHDF - Ultra Short Term - IP - Growth	10	236.10	3000.00

## Schedules forming part of the Accounts

	31.03.2011		31.03.2010	
	₹ in Lakh		₹ in Lakh	
<b>Schedule 8</b>				
<b>Deferred Tax Asset (Net)</b>				
Provision Against Non-Performing Loans		175.20		150.97
Provision Against Standard Housing Loans		322.53		–
Provision Against Standard Non-Housing Loans		95.98		79.20
Others - Investments and Employee benefits		50.39		61.52
		<u>644.10</u>		<u>291.69</u>
Less : Deferred Tax Liability - Depreciation		5.15		8.32
		<u>638.95</u>		<u>283.37</u>
<b>Schedule 9</b>				
<b>Current Assets</b>				
Interest Accrued on Investments		143.20		85.01
Cash and Bank Balances				
Cash on Hand	69.79		62.85	
Balances with Scheduled Banks in				
Current Accounts	2218.85		505.13	
Deposit Accounts	<u>16890.65</u>	<u>19179.29</u>	<u>13091.33</u>	<u>13659.31</u>
		<u>19322.49</u>		<u>13744.32</u>
<b>Schedule 10</b>				
<b>Loans and Advances</b>				
<b>Secured, Considered Good :</b>				
Instalments due from Borrowers		350.77		313.14
Loans Against Deposits	<u>101.32</u>	<u>452.09</u>	<u>107.91</u>	<u>421.05</u>
<b>Unsecured, Considered Good:</b>				
Advances and Deposits recoverable				
in cash or in kind or for value to be received		2792.10		1586.06
Advance Income - Tax and				
Tax Deducted at Source - (Net of provision for taxation)		988.88		907.19
Advance Tax - Fringe Benefit Tax - (Net of provision for FBT)		10.05		10.05
Income Receivable		23.93		8.69
		<u>4267.05</u>		<u>2933.04</u>

## Schedules forming part of the Accounts

	31.03.2011 ₹ in Lakh	31.03.2010 ₹ in Lakh
<b>Schedule 11</b>		
<b>Current Liabilities*</b>		
Sundry Creditors		
For expenses	372.90	328.26
For others	2475.11	1125.69
Interest accrued but not due	6566.63	5011.58
	<u>9414.64</u>	<u>6465.53</u>
*There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
<b>Schedule 12</b>		
<b>Provisions</b>		
Provision Against Non-Performing Loans	540.00	444.15
Provision Against Standard Housing Loans	994.09	-
Provision Against Standard Non-Housing Loans	295.82	233.03
Provision Against Investments	155.31	153.91
Dividend	1202.29	-
Dividend Distribution Tax and Surcharge	195.04	-
	<u>3382.55</u>	<u>831.09</u>
<b>Schedule 13</b>		
<b>Income from Operations</b>		
Interest on Loans (Tax Deducted at Source ₹ 62.29 Lakh)	27236.83	20564.88
Other Operating Income (Tax Deducted at Source ₹ 36.84 Lakh)	2020.79	2122.24
	<u>29257.62</u>	<u>22687.12</u>



## Schedules forming part of the Accounts

	2010-11 ₹ in Lakh	2009-10 ₹ in Lakh
<b>Schedule 14</b>		
<b>Other Income</b>		
Interest Receipts (Tax Deducted at Source ₹ 0.30 Lakh)	43.41	47.22
Profit on sale of Fixed Assets	3.73	2.28
Miscellaneous Income	50.83	19.33
	<b>97.97</b>	<b>68.83</b>
<b>Schedule 15</b>		
<b>Financial Expenses</b>		
Interest – Fixed Loans	12717.36	13474.17
– Debentures	4872.63	1772.81
– Others	32.78	10.14
Other Financial Expenses	1890.16	1187.78
	<b>19512.93</b>	<b>16444.90</b>
<b>Schedule 16</b>		
<b>Establishment Expenses</b>		
Salaries, Allowances, Commission and Bonus	1042.79	787.99
Company's Contribution to Provident Fund, Gratuity, Superannuation and Employees' State Insurance Schemes	79.54	56.51
Staff Welfare Expenses	45.13	49.93
Training Expenses	2.56	2.50
	<b>1170.02</b>	<b>896.93</b>

## Schedules forming part of the Accounts

	2010-2011 ₹ in Lakh	2009-2010 ₹ in Lakh
<b>Schedule 17</b>		
<b>Administrative and Other Expenses</b>		
Rent	167.36	106.04
Rates and Taxes	5.33	3.16
Communication Expenses	83.47	68.20
Electricity	32.10	27.70
Travelling and Conveyance	95.92	83.53
Advertisement and Publicity	106.35	211.10
Directors' Sitting Fees	3.00	3.50
Insurance	51.66	87.94
Repairs and Maintenance		
Buildings	3.58	1.69
Others	63.88	47.98
Software charges	98.35	104.07
Database and Networking Expenses	88.58	82.67
Professional and Consultancy Fees	171.92	95.24
Business Sourcing Cost	575.81	396.53
Direct Sales Expenses	224.67	144.38
Donations	5.00	5.00
Miscellaneous Expenses (Net)	164.69	161.49
	<b>1941.67</b>	<b>1630.22</b>
<b>Schedule 18</b>		
<b>Provisions and Write-offs</b>		
Bad Debts	45.38	140.49
Loss on Fixed Assets Sold / Written off	1.26	6.21
Provision Against Standard Housing Loans	994.09	—
Provision Against Standard Non-Housing Loans	62.80	68.81
Provision Against Investments	1.40	31.75
Provision Against Non-Performing Loans (Net)	95.85	121.15
	<b>1200.78</b>	<b>368.41</b>

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## Schedule – 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 relevant provisions of the Companies Act, 1956. Besides, the Company follows the directions prescribed by the National Housing Bank (NHB) for Housing Finance 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 amounts 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 the financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of financial statements.

1.2 Income Recognition:

Interest on loans disbursed is recognised as income on accrual basis. Loans granted are repayable in Equated Monthly Instalments (EMIs), comprising principal and interest. The EMIs commence upon disbursement of the entire loan sanctioned. Pre-EMI Interest is payable monthly where the loan is partly disbursed.

1.3 Fixed Assets and Depreciation / Amortisation:

Fixed Assets are carried 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 are written down in the period of acquisition to ₹ 1.

1.4 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 or net asset value.

