



Shriram City Union Finance Limited

26th Annual Report 2011-12

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Forward Looking Statement

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

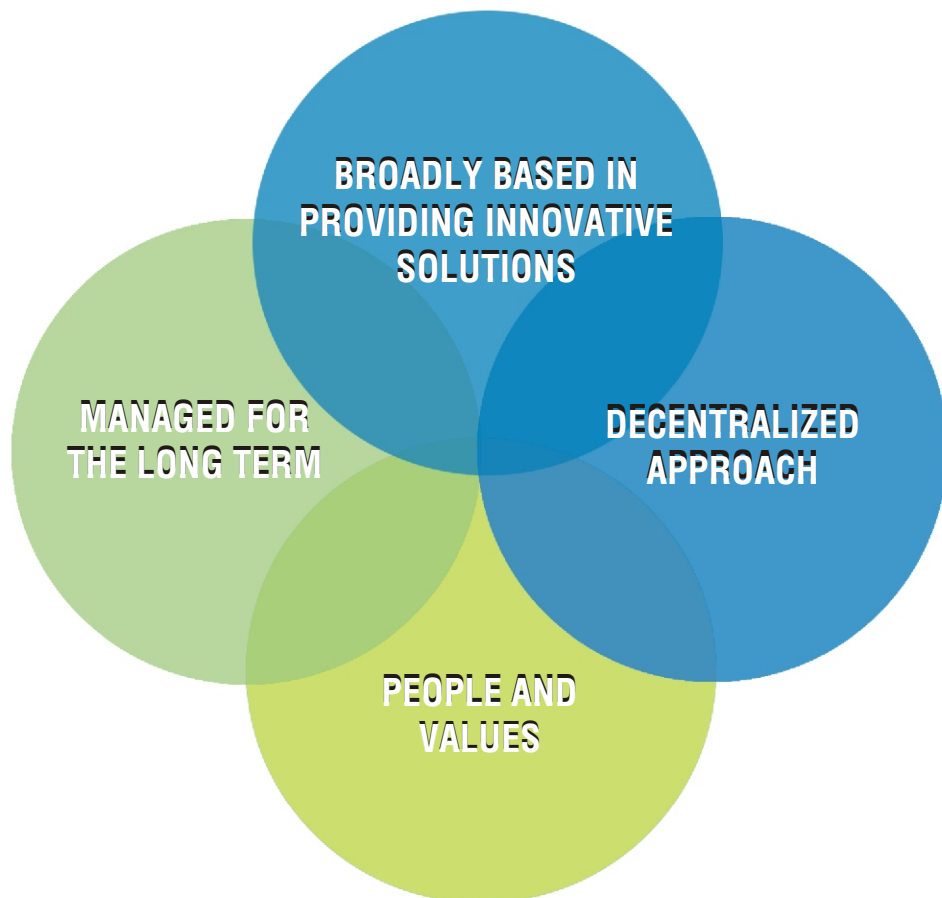
The source of our enduring strength
is a fundamental commitment to

Our Credo

and an operating model that has
served us well for decades



Credo





About us

Shriram City Union Finance (SHRIRAM City) was established in 1986, and is part of the three decade old Chennai-based Shriram Group. As a deposit-accepting non-banking finance company (NBFC), SHRIRAM City is today India's premier financial services company, specializing in retail finance.

SHRIRAM City has a comprehensive range of offerings comprising financing for Two wheelers, Three wheelers, Four wheeler finance (both new & pre-owned passenger & commercial). Personal Loans, Small Enterprise Finance and Loan against gold. This has made SHRIRAM City a dominant player in the field and the only NBFC offering a wide product range under one roof, with close to 900 Business outlets across the country.

SHRIRAM City in Nov 2010, launched housing finance subsidiary "Shriram Housing Finance Limited".

Shriram City is listed on the BSE, NSE and Madras Stock Exchange.



Promise

A passion for improving & sustaining the brand trustworthiness of our company by building long term personal relationship with customers. A drive to expand our potential through innovation. A commitment to position our company for long-term success.

This is the essence of
Shriram City Union Finance: "A Promise for Life."



Our Mission

"Striving to serve the largest number of common people"

Potential

Advancing and expanding

Shriram City Celebrates its Silver Jubilee

2011



Shriram City Net Worth touches ₹ 1000 Crore

2010



Launches housing finance subsidiary – Shriram Housing Finance Limited

2008

Launches Loan against Gold



May 2008 – 2nd Preferential Allotment of equity shares to Private Equity Investors @ ₹ 400/-per share

2007

Launches Small Enterprise Finance



Dec 2006 – 1st Preferential Allotment of equity shares to Private Equity Investors @ ₹ 160/-per share

2006

Listed on National Stock Exchange



Focus on Retail Financing

2005

Listed on Bombay Stock Exchange



2003

Shriram City was established

1986



Purpose

Small Enterprise Finance

SHRIRAM City offers Small Enterprise Finance to self – employed professionals, wholesale/retail dealers, general merchants, builders, manufacturers, hotel/catering services, tour operators etc. as with our products, documentation is kept to a minimum and service provided at the customers doorsteps.



Loan against Gold

SHRIRAM City's loan against Gold offer on the spot finance at attractive rates of interest. All its offices providing loan against gold has its own gold storage facility within its premises and the entire process of gold verifications is done through its own executives available full time at its offices.



Purpose

Two Wheeler Finance

SHRIRAM City currently offers various options for purchase of two wheelers across all manufacturers and branches. We have a widespread presence in dealers showrooms. Have a preferred finance tie up with almost all two wheelers brands across the country. Dealer showroom are manned by company's own executives, with dedicated team to clear proposals, making its quickest and most efficient finance the customer can ask for.



Auto Finance

SHRIRAM City currently offers a variety of loans against new and pre-owned three wheelers, four wheelers (both passenger and commercial). Through its hundred of employees present at the grass root level, the Company is able to provide product support, help identify buyer/sellers/best possible prices and easy finance at customer door step.



Personal Finance

SHRIRAM City offers quick finance at attractive interest rates with service at the Customer's doorstep. SHRIRAM City offers hassle free, non end use specific loans with minimum documentation. The product is available to all its and its associate customers at preferential terms.



Presence

Adilabad	Begusarai	Chiplun	Gudiwada	Jhunjhunu
Adoni	Behraich	Chitradurga	Gudiyatham	Jodhpur
Aduthurai	Belapur	Chittore	Gudur	Jorhat
Agartala	Belgaum	Chittorgarh	Guduvancherry	Junagadh
Agra	Bellary I	Cholavanthan	Gulbarga	Jyepore
Ahmedabad	Berhampur	Chowtuppal	Gummidipoondi	Kadiri
Ahmednagar	Bethaniapuram	Coimbtore	Guna	Kaithal
Ajmer	Betul	Coochbehar	Guntur	Kakinada
Akola	Bhagalpur	Cuddalore	Gurgaon	Kakinada III
Alappuzha	Bhandara	Cuddapah	Gurgaon I (Sohana)	Kallakurichi
Aligarh	Bhandara I	Cuddapah II	Guwahati 1	Kallukuzhi (Trichy)
Allahabad	Bharatpur	Cumbum	Guwahati 2	Kalyan
Alwar	Bharuch	Cumbum I	Gwalior	Kamareddy
Amalapuram	Bhatinda	Cuttack	Haldwani	Kanchangadh
Amaravati 1	Bhavanipuram	Daba Gardens	Hanmana	Kanchipuram
Ambala	Bhavnagar	Dahisar	Hassan	Kankavali
Ambala I	Bhilai	Dahod	Haveri	Kannur
Ambasumudram	Bhilwara	Dausa	Hazaribagh	Kanpur
Ambikapur	Bhimavaram	Davangere	Himayathnagar	Karad
Amravati	Bhiwadi	Deepika	Himmatnagar	Karaikudi
Amreli	Bhiwandi	Dehradun	Hindupur	Karim Nagar III
Amritsar	Bhopal	Deoghar	Hissar	Karnal
Anakapalli	Bhubaneswar	Dewas	Hooghly	Karol Bagh
Anand	Bhubaneswar II	Dhamtari	Hospet	Karur
Ananthapur II	Bhuj	Dhanbad	Hosur	Kasargod
Anchal	Bidar	Dhar	Hosur II	Kathua
Andipatty	Bijapur	Dharmapuri	Hubli	Katni
Angamaly	Bijnore	Dharwad	Hunsur	Katol
Angul	Bikaner	Dhulia	Ilkal	Kattappana
Arakonam	Bilashpur	Dindigul	Indore	Kattedan
Arani	Bilaspur	Dindigul I	Indore 2	Kattur
Ariyalur	Birbhum	Durgapur	Itchapuram	Kaveripattinam
Arrah	Boisar	Eluru	J P Nagar	Kawardha
Arumbakkam	Bokaro	Ernakulam II	Jabalpur	Kayamkulam
Asansol	Bongaigaon	Ernakulam New	Jabalpur 1	Keeranur
Ashok Nagar	Bundi	Ernakulam Old	Jagadamba	Keonjhar
Attingal	Burdwan	Erode	Jagdalpur	Khamgaon
Attur I	Burhanpur	Erode I	Jaihindpuram	Khammam
Attur II	Calcutta Central	Etawah	Jaipur	Khandwa
Aurangabad	Calicut	Faizabad	Jaipur Lajpat Marg	Khargapur
Azadpur	Chakan	Faridabad	Jaipur-Lal Kothi	Kodada
Bacheli	Chamaraj Nagar	Farrukhabad	Jaisalmer	Koilpatti
Baddi	Chandan Nagar	Fathepur	Jajpur	Kolar
Bagalkot	Chandigarh	Ferozepur	Jalandhar	Kolathur
Baharampur	Chandikhol	Gadag	Jalgaon	Kolhapur
Balaghat	Chandrapur	Gadhinglaj	Jalna	Kolkatta South
Balasore	Channapatna	Gadwal	Jamkhambhalia	Kompally
Bangalore Kh Road	Channarayapatna	Gajuwaka	Jammu	Koothanallur
Bankura	Chattarpur	Gandhidham	Jamnagar	Koppal
Baramati	Chembur	Ganganagar	Jamshedpur	Korba
Barasat	Chengalpattu	Gangtok	Janakpuri	Kota
Bardoli	Chevapettai	Gaya	Janjgir	Kothagudam
Bareilly	Chickballapur	Goa/Panjim	Jayankondam	Kotputli
Barmer	Chidambaram	Gobichettipalayam	Jetpur	Kottayam
Baroda	Chikkamangalore	Godhara	Jhalawar	Krishnagiri
Basavakalyan	Chikkodi	Godhavari Khani	Jhansi I	Krishnanagar
Batlakundu	Chinchwad	Gondia	Jhansi II	Kukatpally
Beed	Chindwara	Gorakhpur	Jharsuguda	Kullu