1.5 Foreign Currency Transactions:

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the dates of the transactions. 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 the fluctuations in the exchange rate 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 assets/liabilities are recognized in the Profit and Loss account in the reporting period in which the exchange rate changes. Premium on forward contracts is recognized as an expense over the tenure of the contract.

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

1.6 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

The Company contributes to a Government-administered Provident Fund, Pension Fund and Employees State Insurance on account of its employees.

ii) Superannuation

The Company makes fixed contributions as a percentage of 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. The Company accounts its liability based on actuarial valuation, as at Balance Sheet date, determined every year by LIC 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 the actuarial gain/loss on account of the above benefit plans are recognised in the Profit and Loss Account on the basis of actuarial valuation.

### 1.7 Taxation:

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

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

### 1.8 Intangible Assets :

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

### 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 net selling price of 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 of the amount of the obligation.

## 2. Balance Sheet

### 2.1 Reserves and Surplus:

#### Special Reserve:

The appropriation of profit of ₹ 970.00 Lakh (31.03.2010 – ₹ 555.00 Lakh) to the Special Reserve, is in accordance with the provisions of Section 36(1)(viii) of the Income-tax Act, 1961 and Section 29C of the National Housing Bank Act, 1987.

### 2.2 Secured Loans:

#### 2.2.1 Non-Convertible Debentures:

Non-Convertible Debentures amounting to ₹ 65870.00 Lakh (31.03.2010 - ₹ 15500.00 Lakh) are redeemable at par between 2011 and 2014. The said Debentures are secured by a first mortgage over a specific immovable property belonging to the Company and a negative lien on its assets. The charge in respect of Non-Convertible debentures amounting to ₹ 19300.00 Lakh is pending creation.

#### 2.2.2 From Scheduled Banks:

##### a) Rupee Term Loans

Term Loans of ₹ 21355.30 Lakh (31.03.2010 - ₹ 22288.22 Lakh) are secured by a negative lien on properties mortgaged by the borrowers to the Company.

##### b) Overdraft Facilities

₹ 4417.47 Lakh availed as overdraft facilities (31.03.2010 – ₹ 2709.71 Lakh) are secured by a negative lien on properties mortgaged by the borrowers to the Company.

#### 2.2.3 From Others:

##### National Housing Bank:

Rupee Term Loans of ₹ 71346.28 Lakh (31.03.2010 - ₹ 78440.32 Lakh) by way of refinance are secured by a negative lien on the assets of the Company.

##### International Finance Corporation, Washington:

Rupee Term Loan of ₹ Nil (31.03.2010 - ₹ 208.33 Lakh) was secured by a negative lien on the assets of the Company.

- 2.3 Unsecured Loans:  
Subordinated Non-Convertible Debentures:  
The debentures are subordinated to the existing and future unsecured loan funds of the Company and qualify as Tier II Capital under the Housing Finance Companies (NHB) Directions, 2010, issued by NHB. These debentures are redeemable at par between 2011 and 2017.
- 2.4 Commercial Paper:  
Maximum amount of Commercial Paper outstanding at any time during the year was ₹ 30000.00 Lakh (31.03.2010 – ₹ 17900.00 Lakh). Outstanding as on 31st March 2011 was ₹ 22500.00 Lakh (31.03.2010 – ₹ 15000.00 Lakh).
- 2.5 Loans :  
(a) Loans granted by the Company are generally secured by mortgage of properties.  
(b) Loans secured by mortgage of properties included as on 31st March 2011.  
(c) ₹ 14.91 Lakh (31.03.2010 – ₹ 40.83 Lakh) due from the Managing Director of the Company. Maximum amount outstanding in respect of the loan at any time during the year ₹ 18.45 Lakh (31.03.2010 - ₹ 65.83 Lakh).
- 2.6 Fixed Assets:  
Intangible Assets: In accordance with Accounting Standard – AS-26 – Intangible Assets, software purchased amounting to ₹ 24.73 Lakh (31.03.2010 – ₹ 40.42 Lakh ) is amortised over a period of 3 years.
- 2.7 Investments  
In accordance with the NHB Directions, the Company has created a floating charge on the statutory liquid assets comprising investments in Government Securities of face value of ₹ 3351.27 Lakh (Cost- ₹ 3426.44 Lakh) and Bank deposits of ₹ 4175.00 Lakh (grouped under Schedule 9, Current Assets – Cash and Bank balances) in favour of trustees representing the public deposit holders of the Company.
- 2.8 Current Assets:  
Bank deposits of ₹ 1317.00 Lakh have been offered as collateral by way of credit enhancement for a sell down transaction of ₹ 12535.63 Lakh. (31.03.2010 - ₹ Nil).  
Cash and Bank balances – with scheduled banks in deposit accounts includes collateral provided for ₹ 1317.08 Lakh for which the lien has been noted.
- 2.9 Loans and Advances:  
(a) Advances and deposits recoverable in cash or in kind or for value to be received include a deposit of ₹ 69.00 Lakh (31.03.2010 – ₹ 69.00 Lakh) offered as collateral for the securitisation of assets.  
(b) Advance Income Tax and Tax Deducted at Source is net of Provision for Taxation of ₹ 7083.04 Lakh (31.03.2010 – ₹ 4657.79 Lakh) and includes ₹ 55.29 Lakh towards income tax paid under dispute.  
Advance Fringe Benefit Tax is net of provision for tax of ₹ 54.84 Lakh (31.03.2010 - ₹ 54.84 Lakh).
- 2.10 Current Liabilities:  
(a) Sundry Creditors for expenses includes ₹ 81.00 Lakh (31.03.2010 - ₹ 30.80 Lakh) payable to Directors.  
(b) Interest accrued but not due includes interest of ₹ 4.91 Lakh (31.03.2010 – ₹ 13.21 Lakh) on deposits from Directors.

### 3. Profit and Loss Account

#### 3.1 Income from Operations

- a) The Company sold a pool of its housing and non-housing loans at par with an aggregate outstanding principal of ₹ 12535.63 Lakh (Previous Year – Nil). The Excess Interest Spread (EIS) to which the Company is entitled to retain from the interest to be collected from the borrowers of the loans, over and above a specified amount of interest to be passed on to the acquirer of the loan, will be accounted over the remaining life of the loans sold.

#### b) Other Operating Income includes

		₹ in Lakh	
S.No	Particulars	Apr 10 – Mar 11	Apr 09 – Mar 10
(i)	Interest earned on Government Securities / Deposits	754.15	618.86
(ii)	Profit on sale of investments		
	– Long-term	–	–
	– Current	718.17	1005.63

**3.2 Other Income :**

Interest Receipts include ₹ 29.44 Lakh from investment in Mortgaged Backed Securities in “SHFL Housing Finance Trust – August 2004.” (Previous year – ₹ 35.54 Lakh).

**3.3 Financial Expenses :**

Interest – fixed deposits includes interest of ₹ 9.77 Lakh on fixed deposits paid / accrued on deposits accepted from Directors (Previous year – ₹ 11.04 Lakh).

**3.4 Employee Benefits:**
**i) Defined Contribution Plans:**

During the year, the Company has recognized the following amounts in the Profit and Loss Account which are included in Establishment Expenses in Schedule 17.

	₹ in Lakh		
Contribution to	2010-11	2009-10	2008-09
Provident Fund	42.33	32.55	30.17
Employees State Insurance Scheme	3.19	0.41	0.59
Superannuation Fund	8.90	3.90	5.35

**ii) Defined Benefit Plan: Gratuity**
**A. Reconciliation of opening and closing balances of present value of the defined benefit obligation**

₹ in Lakh

	2010-11	2009-10
Present value of obligations as at the beginning of the year	54.53	43.74
Interest cost	4.36	3.50
Current service cost	11.89	10.37
Benefits paid	20.26	2.26
Transferred employees past service	39.86	--
Actuarial (gain)/loss on obligation	15.46	(0.82)
Present value of obligations as at the end of the year	105.84	54.53

**B. Reconciliation of opening and closing balances of fair value of Plan Assets**
**Fund Maintained by LIC**

₹ in Lakh

	2010-11	2009-10
Fair value of plan assets as at beginning of the year	57.45	45.92
Expected return on plan assets	6.60	4.18
Contributions	68.64	9.62
Benefits paid	20.26	2.26
Actuarial gain on plan assets	-	-
Fair value of plan assets as at the end of the year	112.44	57.45

**C. Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities**

₹ in Lakh

	2010-11	2009-10
Present value of obligations as at the end of the year	105.84	54.53
Fair value of plan assets as at the end of the year	112.44	57.46
Net (asset)/liability recognised in the Balance Sheet	(6.60)	(2.92)

D. Expenses recognised in the Profit and Loss Account	₹ in Lakh	
	2010-11	2009-10
Current Service cost	11.89	10.37
Interest Cost	4.36	3.50
Expected return on plan assets	6.60	4.18
Actuarial (gain)/loss on obligation	15.46	(0.82)
Expenses to be recognized in the Profit and Loss Account	25.11	8.87

E. Details showing fair value of Plan assets	₹ in Lakh	
	2010-11	2009-10
Fair value of plan assets as at the beginning of the year	57.46	45.92
Actual return on plan assets	6.60	4.18
Contributions	68.64	9.62
Benefit Paid	20.26	2.26
Fair value of plan assets as at the end of the year	112.44	57.46

F. Actuarial Gain / Loss recognized	₹ in Lakh	
	2010-11	2009-10
Actuarial loss on obligation	--	--
Actuarial gain on plan assets	15.46	(0.82)
Total (gain) / loss for the year	15.46	(0.82)
Actuarial (gain) / loss recognized in the year	15.46	(0.82)

G. Actuarial assumption*	₹ in Lakh	
	31-03-2011	31-03-2010
Discount Rate	8.00%	8.00%
Rate of Increase in Compensation levels	8.00%	8.00%
Expected return on plan assets	8.00%	8.00%

\* 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 two years are as follows:

Particulars	2010-11	2009-10	2008-09
Defined Benefit Obligation	105.84	54.53	43.74
Plan Assets	112.44	57.45	45.92
Surplus (Deficit)	6.60	2.92	2.18
Experience adjustments on plan liabilities	(15.46)	0.82	7.78
Experience adjustments on plan assets	–	–	0.14

iii) The present value of obligation towards compensated absences, as per actuarial certificate, as on 31st March 2011 was ₹ 63.65 Lakh (31.03.2010 - ₹ 55.47 Lakh ) and is recognised for in the books of accounts.

## 3.5 Establishment Charges include Remuneration to Directors:

Particulars	₹ in Lakh	
	2010-11	2009-10
Salary	24.00	19.20
Commission – Managing Director	75.00	28.80
– Non- Wholetime Directors	6.00	2.00
Contribution to Provident Fund, Superannuation Fund and Gratuity	7.63	3.78
Other Allowances and Perquisites	20.53	22.08
<b>Total</b>	<b>133.16</b>	<b>75.86</b>

**Computation of Net Profit for calculation of Commission to Directors**

		₹ in Lakh	
Net Profit			4768.09
Add:	Director's Remuneration	133.16	
	Director's Sitting fees	3.00	
	Depreciation as per Books	130.03	
	Provision Against Investments	1.40	
	Provision for Non-Performing Assets	95.85	
	Provision Against Standard Non-Housing Loans	62.80	
	Provision Against Standard Housing Loans	994.09	
	Provision for Taxation (including wealth tax)	2069.67	3490.00
			<u>8258.09</u>
Less:	Depreciation as per Section 350 of the Companies Act, 1956	130.03	
	Profit on sale of Investments	718.17	848.20
<b>Net Profit as per Section 198 of the Companies Act, 1956 (A)</b>			<b><u>7409.89</u></b>
2% thereof on (A)			148.20
Commission to Managing Director			75.00
1% thereof on (A)			74.10
Commission to Non-Wholetime Directors			6.00

## 3.6 Miscellaneous expenses under Administrative and Other Expenses (Schedule 18) include remuneration to Auditors towards:

	₹ in Lakh	
	2010 – 11	2009 – 10
Statutory Audit	6.25	6.25
Tax Audit	2.00	2.00
Certification	3.65	3.95
Travelling Expenses	–	0.26
Service Tax	1.06	1.26

## 3.7 Provisions and Write-offs :

3.7.1 Provision against investments of ₹ 1.40 Lakh (previous year – ₹ 31.75 Lakh) represents excess of cost over face value of investments in Government Securities.

3.7.2 Based on the National Housing Bank Directions, 2010, the following provisions have been created:

- Standard Assets in respect of housing loans at teaser/special rates – ₹ 994.09 Lakh (Previous year – Nil)
- Standard Assets in respect of Non-Housing loans – ₹ 62.80 Lakh (Previous year – ₹ 68.81 Lakh)



#### 4. General

4.1 The main business of the Company is to provide long-term financing for residential purposes in India. Accordingly, there is no separate reportable segment as per Accounting Standard – AS – 17 – ‘Segment Reporting’.