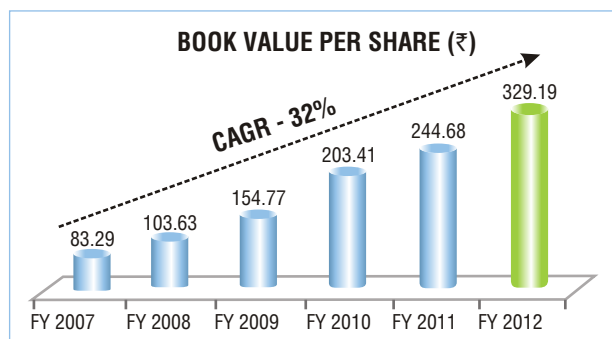
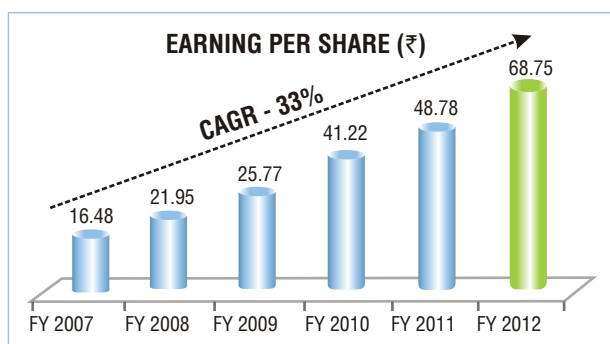
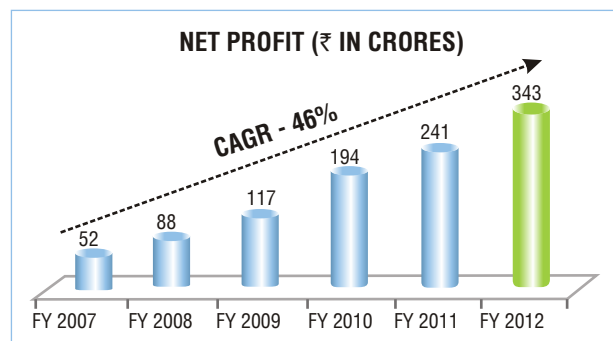
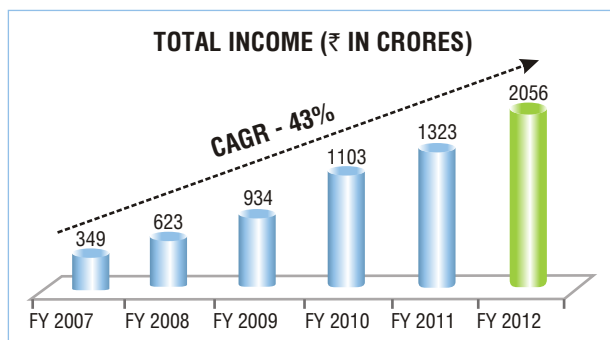
SHRIRAM City

MONEY WHEN YOU NEED IT MOST

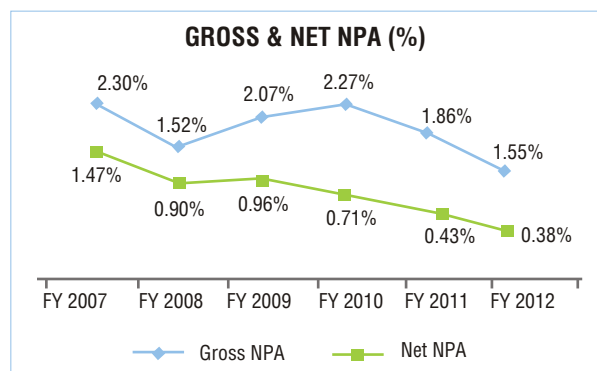
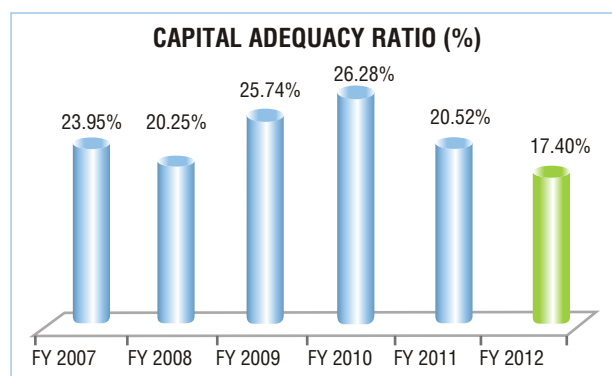
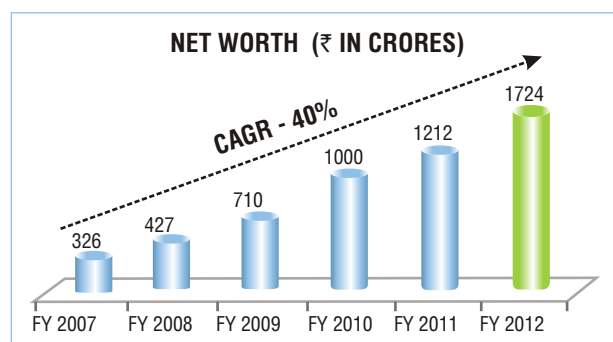
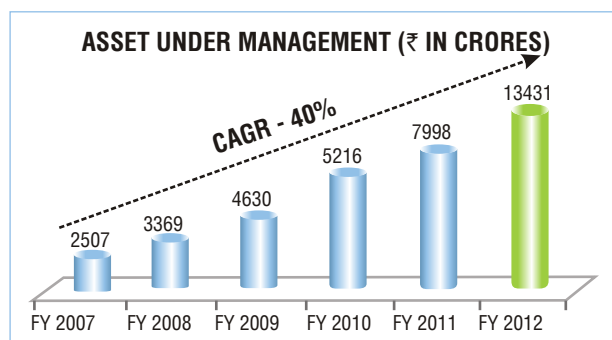
Presence

Kumarapalayam	Nadiad	Pondicherry	Saraipalli	Tiruchendur
Kumbakonam	Nagercoil	Pondicherry I	Satara	Tirunelveli
Kumta	Nagole	Ponneri	Satna	Tirunelveli I
Kundapur	Nagour	Porbander	Satthanur	Tirupathi
Kunnamkulam	Nagpur	Proddatur	Secunderabad	Tiruppur I
Kunrathur	Namakkal	Pudukottai	Sembanar Koil	Tirupur
Kurnool I	Namakkal I	Pudukottai I	Sendhwa	Tirur
Kurnool II	Nanded	Pune	Shahapur	Tiruvannamalai
Kurukshetra	Nanded I	Puri	Shahdol	Tiruvarur
L B Nagar	Nandigama	Purnea	Shahjahanpur	Tiruvotriyur
Lakhimpur (UP)	Nandurbar	Pusad	Sharanpur	Tiruvur
Lakhimpur (A)	Nandyal I	Puttur	Shillong	Tonk
Latur	Nandyal II	Quilon	Shimla	Trichur
Lingasugur	Narasaraopeta	R.S.Puram	Shimla I	Trichy
Lucknow	Narsinghpur	Rai Bareilly	Shimoga I & II	Trivendrum
Ludhiana	Narsipatnam	Raichur	Shivpuri	Tumkar I
Machilipatnam	Nashik	Raigarh	Shrinagar	Tuticorin
Madanapalli	Nashik Road	Raipur	Shrirampur	Udaipur
Madgaon	Navsari	Raipur II	Sikar	Udaipur I
Madhurawada	Needamangalam	Rajahmundry I	Silchar	Udhampur
Madikeri	Neemuch	Rajahmundry III	Siliguri	Udupi
Madiwala I	Nellore	Rajapalayam	Sindhanur	Ujjain
Madras Main Branch	Nellore II	Rajkot	Singarayakonda	Ulundurpet
Madurai	Nerkundram	Rajpibla	Sirohi	Una
Madurai 2	Neyveli	Rajsamand	Sivakasi	Uttam Nagar
Malda	Neyyatinkara	Ranchi	Solapur	Vapi
Malegaon	Nirmal	Rani Bagh	Sriganganagar	Varanasi
Manapparai	Nizamabad	Ranipet	Srikakulam	Vasai
Mancherial	Ongole	Rasipuram	Sultanpur	Vashi
Mandapeta	Ooty	Ratangarh	Sulthan Bathery	Vatakara
Mandi	Osmanabad	Ratlam	Sulur	Vellore
Manendragarh	Ottanchatram	Ratnagiri	Surat	Veraval
Mangalore - New	Padi	Raygada	Surendranagar	Vijayawada I
Mangalore (O)	Palacode	Renukoot	Swai Modhopur	Vijayawada II
Manjeri	Palam	Rewa	T Dasarahalli	Villupuram
Marathali	Palani	Rewari	Tadepalligudem	Virudhachalam
Markapuram	Palanpur	Roha	Tadipatri	Virudhunager
Marthandam	Palayamkottai	Rohini	Tambaram	Visakapatnam
Masjid	Palghat	Rohtak	Tamluk	Vizianagaram
Mayiladithurai	Pandarpur	Rourkela	Tanjavur	Wadi
Mayur Vihar	Panvel	Sadulpur	Tanjavur I	Wadkhal
Mehboob Nagar	Paonta Sahib	Sagar	Tarnaka	Waidhan
Mehboob Nagar I	Papanasam	Sagara	Tenali	Warangal
Mehsana	Paramakudi	Sahibabad	Tenkasi	Warangal II
Melur	Paramakudi 1	Sakinaka	Tezpur	Wardha
Mettupalayam	Paravathipuram	Salem	Thalassery	Wardhaman Nagar
Mettur	Parbhani	Salem I	Thane	Washim
Miryalaguda	Parbhani I	Salem II	Theni	West Mambalam
Moga	Parrys	Salur	Thiruchengode	Westend Mall
Moradabad	Patan	Sambalpur	Thirunindravur	Woraiyur I
Morbi	Pathanamthitta	Sandur	Thiruppathur	Woraiyur II
Morena	Pathankot	Sangagiri	Thiruvallur	Yamunanagar
Motihari	Patiala	Sangamner	Thiruvarur I	Yavatmal
Mudbidiri	Patna	Sangareddy	Thiruvarur II	
Muzaffarpur	Patna I	Sangli	Thiruverumbur	
Mylapore	Pendurthi	Sangroor	Tindivanam	
Mysore I	Piduguralla	Sangrur	Tinsukhia	
Mysore II	Pollachi		Tiptur	