#### 4.2 Securitisation :

The Company securitised assets in the year 2004 - 05 to the extent of ₹ 5169.18 Lakh and details of such assets as on 31st March 2011 are as follows:

Pass Through Certificates subscribed by the Company : ₹ 377.15 Lakh

Bank deposits held as collateral : ₹ 69.00 Lakh

#### 4.3 Non-Performing Loans and Provisions :

In line with the NHB Directions, the Company has identified Non-Performing Loans amounting to ₹ 767.69 Lakh as on 31.03.2011 (31.03.2010 - ₹ 671.20 Lakh). The provisions relating to Housing and Non-Housing loans made in the books of account are as follows:

#### Non-Performing Loans

₹ in Lakh

Particulars	Sub Standard	Doubtful	Loss	Total
<b>Housing Loans</b>				
Outstanding	305.45 (319.88)	296.16 (143.04)	– (3.65)	601.61 (466.57)
Provisions	214.76 (210.44)	208.23 (94.65)	– (3.65)	422.99 (308.74)
<b>Non-Housing Loans</b>				
Outstanding	117.74 (203.59)	47.57 (1.04)	0.77 –	166.08 (204.63)
Provisions	82.78 (134.72)	33.46 (0.69)	0.77 –	117.01 (135.41)
<b>Total</b>				
Loans Outstanding	423.19 (523.47)	343.73 (144.08)	0.77 (3.65)	767.69 (671.20)
Provisions	297.54 (345.16)	241.69 (95.34)	0.77 (3.65)	540.00 (444.15)

Figures in brackets pertain to previous year

4.4 In accordance with Accounting Standard – AS–18 ‘Related Parties Disclosures,’ the details of Related Parties Transactions are given below:

#### Details of Related Parties:

#### Joint Venture Promoters

Sundaram Finance Limited – (50.10% of the Paid-up share capital)

BNP Paribas Personal Finance – (49.90% of the Paid-up share capital)

#### Fellow Subsidiaries

Sundaram Asset Management Company Ltd.

Sundaram Trustee Company Ltd.

Sundaram Finance Distribution Ltd.

LGF Services Ltd.

Sundaram Infotech Solutions Ltd.

Sundaram Business Services Ltd.

Infreight Logistics Solutions Ltd.

Professional Management Consultants Ltd.

Sundaram BNP Paribas Fund Services Ltd

Sundaram Insurance Broking Services Ltd.

Sundaram Parekh Warehousing Services Limited

#### Associate

Sundaram Mutual Fund

#### Key Management Personnel

Mr. Srinivas Acharya – Managing Director

**Details of Related Parties Transactions for the year ended 31.03.2011**

₹ in Lakh

	Joint Venture Promoters	Fellow Subsidiaries / Associates	Key Management Personnel	Total 2010-2011	Previous Year 2009 - 2010
<b>Income</b>					
Interest on Housing Loan	-	-	0.34	0.34	1.05
Rent Charges					
Sundaram Finance Ltd	7.70	-	-	7.70	5.17
Sundaram Asset Management Company Ltd	-	0.54	-	0.54	0.99
<b>Total</b>	<b>7.70</b>	<b>0.54</b>	<b>0.34</b>	<b>8.58</b>	<b>7.21</b>
<b>Expenses</b>					
Rent and Office Maintenance					
Sundaram Finance Ltd	58.55	-	-	58.55	47.47
Brokerage, Commission, Deposit and Payroll Processing Services					
Sundaram Finance Ltd	538.62	-	-	538.62	399.80
Sundaram Business Services Ltd	-	33.33	-	33.33	31.52
Intranet Maintenance charges					
Sundaram Finance Ltd	7.35	-	-	7.35	8.90
Internal Audit fees					
Sundaram Finance Ltd	6.00	-	-	6.00	4.75
Connectivity and Other Charges					
Sundaram Finance Ltd	103.74	-	-	103.74	103.71
Remuneration	-	-	127.16	127.16	73.86
Interest on Fixed Deposits	-	-	-	-	0.01
<b>Total</b>	<b>714.26</b>	<b>33.33</b>	<b>127.16</b>	<b>874.75</b>	<b>670.02</b>
<b>Assets</b>					
Purchase of Asset					
Sundaram Finance Limited	22.14	-	-	22.14	32.29
Investment in Trust Securities					
Sundaram Mutual fund	-	16904.25	-	16904.25	39907.57
Disinvestments in Trust Securities					
Sundaram Mutual fund	-	16624.93	-	16624.93	42106.50
Investment in Trust Securities - at the end of the year					
Sundaram Mutual fund	-	425.00	-	425.00	-
Housing Loan - at the end of the year	-	-	14.91	14.91	40.83
Other Assets					
Sundaram Finance Ltd	27.98	-	-	27.98	31.93
Sundaram Infotech Solutions Ltd	-	1.80	-	1.80	-
<b>Total</b>	<b>50.12</b>	<b>33955.98</b>	<b>14.91</b>	<b>34021.01</b>	<b>82119.12</b>
<b>Liabilities</b>					
Other Liabilities					
Sundaram Finance Ltd	50.63	-	-	50.63	51.12
Sundaram Business Services Limited	-	-	-	-	0.21
Commission Payable	-	-	75.00	75.00	28.80
<b>Total</b>	<b>50.63</b>	<b>-</b>	<b>75.00</b>	<b>125.63</b>	<b>80.13</b>

No amount has been written off/ written back during the year.

4.5 Earnings per Share (Basic and diluted)		Apr 2010 - Mar 2011	Apr 2009 - Mar 2010
A.	Profit for the period after taxation (₹ in Lakh)	4768.09	2771.58
B. i)	Actual number of equity shares	80152288	80152288
ii)	Weighted Average number of equity shares of Face value of ₹ 10 outstanding at the end of the period (in numbers)	80152288	80152288
C.	Basic and diluted earnings per share (A/B) (in ₹)	5.95	3.46

4.6 Expenditure in Foreign Currency (on payment basis)

On account of interest and travel – ₹ Nil (31.03.2010 – ₹ 0.28 Lakh) and ₹ 0.01 Lakh towards others (31.03.2010 – ₹ 0.18 Lakh).