PERFORMANCE ANALYSIS



Performance





Corporate Information

Chairman	: Sri Arun Duggal (Non Executive, Non Independent)
Managing Director	: Sri R Duruvasan - (w.e.f. June 6, 2012) (Executive, Non Independent)
	Sri R Kannan (Executive, Non Independent) - (upto June 5, 2012)
Directors	: Sri S Krishnamurthy (Non Executive, Independent)
	Smt Lakshmi Pranesh (Non Executive, Independent)
	Sri V Murali (Non Executive, Independent)
	Sri Puneet Bhatia (Non Executive, Non Independent)
	Sri Ranvir Dewan (Non Executive, Non Independent)
	Sri G S Sundararajan (Non Executive, Non Independent)
	Sri Sunil Varma (Non Executive, Independent)
	Sri S Venkatakrishnan (Non Executive, Non Independent)
	Sri Vipen Kapur (Non Executive, Independent)
Company Secretary	: Sri C R Dash
Auditors	Pijush Gupta & Co., Chartered Accountants P-199, C I T Road, Scheme IV – M Kolkata – 700 010
Share Transfer Agents	: Integrated Enterprises (India) Ltd II Floor, 'Kences Towers' No.1, Ramakrishnan Street Off North Usman Road, T Nagar Chennai 600 017 Ph : + 91 44 21840801 – 28140803

Corporate Information

Registered Office	:	123, Angappa Naicken Street Chennai 600 001 Ph : + 91 44 25341431																																						
Secretarial Office	:	No 144, Santhome High Road Mylapore, Chennai 600 004 Ph No: + 91 44 43925300 Fax : + 91 44 43925430																																						
Administrative Office	:	No 221, Royapettah High Road Mylapore, Chennai 600 004 Ph No : + 91 44 43915300 Fax : + 91 44 43915351																																						
Listed at	:	Bombay Stock Exchange Ltd National Stock Exchange of India Ltd Madras Stock Exchange Ltd																																						
Banks	:	<table><tr><td>Allahabad Bank</td><td>ING Vysya Bank</td></tr><tr><td>Andhra Bank</td><td>Jammu & Kashmir Bank</td></tr><tr><td>Axis Bank</td><td>Kotak Mahindra Bank</td></tr><tr><td>Bank Of India</td><td>Oriental Bank Of Commerce</td></tr><tr><td>Bank Of Maharashtra</td><td>Punjab National Bank</td></tr><tr><td>Canara Bank</td><td>State Bank Of Bikaner & Jaipur</td></tr><tr><td>Central Bank Of India</td><td>State Bank Of India</td></tr><tr><td>City Union Bank</td><td>State Bank Of Mauritius</td></tr><tr><td>Corporation Bank</td><td>State Bank Of Mysore</td></tr><tr><td>Credit Agricole Corporate & Investment Banking</td><td>State Bank Of Patiala</td></tr><tr><td>DBS Bank</td><td>State Bank Of Travancore</td></tr><tr><td>Dena Bank</td><td>Syndicate Bank</td></tr><tr><td>HDFC Bank</td><td>Tamilnad Mercantile Bank</td></tr><tr><td>Hongkong & Shanghai Banking Corporation</td><td>The Federal Bank</td></tr><tr><td>ICICI Bank</td><td>The South Indian Bank</td></tr><tr><td>IDBI Bank</td><td>Union Bank Of India</td></tr><tr><td>Indian Bank</td><td>United Bank Of India</td></tr><tr><td>Indian Overseas Bank</td><td>Vijaya Bank</td></tr><tr><td>Indusind Bank</td><td>Yes Bank</td></tr></table>	Allahabad Bank	ING Vysya Bank	Andhra Bank	Jammu & Kashmir Bank	Axis Bank	Kotak Mahindra Bank	Bank Of India	Oriental Bank Of Commerce	Bank Of Maharashtra	Punjab National Bank	Canara Bank	State Bank Of Bikaner & Jaipur	Central Bank Of India	State Bank Of India	City Union Bank	State Bank Of Mauritius	Corporation Bank	State Bank Of Mysore	Credit Agricole Corporate & Investment Banking	State Bank Of Patiala	DBS Bank	State Bank Of Travancore	Dena Bank	Syndicate Bank	HDFC Bank	Tamilnad Mercantile Bank	Hongkong & Shanghai Banking Corporation	The Federal Bank	ICICI Bank	The South Indian Bank	IDBI Bank	Union Bank Of India	Indian Bank	United Bank Of India	Indian Overseas Bank	Vijaya Bank	Indusind Bank	Yes Bank
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Institutions	:	Small Industries Development Bank Of India (SIDBI)																																						



Power



Prepare our people and place them in strategic positions to inspire others and deliver results. Everything we do to achieve success starts and ends with people. We have strengthened our focus on talent assessment and leadership development and are committed to developing our people and providing them with opportunities to contribute to our growth and success.

Optimize the Company for greater efficiency and effectiveness. We have identified opportunities and constantly strive to become more efficient and effective.

Win market share by improving our ability to conduct business in urban, semi – urban and rural markets. To that end, we are increasing our sales forces in all potential areas of the country, expanding our product offerings across all the business outlets and improving our ability to sell and market effectively across a broad spectrum of cultures.

Expand our sales and marketing focus with critical analytics, best practices and technology. We are expanding through targeted expansions.

Realign our business portfolio to improve leverage and accelerate profitable revenue growth. We are focusing our portfolio on priority growth initiatives which, among other criteria, leverage existing sales forces with least or less invasive cost and comparatively effective financial devices.

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 26th Annual Report of the Company together with the audited accounts of the Company for the year ended March 31, 2012.

I. RESULTS OF OPERATION

The financial performance of the Company for the year ended on March 31, 2012 is summarised below.

₹ in Crores

	Year ended March 31,	
	2012	2011
Profit before depreciation and taxation	537.87	368.07
Less: Depreciation	13.71	7.47
Profit before tax	524.16	360.60
Less: Provision for taxation	181.63	120.01
Profit after tax	342.53	240.59
Add: Profit brought forward from previous year	361.12	227.30
Profit available for appropriation	703.65	467.89
Appropriations:		
Transfer to general reserve	34.30	24.10
Transfer to statutory reserve	68.60	48.10
Transfer to debenture redemption reserve	49.14	—
Dividend on equity shares of ₹ 10/- each fully paid-up	33.46	29.70
Year 2011-12 : Interim ₹ 2.50, Final ₹ 4.00		
Year 2010-11 : Interim ₹ 2.50, Final ₹ 3.50		
Corporate dividend tax	5.43	4.87
Balance carried to balance sheet	512.72	361.12
Earning per share before exceptional items		
Basic (₹ not annualized)	68.75	48.78
Diluted (₹ not annualized)	68.22	47.97

II. BUSINESS SCENARIO AND BUSINESS OPPORTUNITIES

The financial year 2011-12, was tough for the Indian economy. The Central Statistical Office (CSO) put out an advance estimate of Gross Domestic Product (GDP) growth of 6.9 percent for 2011-12 as against 8.4 percent in 2010-11.

The growth slowed down in emerging and developing economies reflecting the combined impact of monetary tightening and slowdown in global growth.

The Reserve Bank of India (RBI) in its annual Monetary Policy Statement for 2012-13 dated April 17, 2012 has announced reduction in the repo rate by 50 basis points from 8.5 percent to 8 percent with immediate effect. The RBI has also announced increase in the borrowing limit of scheduled commercial banks under the marginal standing facility from one percent to two percent of the bank's net demand and time liabilities. With these measures, RBI expects to address three important issues, namely stabilising the growth of Indian economy around its current post-crisis trend, containing the risk of inflation and enhancing the liquidity cushion to the system.

The industry is expected to perform better than the last year as leading indicators suggest turn around in index of industrial production growth. The overall domestic growth outlook for the current year looks a little better than last year. According to RBI's baseline projections, the GDP growth for the current year 2012-13 should be 7.3 percent. The global outlook also looks slightly better than expected earlier.

RBI has issued final guidelines on securitisation. RBI is expected to announce the draft guidelines on the regulatory framework for Non-Banking Financial Companies (NBFCs), inter alia dealing with tightening capital adequacy norms and higher provisioning. It is expected that RBI will allow sufficient time to NBFCs for migrating and re-aligning its operations with the new regulations.

Your directors are of the opinion that despite challenges ahead, your company's operations would not be seriously affected and your Company would continue to grow in future as well.

III. OPERATIONS

Loan disbursement registered a growth of 77 percent at ₹ 13,898.00 crores as compared to ₹ 7,864.00 crores in the previous year. During the year under review, the Company continued to add new products, while extending its foot prints to new geographical areas and maintained its market leadership. Income from operations for the year under consideration grew by 55.38 percent to ₹ 2,056.41 crores as against ₹ 1,323.44 crores for the previous year and the same resulted in a profit before tax of ₹ 524.16 crores for the year under review, compared to ₹ 360.60 crores during the previous year. As at March 31, 2012 the assets under management stood at ₹ 13,431.03 crores.

IV. FINANCE

During the financial year 2011-12, the RBI adopted a calibrated approach by hiking repo rate five times with a total hike of 175 basis points in order to contain inflation. It also introduced base rate system in place of prime lending rate from July 1, 2010. These two factors resulted in medium/long term interest rate moving up. Tight liquidity conditions persisted during major part of the year. However, your Company was able to reduce the impact of increase in interest rate by continuously monitoring asset liability match and by following innovative method of borrowing and prudent method of lending. The Company's fund mobilization from banks, institutions, public issue and private placement of debentures and subordinated debts continues to be smooth. The summary of borrowings is as under:

RESOURCES INCLUDING FIXED DEPOSITS

₹ in Crores

As at March 31,	Deposits	Privately placed non convertible debentures	Subordinated debt bonds	Commercial papers	Listed non convertible debentures	Term loans
2012	0.22	2059.55	835.74	—	1484.60	4004.15
2011	0.55	1552.94	532.72	225.00	645.83	3021.77

As at March 31, 2012, 67 deposits amounting to ₹ 0.15 crores had matured for payment and were due to be claimed or renewed. Subsequent follow-up for repayments/renewals resulted in the number reducing to 61 deposits amounting to ₹ 0.13 crores.