4.7 Estimated amount of contracts remaining to be executed on capital account – ₹ 4.20 Lakh. (31.03.2010 – ₹ 1.77 Lakh)

4.8 There are no amounts due to small-scale industries in terms of “The Micro, Small and Medium Enterprises Development Act, 2006”.

4.9 Previous year figures have been regrouped / reclassified wherever necessary to conform to the current year classification.

As per our report of even date attached

For Brahmayya & Co.  
Chartered Accountants

**L. Ravi Sankar**  
Partner

Membership No. 25929

Chennai  
28th April 2011

**S. Viji**

Chairman

**Srinivas Acharya**  
Managing Director

**G. Sundararajan**  
VP & Head - Finance & Accounts

**V. Swaminathan**  
Company Secretary

Directors

**T.T. Srinivasaraghavan**

**A.N. Raju**

**John Woodhouse**

**N. Ganga Ram**

**M.S. Parthasarathy**

## Disclosure in the Balance Sheet (as on 31st March 2011)

### I. Capital to Risk Assets Ratio (CRAR)

Items	31.03.2011	31.03.2010
i) CRAR (%)	15.24%	18.66%
ii) CRAR - Tier I capital (%)	10.86%	12.44%
iii) CRAR - Tier II Capital (%)	4.38%	6.22%

### II. Exposure to Real Estate Sector

(₹ in Crore)

Category	31.03.2011	31.03.2010
a) Direct exposure #		
(i) Residential Mortgages* –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
- Individual Housing Loans upto ₹ 15 Lakh	905.21	711.01
- Others	1439.25	1015.67
	<u>2344.46</u>	<u>1726.68</u>
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.).		
Exposure would also include non-fund based (NFB) limits	309.86	256.14
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	3.77	4.64
b. Commercial Real Estate	–	–
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	–	–

Note:

# Consists of future Principal and Principal component of EMI outstanding.

\* Includes exposures to Non-Housing loans secured by residential mortgages to the tune of ₹ 431.36 Crore (Previous year – ₹ 328.46 Crore)

III. Asset Liability Management  
Maturity pattern of certain items of assets and liabilities

₹ in Crore

	1 day to 30-31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years	Total
<b>Liabilities</b>											
Borrowings from banks*	59.56	-	9.04	58.18	261.38	351.22	93.14	55.24	52.02	31.40	971.19
Market Borrowings	24.44	45.99	113.12	190.27	250.42	850.24	10.95	100.00			1585.43
<b>Assets</b>											
Advances	42.63	42.17	42.15	125.43	248.10	943.81	859.23	775.10	943.18	1199.03	5220.83
Investments #	124.29	0.06	0.06	4.18	21.48	31.54	1.93	7.47	2.13	16.49	196.47

\* Includes Borrowings from NHB

# Breakup of Investments :

₹ in Crore

Investments as per Schedule 7	42.29
Less: Provision on Investment	1.55
<b>Total (A)</b>	<b>40.74</b>
Current Assets – Schedule 9	
SLR Bank Deposits	41.75
Certificate of Deposits	48.98
Short term deposits with banks	65.00
<b>Total (B)</b>	<b>155.73</b>
<b>Total (A) +(B)</b>	<b>196.47</b>

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

### I Registration Details

Registration No.	1	8	-	4	2	7	5	9	State Code	1	8
Balance Sheet Date	3	1	0	3	2	0	1	1	Date	Month	Year

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

Public Issue						N	I	L	Rights Issue							N	I	L			
Bonus Issue								N	I	L	Private Placement								N	I	L

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

Total Liabilities	2	8	1	2	1	1	4	9	Total Assets	2	8	1	2	1	1	4	9			
<b>Sources of Funds</b>																				
Paid up Capital			8	0	1	5	2	3	Reserves & Surplus		1	7	5	3	4	4	6			
Secured Loans	1	6	2	9	8	9	0	5	Unsecured Loans		9	2	6	7	2	7	5			
<b>Application of Funds</b>																				
Net Fixed Assets				2	7	7	7	2	Investments			4	2	2	8	5	9			
Loans	2	6	5	2	7	3	8	8	Net Current Assets		1	0	7	9	2	3	5			
Deferred Tax Asset				6	3	8	9	5	Misc. Expenditure								N	I	L	
									Accumulated Losses									N	I	L

### IV Performance of Company (Amount in ₹ Thousands)

Turnover		3	0	7	9	3	1	9	Total Expenditure		2	3	9	5	5	4	3								
Profit / (Loss)																									
Before Tax (+)	+		6	8	3	7	7	6	Profit/(Loss)																
Earnings Per Share in ₹					5	.	9	5	After Tax (+)	+		4	7	6	8	0	9								
									Dividend Rate %	1	5														

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

Item Code No. (ITC Code)	N	I	L											
Product/Service Description	H	O	U	S	I	N	G	F	I	N	A	N	C	E

## Cash Flow Statement

₹ in Lakh

Particulars	For the Year ended 31.3.2011	For the Year ended 31.3.2010
<b>A) Cash Flow From Operating Activities</b>		
<b>Net Profit</b>	<b>4768.09</b>	<b>2771.58</b>
Add: Lease Equalisation Account		
Provision for Taxation (Including Wealth Tax & Deferred Tax)	2069.67	1377.02
Add: Financial Expenses	19512.93	16225.31
Depreciation	130.03	100.91
Reversal of provision against Investments	1.40	31.75
Diminution - Value of investments	—	—
Provision/(Reversal) against Non-Performing assets	95.85	121.15
Provision against Standard Assets - Housing / Non-Housing Loans	1056.89	68.81
(Profit) loss on sale of assets	(2.47)	3.93
(Profit) loss on sale of Investments	(718.17)	(1005.64)
Interest / Dividend Income	(1476.48)	(1588.19)
Miscellaneous Expenses Written Off	—	—
Effect of Foreign Exchange rates on Cash and Cash Equivalents, net	—	—
<b>Operating Profit Before Working Capital Changes</b>	<b>25437.74</b>	<b>18106.63</b>
(Increase) Decrease in Net Stock on hire	—	—
(Increase) Decrease in leased assets/ Loan Disbursement - net of sales	(67145.20)	(38939.72)
(Increase) Decrease in Trade Bills purchased	—	—
(Increase) Decrease in Net Investment in Lease	—	—
(Increase) Decrease in Loans and Advances	(1156.83)	5020.40
(Increase) Decrease in Other Receivables	(15.24)	(3.87)
(Increase) Decrease in Bank Deposits (net)	(2317.09)	(914.19)
(Increase) Decrease in SLR Investments - net of sales	(449.15)	115.02
Increase (Decrease) in Current Liabilities	1394.06	1120.28
Cash generated from Operations	(44251.71)	(15495.45)
Financial Expenses paid	(17957.88)	(16173.94)
Direct Taxes Paid	(2600.00)	(1478.00)
<b>Net Cash From Operating Activities ( A )</b>	<b>(64809.59)</b>	<b>(33147.39)</b>

₹ in Lakh

	For the Year ended 31.3.2011	For the Year ended 31.3.2010
<b>B) Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(141.46)	(95.86)
Sale of Fixed Assets	12.99	7.37
Purchase of Investments	(179073.44)	(275843.92)
Purchase of Investments in Subsidiaries/Joint Venture	-	-
Sale of Investments	187861.29	283537.75
Sale/Redemption of Investments in Subsidiaries/Joint Venture	-	-
Interest Received	1431.09	1601.95
Dividend Received	-	-
<b>Net Cash From Investing Activities (B)</b>	<b>10090.47</b>	<b>9207.29</b>
<b>C) Cash From Financing Activities</b>		
Proceeds from Issue of Debentures	54370.00	10000.00
Debentures Redeemed	(1500.00)	(4500.00)
Increase (Decrease) in Long Term Borrowings	(8234.78)	9198.94
Increase (Decrease) in Fixed Deposits	4079.55	12713.27
Increase (Decrease) in Short Term Loans and Advances	9207.25	(2900.00)
Dividend paid (including Corporate Dividend Tax)	-	(1875.48)
<b>Net Cash From Financing Activities (C)</b>	<b>57922.02</b>	<b>22636.73</b>
<b>D) Effect of Foreign Exchange rates on Cash and Cash Equivalents, net (D)</b>	-	-
Net increase in cash and cash equivalents (A)+(B)+(C)+(D)	3202.89	(1303.37)
Cash and cash equivalents at the beginning of the year	10484.31	11787.68
Cash and cash equivalents at the end of the period	<b>13687.20</b>	<b>10484.31</b>
Components of cash and cash equivalents at the end of the year		
Current Account with banks	2218.85	505.13
Short Term Deposit	6500.00	-
Certificate of Deposit	4898.56	9916.33
Cash, Stamps and Stamp Papers on Hand	69.79	62.85
<b>Cash &amp; Cash equivalents</b>	<b>13687.20</b>	<b>10484.31</b>

As per our report of even date attached

 For Brahmayya & Co.  
 Chartered Accountants

**L. Ravi Sankar**  
 Partner

Membership No. 25929

 Chennai  
 28th April 2011

**S. Viji**  
 Chairman

**Srinivas Acharya**  
 Managing Director

**G. Sundararajan**  
 VP & Head - Finance & Accounts

**V. Swaminathan**  
 Company Secretary

Directors

**T.T. Srinivasaraghavan**
**A.N. Raju**
**John Woodhouse**
**N. Ganga Ram**
**M.S. Parthasarathy**



# Report on Corporate Governance

As a subsidiary of Sundaram Finance Ltd. (SF), the Company since its inception has adopted the SF Group's corporate core values stressing ethical business practices with transparency and accountability, dedicated customer service, and efficient and prudent financial policies. These values have been strengthened by the entry in 2007, as a joint shareholder, of the leading European banking group, BNP Paribas, with its strong stress on responsiveness, creativity, commitment, and ambition.

Though not obligatory, the Company has voluntarily adopted the Corporate Governance Code. While striving to enhance shareholder value, the Company has followed sound corporate-governance and financial-disclosure policies and practices.

The Directors present below a detailed review of the Company's policies and practices on corporate governance.

## BOARD OF DIRECTORS

### Size and Composition

SF holds 50.10% of the paid-up share capital of the Company and BNP Paribas Personal Finance, the remaining 49.90%.

As on 31st March 2011, the Board consisted of eight Directors with Mr. S. Viji as the non-executive Chairman and Mr. Srinivas Acharya as the Managing Director of the Company. Mr. S. Viji and Mr. T.T. Srinivasaraghavan are the nominees of SF. Mr. Alain Van Groenendael and Mr. John Christopher Woodhouse are the nominees of BNP Paribas Personal Finance. During the year, Mr. A.N. Raju and Mr. Jacques Michel were appointed as nominees of SF and BNP Paribas Personal Finance, respectively, on the Board. Mr. N. Ganga Ram and Mr. M.S. Parthasarathy are independent members of the Board.

Mr. Jacques Michel resigned from the Board during the year.

The Managing Director is appointed by the shareholders for upto five years at a time, and may be re-appointed, if eligible.

No Director is related to any other Director.

### Directors' term

The Articles of Association require that at least two-thirds of the Directors retire by rotation. One-third of such Directors are required to retire every year and, if eligible, may be reappointed.

## Membership of other Boards

No Director is a member of more than ten committees, or chairs more than five committees, within the meaning of the Securities and Exchange Board of India (SEBI) regulations, across all public limited companies of which he is a Director.

Details of directorships held by the Directors in other Indian public limited companies as on 31st March 2011 are given below:

Director	Directorships*		Committees of companies* in which Chairman/Member	
	Chairman	Director	Chairman	Member
1. Mr. S. Viji	1	7	-	4
2. Mr. T.T. Srinivasaraghavan	1	8	3	2
3. Mr. A.N. Raju	-	3	-	-
4. Mr. Alain Van Groenendael	-	-	-	-
5. Mr. John Christopher Woodhouse	-	-	-	-
6. Mr. N. Ganga Ram	-	2	2	1
7. Mr. M.S. Parthasarathy	-	1	-	1
8. Mr. Srinivas Acharya	-	9	3	4

\* Other than Sundaram BNP Paribas Home Finance Limited. Foreign companies, private companies, and companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose.

## BOARD PROCEDURE AND RESPONSIBILITIES

The Board plays a key role in ensuring that the Company adopts good corporate governance practices. The Board has a formal schedule of matters reserved for its consideration and decision. Amongst other things, the Board considers and approves:

- operational and financial policies;
- annual operating and expenditure budgets;
- strategy and business plans;
- larger proposals for loans;
- proposals for mobilization of resources; and
- quarterly/half-yearly/annual results.

The Board takes decisions after careful consideration of the issues involved and ensures that appropriate action is taken by the Company to implement Board decisions and directions.

The Board also reviews periodically the Company's compliance with various statutory and regulatory requirements.