There are no deposits which had matured and claimed but not paid by the Company. Steps are continuously taken to arrange for repayment/renewal of these unclaimed deposits.

V. PUBLIC ISSUE OF DEBENTURES

The Company made a public issue of Secured Non Convertible Debentures (NCDs) of face value of ₹ 1,000 each aggregating upto ₹ 375.00 crores with an option to retain over subscription up to ₹ 375.00 crores for issuance of additional NCDs aggregating to a total up to ₹ 750.00 crores. The issue was over subscribed. The Company retained additional subscription of ₹ 375.00 crores along with base issue of ₹ 375.00 crores aggregating to a total of ₹ 750.00 crores. The proceeds of the issue were utilised for the purpose for which the issue was made as mentioned in the prospectus dated August 1, 2011. The utilization of the proceeds of the issue is mentioned in note no.27(i) of the notes to accounts.

VI. CREDIT RATING

The Company has obtained credit ratings from CRISIL, CARE and FITCH for its long term borrowings, short term borrowings and fixed deposits. There has been no change in rating during this year than previous year. As on March 31, 2012, the ratings stand as under:

Instrument	CARE	FITCH	CRISIL
Non convertible debentures - secured	Care AA	Fitch AA-(ind)	Crisil AA-
Subordinated debt bonds	Care AA	—	Crisil AA-
Term deposits	Care AA(FD)	Fitch tAA-(ind)	—
Short term rating	Care A1+	Fitch A1+(ind)	Crisil A1+
Bank loan rating	—	Fitch AA-(ind)	—

VII. DIVIDEND

The Board of Directors pay/declare interim and final dividend based on the financials of the Company. The dividend pay out for the year under review has been formulated as per aspirations of the shareholders and to pay a sustainable dividend linked to long term growth of the Company. The final dividend recommended by the Board is subject to declaration by the members of the Company. Your directors are pleased to recommend final dividend as mentioned below for the year ended on March 31, 2012 to those members, whose name appear on the register of members as on the record date.

For the year ended on March 31, 2012

Dividend on equity shares of ₹ 10 each	No of Shares	per share (₹)	Amount (₹ in crores)	Tax (₹ in crores)	Total outflow (₹ in crores)	Date of payment
Interim	4,97,60,859	2.50	12.51	2.03	14.54	November 23, 2011
Proposed final	5,23,67,209	4.00	20.95	3.40	24.35	—
Total		6.50	33.46	5.43	38.89	—

For the year ended on March 31, 2011

Dividend on equity shares of ₹ 10 each	No of Shares	per share (₹)	Amount (₹ in crores)	Tax (₹ in crores)	Total outflow (₹ in crores)	Date of payment
Interim	4,93,92,739	2.50	12.36	2.05	14.41	November 25, 2010
Final	4,95,36,877	3.50	17.34	2.81	20.15	August 23, 2011
Total		6.00	29.70	4.86	34.56	

Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules 2001 requires the companies to transfer dividend that has remained unclaimed for a period of seven years from the unpaid dividend account to Investor Education and Protection Fund (IEPF). Accordingly, during the financial year an amount of ₹ 0.11 crores (Previous year ₹ 0.001 crores) was transferred to IEPF. An amount of ₹ 0.31 crores (previous year ₹ 0.22 crores) is lying in unpaid equity dividend account of the Company. Shareholders are informed that there will be no claim lie on the Company on account of dividend after the dividend is transferred to IEPF.

VIII. SHARE CAPITAL

The members, by way of resolution passed at the Extraordinary General Meeting (EGM) held on March 24, 2012 approved the increase in authorised capital of the Company to ₹ 140.00 crores (Rupees One hundred forty crores only) divided into 10,00,00,000 equity shares of ₹ 10.00 (Rupees ten only) each and 40,00,000 cumulative redeemable preference shares of ₹ 100.00 (Rupees One hundred only) each.

The Company successfully completed allotment of 23,00,000 equity shares of face value of ₹ 10.00 each and 59,00,000 warrants on preferential basis to Shriram Capital Limited (Promoter Group) for cash. The equity shares were allotted at a price of ₹ 570.00 per equity share (including a premium of ₹ 560.00 per equity share) and the warrants were allotted at a subscription price of ₹ 143.00 per warrant conferring an option to the holder to subscribe to one equity share per warrant at an exercise price of ₹ 570 per warrant. The price is higher than the price determined as per regulation 76(1) of chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009.

The utilisation of the proceeds of the issue is mentioned in note no.27(ii) of the notes to accounts.

IX. EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Company has implemented Employees Stock Options Scheme (ESOS) approved by the members at the Extra-Ordinary General Meeting held on October 30, 2006 in accordance with the Securities & Exchange Board of India (Employees Stock Option Scheme & Employees Stock Purchase Scheme) Guidelines, 1999. The remuneration & compensation committee constituted in accordance with the SEBI Guidelines administers and monitors the ESOS scheme. The issuance of equity shares in exercise of the options does not affect the statement of profit and loss of the Company for the year under consideration as the exercise is made at market price prevailing on the date of the grant. The applicable tax is borne by the option holder.

During the year under review, the Company allotted 5,30,332 fully paid up equity shares of the face value of ₹ 10.00 each to its employees on exercise of stock options by them.

The required disclosures under Clause 12 under SEBI Guidelines as on March 31, 2012 are set out in Annexure to this report.

The Company has received a certificate from the auditors of the Company certifying that the Company's ESOS scheme is implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolution of the members passed at their general meeting which is attached to this report.

X. HUMAN RESOURCE

We strongly believe that the employees are vital assets. We have set up a human resource management process to attract and retain high calibre employees. In order to empower our employees, internal and external training are imparted to them continuously. The ESOS of the Company has contributed to a large extent in retaining employees and has also impacted positively on the Company's performance. The Company added 1,948 employees during the year taking total number of Employees to 3,306 as at the end of this year.

XI. SUBSIDIARY AND CONSOLIDATED FINANCIAL STATEMENTS

During the financial year, the subsidiary company of the Company, Shriram Housing Finance Ltd (SHFL) got registration from National Housing Bank and started its business.

The Board of Directors by way of a resolution passed at the meeting held on May 18, 2012 has given consent for not attaching the Balance Sheet, Statement of profit and loss and other documents of the subsidiary to the Balance Sheet of the Company as per Section 212 of the Companies Act, 1956 read with General Circular No.2/2011 (51/12/2007-CL-III dated February 8, 2011) of the Ministry of Corporate Affairs (MCA), Govt of India. A statement of consolidated financials of the Company with that of the subsidiary prepared in compliance with accounting standards and listing agreements with stock exchanges is attached to this annual report.

The annual accounts, annual reports and the related detailed information of the subsidiary shall be made available to the share holders of the Company and the subsidiary company seeking such information at any point of time. The annual accounts of the subsidiary shall be kept at the Registered Office of the Company and at the Registered Office of the subsidiary company for inspection by any shareholder. The Company shall furnish hard copy of the detail of the accounts of the subsidiary to any shareholder on demand. The annual accounts of the subsidiary shall be available on the web site of the Company (www.shriramcity.in) and shall be provided to shareholders on their written request to the Company.

XII. RESERVE BANK OF INDIA (RBI) GUIDELINES

The Company continues to comply with all applicable regulations of RBI from time to time. The Company is categorised as a loan company as per provisions of the RBI regulations. Capital to Risk (Weighted) Assets Ratio (CRAR) of the Company as at March 31, 2012 stood at 17.40 percent of the aggregate risk weighted assets on the balance sheet and risk adjusted value of the off balance sheet items, totalling to ₹ 11377.26 crores, which is above 15 percent as prescribed by RBI in its notification no DNBS 193 (VL)-2007, dated February 22, 2007. The Company has Fair Practices Code in compliance with the circular of RBI dated March 26, 2012.

XIII. CORPORATE GOVERNANCE

The Company continues to adhere to high standard of corporate governance. The efforts of the Company in this direction are widely recognised by the investors and other stake holders.

As required under clause 49 of the listing agreement entered into with stock exchanges, a report on corporate governance forming part of this report together with the certificate from the auditors of the Company, confirming the compliance with the corporate governance are attached to this report.

As required by Clause 49 (IV) (F) of the listing Agreement with stock exchanges the Management Discussion Analysis on the business of the Company forming part of this report is attached.

Further, as required under Clause 49 of the listing agreement, a certificate, duly signed by the Managing Director and Chief Financial Officer on the financial statements of the Company for the year ended March 31, 2012, was submitted to the Board of Directors at their meeting held on May 18, 2012. The certificate is attached to the report on corporate governance.

The relevant provisions of the voluntary guidelines are adopted in the areas deemed appropriate.

XIV. CORPORATE SOCIAL RESPONSIBILITY

Social welfare and community development is at the top of the Company's philosophy. The Company embraces responsibility for impact of its operations and actions on all stake holders and society at large. Hence, the Company endeavours to empower under privileged and weaker section of the community through various initiatives

XV. DIRECTORATE

Sri R.Kannan resigned as Managing Director and Director of the Company with effect from June 5, 2012. The Board places on record its appreciation for the leadership and immense contribution by Sri R Kannan in building strong foundation for the business of the Company that helped the Company to reach greater heights and post impressive results.

Sri K R Ramamoorthy and Sri Mukund Govind Diwan resigned as directors of the Company with effect from November 2, 2011 and November 15, 2011 respectively. The Board places on record its appreciation for valuable services and guidance received from Sri Ramamoorthy and Sri Diwan during their tenure as members of the Board.

As per provisions of the Companies Act 1956 and articles of association of the Company, Sri S Venkatakrishnan, Sri G S Sundararajan and Sri Sunil Varma retire by rotation at the ensuing Annual General Meeting. All of them being eligible offer themselves for reappointment.

Sri V Murali was appointed as an additional director of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Sri V Murali holds office upto the date of the ensuing AGM of the Company. The Company has received notice from a member proposing Sri V Murali as a candidate for the office of director. Sri R Duruvasan was appointed as an additional director and Managing Director of the Company with effect from June 6, 2012. The Company has received notice from a member proposing Sri R.Duruvasan as candidate for the office of director. Brief profile and directorship details of both the directors are furnished to the members along with this report. Necessary resolutions with regard to the above are being placed at the ensuing AGM.

XVI. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 with respect to Directors' responsibility statement, the Directors of the Company hereby confirm that :

- (i) in the preparation of annual accounts for the year ended on March 31, 2012 the applicable accounting standards have been followed and proper explanations have been made in notes to accounts for material departures;
- (ii) the accounting policies have been selected and applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and statement of the profit and loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

XVII. AUDIT AND AUDITORS

The Auditors M/s Pijush Gupta & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting (AGM) and have confirmed their eligibility and willingness to accept the office, if re-appointed. Necessary resolution for their re-appointment is proposed at the ensuing AGM. The notes on financial statements referred to in auditor's report are self explanatory and do not require further comments

XVIII. PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, form a part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956 this report and accounts are being sent to all the members of the Company and others entitled there to, excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the Secretarial Office of the Company and the same will be sent by post.

XIX. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the year ended on March 31, 2012 are as under:

- A.** Conservation of Energy :The operations of the Company are not energy intensive. However ,adequate measures, including additional investments, wherever required have been taken to reduce energy consumption.
- B.** The Company has not absorbed any technology.
- C.** There were no foreign exchange earnings .
- D.** There were no outgo of foreign exchange

XX. ACKNOWLEDGMENT

The Board of directors would like to place on record their gratitude for the guidance and cooperation extended by Reserve Bank of India and other statutory authorities. The Board takes this opportunity to express their sincere appreciation for the excellent co-operation and assistance received from the banks and financial Institutions. The Board is pleased to record its appreciation for the enthusiasm, commitment, dedicated efforts of the employees of the Company at all levels. The Board is also deeply grateful for the continued confidence and faith reposed on the Company by the shareholders, depositors, debenture holders and debt holders.

For and on behalf of the Board of Directors

Place: Chennai
Date: June 5, 2012

ARUN DUGGAL
CHAIRMAN

Annexure to the Directors' Report, 2011 - 12

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as at March 31, 2012.

Particulars		SCUF Employees Stock Option Scheme, 2006
A)	Options granted	13,55,000 equity shares of ₹ 10/- each
B)	The pricing formula	₹ 35/- per option
C)	Options vested	13,55,000
D)	Options exercised	9,67,209
E)	The total number of shares arising as a result of exercise of option	9,67,209
F)	Options lapsed	Nil
G)	Variation of terms of options	Nil
H)	Money realised by exercise of options	₹ 3,38,52,315/-
I)	Total number of options in force	3,87,791
J)	Director and employee wise details of options granted to:	
	i) Director(s) including Managing Director and Senior Management Personnel	None
	ii) Any other employee who receives a grant of option amounting to 5% or more of option granted	Nil
	iii) identified employees who were granted option equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
K)	Diluted earnings per share (EPS) pursuant to issue of Shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	₹ 68.22
	i) Method of calculation of employee compensation cost	Intrinsic value method
	ii) Difference between the employee compensation cost so calculated at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options	<p>Employee Compensation cost</p> <p>As per Fair Value method (Using Black Scholes Model) ₹ 30.82 crores</p> <p>As per Intrinsic Value method ₹ 30.69 crores</p> <p>Difference in cost ₹ 0.13 crores</p>

Annexure to the Directors' Report, 2011 - 2012

Particulars		SCUF Employees Stock Option Scheme, 2006	
	iii) The impact of this difference on profits and on EPS of the Company	As per Fair Value method (Using Black Scholes Model)	₹ 1.93 crores
		As per Intrinsic Value method	₹ 1.92 crores
		Impact on Profit	₹ 0.01 crores
		Impact on Diluted EPS	NIL
L)	Weighted average exercise price	₹ 35.00	
	Weighted average fair value	₹ 227.42	
M)	Fair value of options based on Black Scholes methodology		
	Assumption risk free rate	7.67 %	
	Expected life of options (in years)	5	
	Expected volatility (based on Monthly Volatility of the Company's stock price on the NSE)	55.36%	
	Expected Dividends per share	₹ 3.00	
	Closing market price of share at NSE on date of option granted	₹ 261.45	

PIJUSH GUPTA & CO
CHARTERED ACCOUNTANTS
P-199, C.I.T.ROAD ,SCHEME IV-M, KOLKATA 700 010

This is to certify that the `SCUF Employees Stock Options Scheme 2006' of Shriram City Union Finance Ltd has been implemented in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and the resolution passed by the Company at its Extraordinary General Meeting held on October 30,2006 wherein the aforesaid scheme was approved by the shareholders.

This certificate is issued under Clause 14.1 of the aforesaid Guidelines.

For **Pijush Gupta & Co.**
Firm Registration No:309015E
Chartered Accountants

Place: Chennai
Date :May 18 ,2012

Ramendra Nath Das
Partner
Membership No. 014125

MANAGEMENT DISCUSSIONS & ANALYSIS

MACRO ECONOMIC ENVIRONMENT:

Indian economy growth is at 6.5% for the FY 2011-12 as per latest estimates, mainly due to weakening industrial growth and investment slowdown. This indicates a slowdown compared not just to the previous two years, when the economy grew by 8.25%, but also from 2003 to 2011, except 2008-09 economic downturn, when the growth rate was 6.8 %.

The Economic Survey points out that inflation as measured by the wholesale price index (WPI) was high during most of the current fiscal year, though by year end there has been a clear slowdown in price rise.

Monetary policy was tightened by the Reserve Bank of India (RBI) to control inflation and curb inflationary expectations. The year witnessed a sharp increase in interest rates that resulted in higher costs of borrowings; and other rising costs affecting profitability and, thereby, internal accruals that could be used to finance investment.

But despite the low growth figure of 6.5% , India remains one of the fastest growing economies of the world as all major countries including the fast growing emerging economies are seeing a significant slowdown.

While a large part of the reason for the slowing of the Indian economy can be attributed to global factors, domestic factors also played a role. Among these are the tightening of monetary policy owing to high and persistent headline inflation and slowing investment and industrial activity.

Despite these headwinds, however, for the Indian economy, the outlook for growth and price stability at this juncture looks quite more promising. There are signs from some high frequency indicators that the weakness in economic activity has bottomed out and a gradual upswing is imminent. The Economic Survey expects the growth rate of real GDP to pick up to 7.6% in 2012-13 and faster beyond that.

MSME LENDING:

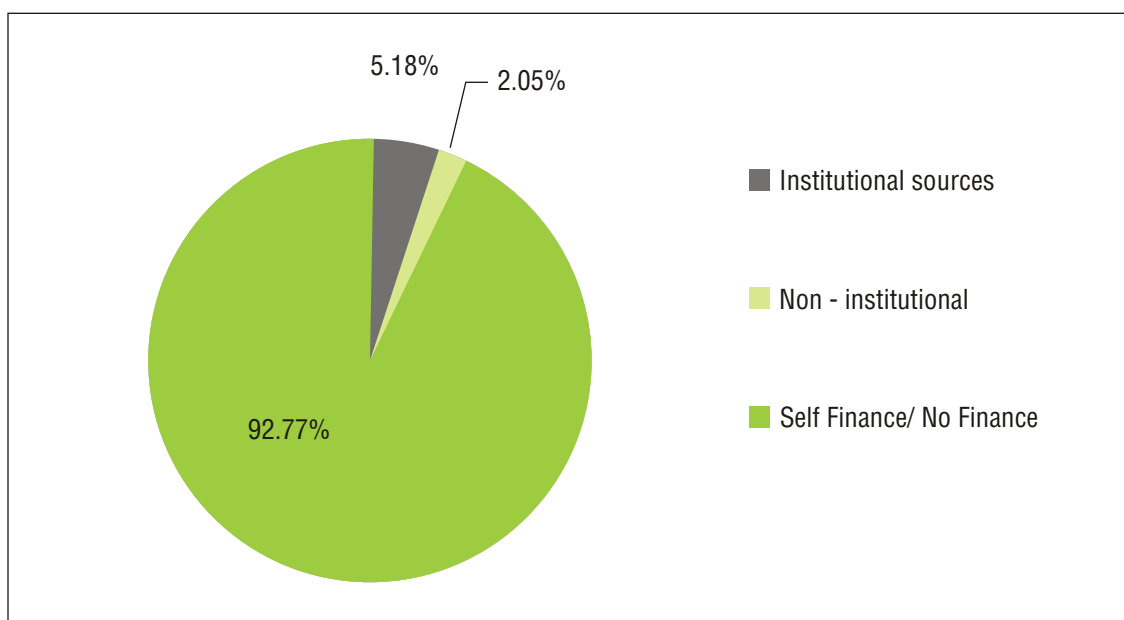
With more than 30 million enterprises, the micro, small and medium enterprises (MSME) sector is considered an important vehicle of faster, sustainable and more inclusive growth of the Indian economy. It provides the second largest source of employment to more than 70 million persons. Its contribution to the economy is also very significant: directly and indirectly, almost 45% of the manufacturing output and around 40% of the total exports are by this sector. Besides being highly resilient with greater capital productivity, the sector also contributes greatly towards reducing regional disparity and thereby raising the socio-economic empowerment level.

While the sector is striving to harness its growth potential, it faces a number of issues and challenges. The Prime Minister's Task Force on MSMEs has identified various such issues like lack of credit, high cost of credit, delayed payments, procurement of raw materials at a competitive cost, lack of access to global markets, inadequate infrastructure facilities, low level of technology modernization, lack of skilled manpower, marketing, revival of viable sick units, so on.

The issue of adequate, timely and affordable credit to the MSME sector has been drawing the attention of policy-makers since long. There still remains a wide credit gap for the sector. According to a study by IFC-Intellect (2011), the MSME financing gap (both debt and equity) for the FY 2010 was estimated at ₹ 7.24 lakh crore (52%), comprising credit gap of ₹ 4.77 lakh crore (42%) and equity gap of ₹ 2.47 lakh crore (99.9%).

Much, however, remains to be done as a significantly large number of MSMEs do not yet have access to credit from the organized financial sector.

Access to timely and adequate credit is critical for MSMEs growth and development. The statistics compiled in the Fourth Census of MSME sector September 2009 revealed that only 5.18% of the units (both registered and unregistered) had availed of finance through institutional sources, 2.05% had finance from non-institutional sources the majority of units i.e. 92.77% had no finance or depended on self finance.