In accordance with the code of corporate governance and to facilitate closer attention to particular facets of the Company's operations, systems and practices, the Board has constituted Committees with appropriate delegated authority.

The day-to-day operations of the Company are looked after by the Managing Director under the overall superintendence, guidance, and control of the Board. He is assisted by senior officers with well-defined responsibilities.

### BOARD MEETINGS

Board meetings are normally held at the Company's Registered Office in Chennai. The Board meets at least once a quarter, and more frequently as necessary. The Directors are informed of the main items on the agenda for every Board meeting along with the notice. Detailed agenda notes are sent to the Directors in advance of the meetings.

During the year ended 31st March 2011 (FY11), the Board met nine times as noted below:

2010 - 2011	
28 April 2010	10 December 2010
31 May 2010	11 January 2011
15 July 2010	25 January 2011
23 September 2010	2 March 2011
21 October 2010	

The meetings were attended by Directors as shown below:

Director	No. of Meetings	
	Held	Attended
1. Mr. S. Viji	9	9
2. Mr. T.T. Srinivasaraghavan	9	9
3. Mr. A.N. Raju	3	3
4. Mr. Alain Van Groenendael	8	1
5. Mr. John Christopher Woodhouse	9	3
6. Mr. Jacques Michel	2	-
7. Mr. N. Ganga Ram	9	9
8. Mr. M.S. Parthasarathy	9	9
9. Mr. Srinivas Acharya	9	9

### BOARD COMMITTEES

As noted above, the Board has constituted three Committees:

#### Executive Committee

As on 31st March 2011, the Executive Committee consisted of three Members, viz., Mr. T.T. Srinivasaraghavan, Chairman and Mr. John Christopher Woodhouse and Mr. Srinivas Acharya as members.

Any two Members form the quorum for meetings. The Company Secretary is also the Secretary to the Committee.

The Committee approves loans, borrowings, and investments within limits specified by the Board. Besides, the Committee reviews the conduct of business and operations, considers new products and parameters and suggests business reorientation.

The Executive Committee met 61 times during the year.

#### Audit Committee

The Audit Committee consists of four non-executive Directors, with the requisite knowledge and experience in finance and accounting, as Members. Any two Members form the quorum for meetings. The Company Secretary is also the Secretary to the Committee.

As of 31st March 2011, the Committee consisted of Mr. M.S. Parthasarathy as Chairman and Mr. N. Ganga Ram, Mr. T.T. Srinivasaraghavan and Mr. John Christopher Woodhouse as Members.

The Chairman of the Committee remains present at the annual general meeting of the Company and provides clarification on matters relating to audit.

The external and the internal auditors of the Company as well as the Managing Director and the senior executives of the Company are invited to the meetings of the Committee.

#### The Audit Committee:

- oversees the Company's financial reporting and disclosure to ensure that the financial statements are correct and credible;
- reviews the annual, half-yearly, and quarterly financial statements and recommends them to the Board for being taken on record;
- reviews the effectiveness and adequacy of the Company's internal control systems, and its statutory and regulatory compliance;
- recommends the appointment of external auditors for Board clearance and shareholder approval;
- reviews the audit scope and plans (statutory, internal, and systems), and discusses the main audit findings and comments with the management and auditors to focus on any significant area of concern and to ensure expeditious rectification of shortcomings noticed; and

- recommends the terms of appointment of the auditors for statutory audit and for any other services rendered to the Company.

The Audit Committee met six times during the year under review. The Committee meetings were attended by Members, as follows:

Member	No. of Meetings	
	Held	Attended
1. Mr. M.S. Parthasarathy	6	6
2. Mr. N. Ganga Ram	6	6
3. Mr. Srinivas Acharya @	1	1
4. Mr. T.T. Srinivasaraghavan #	5	5
5. Mr. John Christopher Woodhouse	6	3

@ Resigned on 27th April 2010

# Appointed as a Member w.e.f. 28th April 2010

#### Asset Liability Risk Management Committee (ALCO)

As of 31st March 2011, ALCO comprised of six Members, viz, Mr. Srinivas Acharya - Chairman, Mr. John Christopher Woodhouse, Director, Mr. M. Ramaswamy, Executive Director & Head (Treasury) - nominee of SF, Mr. G. Sundararajan, Vice-President & Head (Finance & Accounts), Mr. S. Rajagopalan, General Manager & Head (Operations), and Mr. V. Swaminathan, Company Secretary.

Functioning under the supervision of the Board of Directors, ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The ALCO met seven times during the year.

#### REMUNERATION OF DIRECTORS

Independent Directors are paid sitting fees for attending Board and Committee meetings. The fees paid to them during the year are shown below:

Director	Sitting Fees Paid
1. Mr. N. Ganga Ram	₹ 150000
2. Mr. M.S. Parthasarathy	₹ 150000

In addition, during the year, the Independent Directors were paid a commission of ₹ 1 Lakh each for FY10, duly approved by the shareholders at the Annual General Meeting held on 23rd July 2009, and by the Central Government (Ministry of Corporate Affairs) by its letter SRN No.A66212374-CL-VII dated 24th February 2010.

The Managing Director is appointed under a contract with the Company with the approval of the shareholders. His remuneration package comprises salary, allowances, and perquisites within the limits prescribed in Schedule XIII to the Companies Act, 1956.

The details of managerial remuneration paid are disclosed in the Notes to the Annual Accounts.

#### DIRECTORS' DEPOSITS WITH THE COMPANY

As on 31st March 2011, certain Directors held deposits aggregating ₹ 64.71 Lakh with the Company. Such deposits did not carry any special rates of interest. The interest paid on the deposits of the Directors during the year amounted to ₹ 9.77 Lakh.

#### RELATED-PARTY TRANSACTIONS

During the year, the Company did not enter into any materially significant transaction with related parties, i.e. its promoters, Directors and their relatives, conflicting with the Company's interests.

#### Distribution of Shareholding as on 31st March 2011

No. of Equity Shares Held by each	No. of Shareholders	Total No. of Shares	% to Capital
1	5*	5	Negligible
100001 and above	2	80152283	100%
Total	7	<b>80152288</b>	<b>100%</b>

\* Nominees of SF

Of the 8.02 Crore equity shares, 4.00 Crore shares have been dematerialised, and the remaining shares are in physical form.

#### SHARE PRICE PERFORMANCE

Not applicable since the Company's shares are not listed.

#### SHARE TRANSFER AND INVESTOR GRIEVANCES COMMITTEE

As the shares of the Company are not listed, no Share Transfer and Investor Grievances Committee has been constituted.