Source: Highlights of 4th Census on MSMEs

Global slowdown and MSMEs

The recent past has been a challenging time for both the bankers and the MSME sector due to recession in many countries of the globe and depreciation of the rupee. The recession has led to slowing down of the global demand for goods and services. However, MSMEs are the best vehicle to create local demand and consumption and also to fight with the global meltdown by tapping the huge demand in the local market.

Conclusion:

MSMEs will continue to play a very important and vital role in our economy where the twin problems of unemployment and poverty constitute a major developmental challenge.

In fact, if India were to have a growth rate of 8-10 percent for the next couple of decades, it needs a strong micro, small and medium sector. MSMEs are the best vehicle for inclusive growth, to create local demand and consumption.

FINANCING OF MSME'S BY SHRIRAM CITY:

Shriram City sees a huge opportunity available for financing of the MSME's, the same has been well complemented with the localized presence and the domain knowledge. Also the Company has well developed techniques to assess the credit worthiness of this class of customers.

The locally drawn field force and decentralized decision making authority within the well developed and seasoned credit policy which is centralized makes financing of MSME's viable for Shriram City.

REVIEW OF PERFORMANCE FOR 2011-12:

Financials:

Shriram City continued to demonstrate the consistent performance during the year ended 31st March 2012 and has recorded a year on year Top line growth of 54% and the same stood at ₹ 2,037 Crores, contributable to the assets under management recording a year on year growth of 68%.

The profit after tax for the year ended March 2012 stood at ₹ 342.53 Crores as against ₹ 240.59 Crores during the same period the previous year.

The assets under management as at 31st March 2012 stood at ₹ 13,431 Crores, with the off book assets at 19.5% of the total AUM.

The disbursement for the year ended was at ₹ 13,898 Crores, recording a 77% year on year growth. The focus remains on the Small enterprises finance and that the disbursement in this segment has recorded a 123% growth year on year.

Asset Quality

The growth has been without any compromise on the asset quality and the Gross Non -Performing Assets (GNPA) is at 1.58% (₹ 167 Crores in absolute terms) and the Net Non- Performing Assets (NPA) is at 0.38% thereby the coverage ratio is at 76%.

Borrowing Profile:

The total on book borrowings as at March 2012 stood at ₹ 9,623 Crores, 54% of the borrowings are from the banks and 28% through the retail borrowings, the market borrowings constituted 10% and the public issue of NCD at 8%.

Credit Ratings:

Shriram City is rated as “AA” by Care & “AA-“by Crisil & Fitch. All the three rating agencies have provided Top notch credit rating on the short term instruments of Shriram City.

Capital Adequacy Ratio:

The capital adequacy ratio as at March 2012 is at 17.4% with Tier I Capital Adequacy Ratio at 13.46%.

SUBSIDIARY:

In August 2011, Shriram Housing Finance Limited (SHFL), housing finance subsidiary of the Company received approval from the National Housing Bank. Subsequently, the lending operations commenced. SHFL also received interest from a leading Private Equity investor and an agreement to invest was signed in March 2012.

INTERNAL AUDITS AND CONTROL:

Internal Audit is an independent, appraising activity for the review of the various functions. The Company has been taking continuous steps to upgrade the system of internal audit to make the same contemporary and relevant with the changes in the Business and the environment in which the Company operates.

The internal audit comprises of three layers “Internal Audit”, “Management Audit” and the “Audit Committee”.

The internal audit is responsible for conducting audits of the various departments, the management audit team reviews the adequacy of the internal controls and findings thereof, this team is also responsible for suggesting improvements required to make the internal audit team more effective.

The Audit committee reviews the internal audit report and also monitors the implementation of the suggestions if any along with the management audit team.

TECHNOLOGY:

The Company has been consistently taking steps to upgrade & implement the latest technology aiming at maintaining the asset quality, and reduction in the turnaround time & access to real time data.

HUMAN RESOURCES MANAGEMENT:

As the business model of the Company is driven more by relationship based model, Human Resources management becomes more critical and therefore the Company takes continuous HR initiatives to ensure that the teams are fully empowered to perform and deliver to their fullest extent towards achieving the set business targets.

RISK MANAGEMENT:

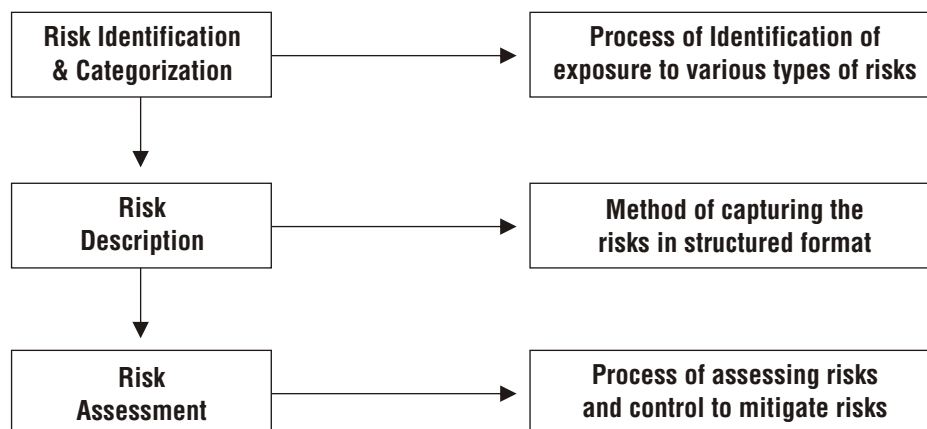
The Company has robust Risk Management Framework in which material risks are proactively identified, communicated and managed across the organization. The Company recognizes that risk management as an integral part of sound management practice and good corporate governance as it improves decision making and enhances outcomes and accountability.

The risk management system also ensures that responsibilities have been appropriately delegated The Management is committed to 'best practice' risk management practices across the business.

The application of the Risk Management policy and related procedures will provide the basis for a robust risk management framework which comprises:

- More confident and rigorous decision-making and planning;
- Better identification of opportunities and threats;
- Proactive management of opportunities and threats;
- More effective allocation and use of resources;
- Improved incident management and reduction in loss and the cost of risk;
- Improved stakeholder confidence and trust;
- A clear understanding by all staff of their roles, responsibilities and authorities for managing risk;
- Improved compliance with relevant legislation;
- Better corporate governance; and
- The development of a more risk aware organizational culture through enhanced communication and reporting of risk.

Process of Risk Assessment & Risk Strategy



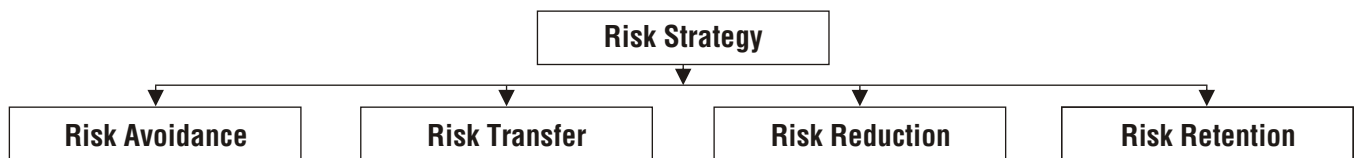
Identification and categorization of risks:

Risks are classified broadly into the following categories:

1. **Strategic Risk:** include the range of external events and trends (like Government policy, competition, court rulings or a change in stakeholder requirements) that can adversely impact the company's strategic growth trajectory and destroy shareholder value.
2. **Operating Risk:** are those risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, legal risks, physical or environmental risks.
3. **Reporting Risk:** are those risks associated with reporting financial statements.
4. **Compliance Risk:** are the risks to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards.

Risk Strategy:

Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, the Company has formulated its Risk Management Strategy.



Key Risks and Mitigating Factors:

➤ Operational Risk

- Seasoned & efficient credit policies formulated centrally and implemented decentralized
- Multiple products ensure risk diversification
- Localized presence and Domain knowledge
- Effective risk management system

➤ Liquidity & Interest Rate Risk:

- Optimum mix of retail & institutional borrowings
- Balanced mix of fixed / floating rate loans

➤ Human Resources Risk:

- Compensation package inclusive of performance based incentives
- Continuous upgrade of job oriented skills through various trainings
- Promising career growth for deserving employees as evident from low attrition levels

Annexure to the Directors' Report for the year ended on March 31, 2012

REPORT ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at :

- (a) Enhancing long term shareholder value through
 - Assisting the top management in taking sound business decisions; and
 - Prudent financial management.
- (b) Achieving transparency and professionalism in all decisions and activities of the Company.
- (c) Achieving excellence in Corporate Governance by
 - Conforming to the prevalent guidelines on Corporate Governance and excelling in it, wherever possible.
 - Reviewing periodically the existing systems and controls for further improvements.

1. BOARD OF DIRECTORS

Size & Composition

The Board of Directors of the Company consists of optimum combination of Executive, Non Executive & Independent Directors to ensure independent functioning of the Board. All independent Directors meet the criteria of independence as defined in Clause 49 IA (iii) of the listing agreement with stock exchanges.

The present strength of the Board is 11, consisting of a Non Executive and Non Independent Chairman, a Managing Director and 9 Non Executive Directors. The Board of Directors of the Company consists of professionals from varied disciplines. The Board Members possess the skill, experience and expertise required to guide the Company.

The Composition of Board of Directors is as under :-

S No	NAME OF THE DIRECTOR	CATEGORY OF DIRECTORSHIPS		POSITION
		Executive/Non Executive	Independent/ Non Independent	
1)	Sri Arun Duggal	Non Executive	Non Independent	Chairman
2)	Sri R Kannan	Executive	Non Independent	Managing Director
3)	Sri R Duruvasan	Executive	Non Independent	Managing Director
4)	Sri S Krishnamurthy	Non Executive	Independent	Director
5)	Smt Lakshmi Pranesh	Non Executive	Independent	Director
6)	Sri Mukund Govind Diwan	Non Executive	Independent	Director
7)	Sri V Murali	Non Executive	Independent	Director
8)	Sri Puneet Bhatia	Non Executive	Non Independent	Director
9)	Sri Ranvir Dewan	Non Executive	Non Independent	Director
10)	Sri K R Ramamoorthy	Non Executive	Independent	Director
11)	Sri G S Sundararajan	Non Executive	Non Independent	Director
12)	Sri Sunil Varma	Non Executive	Independent	Director
13)	Sri S Venkatakrishnan	Non Executive	Non Independent	Director
14)	Sri Vipen Kapur	Non Executive	Independent	Director

Annexure to the Directors' Report for the year ended on March 31, 2012

Sri R.Kannan resigned from the position of Managing Director and Director w.e.f. June 5, 2012

Sri R.Duruvasan was appointed as an additional director and Managing Director w.e.f. June 6, 2012

Sri Mukund Govind Diwan resigned from the Board w.e.f. November 15, 2011

Sri V.Murali was appointed as an additional director w.e.f. December 1, 2011

Sri K.R.Ramamoorthy resigned from the Board w.e.f. November 2, 2011

None of the Directors hold any equity shares/warrants in the Company. All the Directors have made declaration about their category of directorships in the Company at the time of their appointment and annually. All such declarations are/were placed before the Board of Directors. No director on Board is related to the other in terms of 'relative' defined under Companies Act 1956.

1.1 Board process

The Board meets at least once a quarter to review the performance and financial results. Apart from this, additional Board meetings are held by giving appropriate notice to address the specific needs of the Company. The maximum time gap between two meetings does not exceed four months. The Board meetings are generally scheduled well in advance. The notice and agenda of each Board Meeting are given in writing to each director well in advance of the meeting. In special and exceptional circumstances, additional or supplementary item(s) are permitted. Where it is not practicable to attach any document to the agenda, the same are tabled at the meeting. In cases of business exigencies or urgent matters, resolutions are passed by circulation. The information as per the requirement of corporate governance norms are made available to the Board including the information as mentioned in Annexure-1A to Clause 49 of the listing agreement. The Board is also free to recommend inclusion of any matter for discussion in consultation with the Chairman.

All the deliberations and decision occurring in every meeting of the Board and its Committees are minuted. The minutes are confirmed and signed in the immediately succeeding Board / Committee meeting.

Important decisions taken at the Board Meetings/Committee Meetings are communicated to concerned departments of the Company and action taken reports on decisions/minutes of previous meetings are placed at the succeeding meetings of the Board/Committee for noting.

The Company's process for Board meetings are followed for committee meetings as far as it is practicable. The minutes of the proceedings of the committee meetings are placed before the Board meeting for perusal and notings.

1.2 Functioning of the board

The Board of Directors is the apex body constituted by share holders for overseeing the overall functioning of the Company. The Board provides strategic direction to the Company, evaluates the same and ensures long term interest of the share holders. The day to day management of the affairs of the Company is entrusted with the senior management personnel, which is headed by the Managing Director, who functions under the overall supervision, direction and control of the Board of Directors of the Company. The Board meets to discuss, review and decide upon the matters such as policy formulation, setting up of goals, appraisal of performances with the goals and control functions. Some of the powers of the Board have also been delegated to Committee/s of Directors. The Board thus exercises close control over the functioning of the Company with a view to enhance the shareholder value. The Board periodically reviews the compliance reports of all applicable laws by the Company as well as steps taken by the Company to rectify instances of non compliance.

1.3 Board meetings and attendance of directors

Six meetings of the Board of Directors were held during the year ending March 31, 2012 - on May 26, 2011, July 28, 2011, October 31, 2011, January 31, 2012 February 27, 2012 and March 29, 2012 and the maximum gap between the two board meeting did not exceed four months.

The attendance of Directors at Board Meetings, last Annual General Meeting (AGM) /Extraordinary General Meeting (EGM) and the number of directorship, membership/chairmanship held by them on the board/committees of the board of other Companies are as under :

Annexure to the Directors' Report for the year ended on March 31, 2012

Sl No	Name of the Director	Position	No of Board meetings held	Board meetings attended	AGM held on dt July 28, 2011	EGM held on dt March 24, 2012	No of directorship held in other companies	Membership and Chairmanship of the Committees of the Board of other companies	
								Membership	Chairmanship
1)	Sri Arun Duggal	Chairman	6	3	Not Present	Not Present	18	2	3
2)	Sri R Kannan	Managing Director	6	6	Present	Present	6	—	—
3)	Sri R Duruvasan	Managing Director	6	—	—	—	1	—	—
4)	Sri S Krishnamurthy	Director	6	6	Present	Present	3	2	1
5)	Smt Lakshmi Pranesh	Director	6	5	Present	Present	—	—	—
6)	Sri Mukund Govind Diwan	Director	6	—	Not Present	—	—	—	—
7)	Sri V Murali	Director	6	3	—	Present	2	—	1
8)	Sri Puneet Bhatia	Director	6	2	Present	Not Present	8	—	—
9)	Sri Ranvir Dewan	Director	6	4	Present	Not Present	6	—	—
10)	Sri K R Ramamoorthy	Director	6	2	Present	—	—	—	—
11)	Sri G S Sundararajan	Director	6	6	Present	Present	6	—	—
12)	Sri Sunil Varma	Director	6	4	Present	Not Present	5	—	—
13)	Sri S Venkatakrishnan	Director	6	5	Present	Present	22	1	1
14)	Sri Vipen Kapur	Director	6	5	Present	Present	1	—	—

Sri R.Kannan resigned from the position of Managing Director and Director w.e.f. June 5, 2012

Sri R.Duruvasan was appointed as an additional director and Managing Director w.e.f. June 6, 2012

Sri Mukund Govind Diwan resigned from the Board w.e.f. November 15, 2011

Sri V.Murali was appointed as an additional director w.e.f. December 1, 2011

Sri K.R.Ramamoorthy resigned from the Board w.e.f. November 2, 2011

The total number of directorships of directors mentioned above includes their directorships in private limited companies, section 25 companies and foreign companies, if any and excludes their directorships in the Company. The memberships/ chairmanships in audit committee and shareholders'/investors' grievance committee in public limited companies (excluding the Company) are mentioned above .

None of the directors of the Board is a member of more than 10 Committees and Chairman of more than 5 Committees as per Clause 49 (I) (C) (ii) of the listing agreement with stock exchanges. All the directors have made requisite disclosures regarding Committee positions occupied by them in other Companies.

Annexure to the Directors' Report for the year ended on March 31, 2012

1.4 Code of conduct for directors and senior management

The Board has laid down Code of Conduct ('Code') for the members of the Board and for designated senior management personnel as required under Clause 49 (I) (D) of the listing agreement with stock exchanges. The codes have been posted on the web site of the Company at www.shriramcity.in. All the Board members and the designated senior management personnel have annually affirmed compliance with the Code. A declaration to this effect signed by the Managing Director is attached to this Report.

1.5 Remuneration of Directors

The Managing Director was not paid any remuneration during the year, as he consented not to take any remuneration.

Non Executive Independent Directors get sitting fees for each of the meeting of the Board of Directors (₹ 15,000 for each Board Meeting attended) / Committees (₹ 10,000/- for each Committee Meeting) attended . No other remuneration is paid to the directors.

The details of sitting fees / remuneration paid to the directors for the year ended March 31, 2012 are given below:

Sl No	Name of the Director	Category	Position	sitting fees for attending meetings ₹	Salary, allowances & Perquisites ₹	Total ₹
1)	Sri Arun Duggal	Non Executive, Non Independent	Chairman	—	—	—
2)	Sri R Kannan	Executive, Non Independent	Managing Director	—	—	—
3)	Sri R Duruvasan	Executive, Non Independent	Managing Director	—	—	—
4)	Sri S Krishnamurthy	Non Executive, Independent	Director	2,20,000/-	—	2,20,000/-
5)	Smt Lakshmi Pranesh	Non Executive, Independent	Director	1,05,000/-	—	1,05,000/-
6)	Sri Mukund Govind Diwan	Non Executive, Independent	Director	—	—	—
7)	Sri V Murali	Non Executive, Independent	Director	45,000/-	—	45,000/-
8)	Sri Puneet Bhatia	Non Executive, Non Independent	Director	—	—	—
9)	Sri Ranvir Dewan	Non Executive, Non Independent	Director	—	—	—
10)	Sri K R Ramamoorthy	Non Executive, Independent	Director	30,000/-	—	30,000/-
11)	Sri G S Sundararajan	Non Executive, Non Independent	Director	—	—	—
12)	Sri Sunil Varma	Non Executive, Independent	Director	1,00,000/-	—	1,00,000/-
13)	Sri S Venkatakrishnan	Non Executive, Non Independent	Director	—	—	—
14)	Sri Vipen Kapur	Non Executive, Independent	Director	1,15,000/-	—	1,15,000/-

Annexure to the Directors' Report for the year ended on March 31, 2012

Sri R.Kannan resigned from the position of Managing Director and Director w.e.f. June 5, 2012

Sri R.Duruvasan was appointed as an additional director and Managing Director w.e.f. June 6, 2012

Sri Mukund Govind Diwan resigned from the Board w.e.f. November 15, 2011

Sri V.Murali was appointed as an additional director w.e.f. December 1, 2011

Sri K.R.Ramamoorthy resigned from the Board w.e.f. November 2, 2011

2. COMMITTEES OF THE BOARD

The Company has Board level committees-Audit Committee, Shareholder's/Investors' Grievance Committee, Remuneration and Compensation Committee, Asset Liability Management Committee, Banking & Finance Committee, Debenture Allotment Committee, Debt Allotment Committee, Debt Issuance Committee, Equity Allotment Committee, ESOP Allotment Committee, Share Transfer Committee and Financial Results Review Committee.

All decisions pertaining to the constitution of the committees, appointment of members, fixing the terms of reference are taken by the Board as per guide lines set out in clause 49 (II) of the listing agreement with stock exchanges .Details on the role and composition of committees, number of meetings held during the year 2011-12 and related attendance are provided below.

3. AUDIT COMMITTEE

The Audit Committee has been constituted as per section 292 A of the Companies Act 1956 and the guidelines set out in clause 49(II) of the listing agreement with stock exchanges.

3.1 Brief description of the terms of reference

To oversee the financial reporting process and ensure proper disclosure, review, the financial statements,

To recommend appointment and re-appointment of auditors including their remuneration, to have pre and post audit discussion with statutory auditors and review their performance,

To review the appointment , removal and terms of remuneration of the internal auditors and review their performance

Reviewing internal audit function, reports, coverage and frequency of internal audit and discussing with internal auditors on any significant findings,

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any,

To review the functioning of the whistle blower mechanism,

To have management discussion and analysis of financial condition and results of operations,

To review significant related party transactions,

Any other function assigned by the Board from time to time

Annexure to the Directors' Report for the year ended on March 31, 2012

3.2 Composition & attendance :

The Committee met 4 times during the financial year on May 26, 2011, July 27, 2011, October 31, 2011 and January 30, 2012.