#### LISTED DEBENTURES

The Company has so far issued, through private placement, 38 series of secured/unsecured non-convertible debentures (NCDs) aggregating ₹ 1068.70 Crore. The NCDs have been listed with the National Stock Exchange of India Ltd. (NSE) for trading in compulsory dematerialised form. The Company has duly paid the NSE listing fees for FY11 for the purpose of trading.

During the year, the Company issued secured redeemable NCDs aggregating ₹ 518.70 crore and redeemed NCDs aggregating ₹ 15 crore. NCDs of ₹ 808.70 crore were outstanding as on 31st March 2011.

#### COMMERCIAL PAPER

During the year, the Company privately placed commercial paper aggregating ₹ 300 crore with mutual funds and banks.

#### REGISTRAR AND TRANSFER AGENT

Cameo Corporate Services Ltd. has been appointed as the Registrar and Transfer Agent of the Company, and can be contacted by investors at the following address:

Cameo Corporate Services Ltd.

‘Subramaniam Building’

1, Club House Road, Chennai 600 002.

Phone : 044 - 28460390

Fax : 044 - 28460129

Email : Cameo@Cameoindia.com

Contact Person : Mr. R.D. Ramaswamy, Director

#### ANNUAL GENERAL MEETINGS

The following table shows when and where the last three Annual General Meetings were held:

For Financial Year	Date of meeting	Time	Venue
2009-10	15 July 2010	3.00 p.m.	Registered Office
2008-09	23 July 2009	10.30 a.m.	Registered Office
2007-08	24 July 2008	2.00 p.m.	Registered Office

No resolutions were passed during the year ended 31st March 2011 through postal ballot. None of the resolutions being placed at the ensuing Annual General Meeting is covered by the Postal Ballot Rules.

#### DISCLOSURE

The Company has complied with the requirements of SEBI and NSE on the matters relating to the capital markets as applicable from time to time. There has been no instance of non-compliance by the Company or penalty or strictures imposed/passed on the Company by SEBI or NSE or any statutory authority, on any matter related to capital markets, during the last three years.

#### MEANS OF COMMUNICATION

In accordance with the provisions of the Listing Agreement with NSE, unaudited half-yearly financial results of the Company in respect of FY11 were forwarded to NSE in the prescribed form. Further, the results were published in newspapers as required by the said Agreement and displayed on the Company’s website [www.sundarambnpparibashome.com](http://www.sundarambnpparibashome.com)

#### CORPORATE IDENTITY NUMBER

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India, to the Company is U65922TN1999PLC042759. With the MCA21 initiative of the Ministry of Corporate Affairs going live, the Company’s Master Data information and details of the compliance filings made by the Company with the Ministry may be viewed by members and other stakeholders at [www.mca.gov.in](http://www.mca.gov.in) using the CIN.

#### Address for correspondence and any assistance or clarification

Mr. V. Swaminathan, Company Secretary, is also the Compliance Officer. He can be contacted at the following address for assistance or clarification:

Mr. V. Swaminathan,

Compliance Officer

Sundaram BNP Paribas Home Finance Ltd.

First Floor, Sundaram Towers,

46, Whites Road Chennai 600 014

Phone: 044-28582234

e-mail: [swaminathan@sundarambnpphome.in](mailto:swaminathan@sundarambnpphome.in)

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This report forms part of the Directors’ Report.

#### GENERAL SHAREHOLDER INFORMATION

##### Twelfth Annual General Meeting

Date	Time	Venue
11th July 2011	3.00 pm	No.21, Patullos Road, Chennai 600 002.

#### FINANCIAL CALENDAR

The Company’s Board is scheduled to consider the audited annual results as under:

- Financial Year – 1st April 2010 to 31st March 2011 : 28th April 2011
- Unaudited results for the half-year ending 30th September 2011: End of October 2011.



**SUNDARAM BNP PARIBAS**  
— HOME FINANCE —

**Registered Office :** 21, Patullos Road, Chennai - 600 002. Phone : (044) 2852 1181  
**Corporate Office :** 46, Whites Road, Chennai - 600 014. Phone : (044) 2851 5267, 2851 5269  
**Email:** customercare@sundarambnpphome.in; depositorcare@sundarambnpphome.in  
**Website:** [www.sundarambnpparibashome.com](http://www.sundarambnpparibashome.com)

#### **Andhra Pradesh**

Anantapur: 08554 274070, Bhimavaram : 08816 222119, Guntur : 0863 233 1469,  
Hyderabad :040 2780 6002, Kakinada : 0884 235 1618, Khammam: 08742 242250, Nellore: 0861 232 8481, Ongole : 08592 221276,  
Rajahmundry : 0883 246 8579, Tanuku: 08819 228182, Tirupati: 0877 223 7919,  
Vijayawada : 0866 247 1717, Visakhapatnam : 0891 257 5522, Warrangal : 0870 244 1244

#### **Karnataka**

Bangalore : 080 2356 7911, Hubli: 0836 225 1954 ,  
Mangalore : 0824 245 1517, Mysore : 0821 242 5007

#### **Kerala**

Calicut : 0495 272 2066, Kannur : 0497 276 1917, Kochi : 0484 235 0341,  
Kollam: 0474 272 7490, Kottayam : 0481 256 1549, Manjeri: 0483 276 6863,  
Palakkad : 0491 250 3610, Pathanamthitta: 0468 222 4289,  
Trichur : 0487 232 4077, Trivandrum : 0471 234 6086

#### **Puducherry**

0413 233 0509

#### **Tamil Nadu**

Chennai - T. Nagar : 044 2815 5151 ; Chromepet : 044 2221 0244; Thiruvannmiyur : 044 2443 0030,  
Chenglepet : 044 2743 2929, Coimbatore : 0422 224 6655, Dharmapuri : 04342 266519, Dindugal : 0451 242 2001,  
Erode : 0424 226 2999, Hosur : 04344 243318, Kancheepuram : 272 33660, Karaikudi : 04565 23 3202, Kumbakonam : 0435 243 3216,  
Madurai :0452 4380202, Namakkal : 04286 233 454, Pollachi: 04259 222011, Salem : 0427 2334 554,  
Tanjore : 04362 23 3216, Tirunelveli : 0462 257 4274, Tirupur : 0421 224 4450,  
Trichy : 0431 2769 200, Tuticorin : 0461 232 8827, Vellore : 0416 222 4884