Name of the Director	Position	Category	No of meetings held	No. of meetings attended
Sri Sunil Varma	Chairman	Non Executive ,Independent	4	4
Sri S Krishnamurthy	Member	Non Executive ,Independent	4	4
Smt Lakshmi Pranesh	Member	Non Executive ,Independent	4	3
Sri Mukund Govind Diwan	Member	Non Executive ,Independent	4	—
Sri Ranvir Dewan	Member	Non Executive, Non Independent	4	4
Sri S Venkatakrishnan	Member	Non Executive, Non Independent	4	4

Sri Mukund Govind Diwan resigned from the Board w.e.f. November 15, 2011.

The Company Secretary of the Company is the Secretary of the Committee.

4. REMUNERATION AND COMPENSATION COMMITTEE :

4.1 Brief description of terms of reference :

Entire gamut of remuneration packages to working directors and employees stock option scheme and review of related policies and practices.

4.2 Composition and attendance:

The Committee met 5 times during the financial year on May 26, 2011, July 27, 2011, October 31, 2011, January 30, 2012 and February 27, 2012. The composition of the Committee and their attendance are as under.

Name of the Director	Position	Category	No of meetings held	No. of meetings attended
Sri Vipen Kapur	Chairman	Non Executive, Independent	5	4
Sri S Krishnamurthy	Member	Non Executive, Independent	5	5
Sri Mukund Govind Diwan	Member	Non Executive, Independent	5	—
Sri V Murali	Member	Non Executive, Independent	5	—

Sri Mukund Govind Diwan resigned from the Board w.e.f. November 15, 2011

Sri V Murali was appointed as the Member of the Committee w.e.f. June 6, 2012

Annexure to the Directors' Report for the year ended on March 31, 2012

The Remuneration and Compensation Committee at its meeting held on May 30, 2009 formed a sub committee named 'Employee Stock Option Scheme Allotment Committee' comprising of Sri S Venkatakrishnan as the Chairman and Sri R Kannan as Member and empowered the Sub Committee to consider allotment of shares under Company's Employees Stock Option Scheme to those employees who exercise the options. The Committee met on April 30, 2011, June 7, 2011, June 29, 2011, August 1, 2011, August 30, 2011, October 3, 2011, November 5, 2011, December 3, 2011, December 29, 2011, February 4, 2012, March 1, 2012, March 31, 2012 during the financial year. The minutes of the Employee Stock Option Scheme allotment committee are placed before the meeting of Remuneration and Compensation Committee.

During the year ended March 31, 2012, 5,30,332 options were allotted to the employees in exercise of their Options .

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE :

5.1 Brief description of terms of reference :

Redressal of shareholders', investors', Debenture holders, Debt Holders, grievances, if any,

Consideration of customers complaints, facilitating better investor/customer services and relations, review of unclaimed dividends/deposits/debentures/sub ordinate debt and related action,

Address matters relating to Depositories , Registrar and Transfer Agents, Monitor the Code of Conduct for Insider Trading pursuant to SEBI (Prohibition of Insider Trading) Regulations , 1992

5.2 Composition & attendance :

The Committee had met 4 times during the financial year on May 26, 2011, July 27, 2011, October 31, 2011 and January 30, 2012. The composition of the committee and the attendance are as under.

Name of the Director	Position	Category	No of meetings held	No. of meetings attended
Sri S Venkatakrishnan	Chairman	Non Executive, Non Independent	4	4
Sri R Kannan	Member	Executive, Non Independent	4	4
Sri R Duruvasan	Member	Executive, Non Independent	4	—
Sri S Krishnamurthy	Member	Non Executive, Independent	4	4

Sri R.Kannan resigned as a Member of the Committee w.e.f. June 5, 2012

Sri R.Duruvasan was appointed as a member of the Committee w.e.f. June 6, 2012

Sri C R Dash, Company Secretary of the Company is the Compliance Officer. The Company received 1 complaint from a share holder during the year ended on March 31, 2012. This complaint was resolved and no complaint was pending as on March 31, 2012.

Annexure to the Directors' Report for the year ended on March 31, 2012

6. BANKING & FINANCE COMMITTEE

6.1 Brief description of terms of reference :

The Committee is formed to monitor mobilisation of resources, authorisation for banking transactions, activities related to banking and borrowing power within the specified limits and to ensure efficient and timely decisions on the matters related to banking and borrowing.

6.2 Composition and attendance:

The Committee met 48 times during the financial year. The composition of the committee and their attendance are as under .

Name of the Director	Position	Category	No of meetings held	No. of meetings attended
Sri S Venkatakrishnan	Chairman	Non Executive, Non Independent	48	48
Sri R Kannan	Member	Executive, Non Independent	48	48
Sri G S Sundararajan	Member	Non Executive, Non Independent	—	—
Smt Subhasri Sriram	Member	Executive Director & Chief Financial Officer	—	—

Sri R.Kannan resigned as a Member of the Committee w.e.f. June 5, 2012

Sri G S Sundararajan was appointed as a Member of the Committee w.e.f. June 6, 2012

Smt Subhasri Sriram was appointed as a Member of the Committee w.e.f. June 6, 2012

7. FINANCIAL RESULTS REVIEW COMMITTEE

This Committee was constituted by the Board of Directors of the Company on August 17, 2007, under Clause 41 of the Listing Agreement. The Committee is responsible for approving the quarterly financial results when the Board of Directors does not meet. No meetings were held for the Committee during the financial year.

8. ASSET LIABILITY MANAGEMENT COMMITTEE

8.1 Brief terms of reference

The Asset-Liability Management Committee (ALCO) assists the Board of Directors in balance sheet planning from risk-return perspective including strategic management of interest rate and liquidity risks, management of liquidity risk and market risk, fund and capital planning, profit planning and growth projection, analysis and forecasting of future business environment and contingency plans.

During the year under review, the Committee met 4 times on April 29, 2011, July 8, 2011, October 28, 2011 and January 30, 2012.

8.2 Composition & attendance

Name of the Director	Position	Category	No of meetings held	No. of meetings attended
Sri. R. Kannan	Chairman	Executive, Non Independent	4	4
Sri R Duruvasan	Chairman	Executive, Non Independent	—	—
Smt Subhasri Sriram	Member	Executive Director and Chief Financial Officer	4	4
Sri R Chandrasekar	Member	Executive Director	4	4

Annexure to the Directors' Report for the year ended on March 31, 2012

Sri R Kannan resigned as the Chairman of the Committee w.e.f. June 5, 2012

Sri R Duruvasan was appointed as the Chairman of the Committee w.e.f. June 6, 2012

9. MONITORING OF SUBSIDIARY COMPANY

The Company has got one non listed non material subsidiary company. The subsidiary company is managed by it's Board of Directors. Since, the subsidiary company is not a material non listed subsidiary, the Company is not required to nominate one of it's independent directors on the Board of the subsidiary. The Company monitors the subsidiary by the following means :

- i) The financial statements, in particular the investments made by the subsidiary company are reviewed by the audit committee of the Company.
- ii) All the minutes of the Board meetings of the subsidiary company are placed before the Company's board regularly.
- iii) A statement containing all the significant transactions and arrangements entered into by the subsidiary company is placed before Board of the Company.

10. SHARE HOLDER INFORMATION AND DISCLOSURES

10.1 Corporate

The Company was incorporated on March 27, 1986 as Shriram Hire-Purchase Finance Private Limited with Registrar of Companies, Tamil Nadu, Chennai and got fresh certificate of incorporation consequent to change of name to Shriram City Union Finance Limited with effect from April 10, 1990. The Company made an initial public offering in December, 1994. The corporate identification number (CIN) allotted to the Company by Ministry of Corporate Affairs (MCA) is L65191TN1986PLC012840.

10.2 Appointment and reappointment of directors

One third of the Directors retire by rotation and if eligible seek reappointment at AGM of the shareholders of the Company. At the ensuing AGM, Sri S Venkatakrishnan, Sri G S Sundararajan and Sri Sunil Varma will retire. The Board has recommended the reappointment of all the retiring directors. The Board has also recommended the appointment of Sri V Murali additional director to be appointed as director liable to retire by rotation. Board also has further recommended appointment of Sri R. Duruvasan, additional director to be appointed as a director and Managing Director of the Company for a period of five years. The detailed profiles of all these directors as required under clause 49 (IV) (G) of the listing agreement with stock exchanges are attached to this report.

10.3 General body meetings

The date, time and venue of last three Annual General Meetings (AGMs) held and special resolutions passed there at along with the details of the Extraordinary General Meeting (EGM) held during the year ended on March 31, 2012 are as under.

Year ended March 31	AGM/EGM	Location	Date	Time	Special Resolutions passed
2009	23rd AGM	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet Chennai - 600 018	July 30, 2009	11.00 am	Nil
2010	24th AGM	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet Chennai - 600 018	July 30, 2010	11.00 am	Nil
2011	25th AGM	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet Chennai - 600 018	July 28, 2011	11.00 am	Nil
2011	EGM	Sri Krishna Gana Sabha (Mini Hall), No 20, Maharajapuram Santhanam Salai, T. Nagar, Chennai-600 017	March 24, 2012	11.00 am	*As below

Annexure to the Directors' Report for the year ended on March 31, 2012

During the year ended March 31, 2012, no special resolution was passed through postal ballot. No special resolution is proposed to be conducted through postal ballot at the ensuing AGM.

*Special resolutions for alteration of articles of association of the Company for increase in authorised capital and issue of equity shares and warrants on preferential basis to Shriram Capital Ltd were passed in the said EGM. An ordinary resolution for increase in authorised capital was also passed in the said EGM.

10.4 Materially significant related party transactions

During the year under consideration, there were no materially significant related party transactions entered into, which were in potential conflict with the interest of the Company at large. The details of related party transactions are presented in note no 25 of the notes to accounts forming part of the annual report.

10.5 Accounting treatment

The Company follows the accounting treatment as prescribed in accounting standard and the details of same appears in notes to accounts section of this annual report.

10.6 Risk management

This annual report has got a detailed chapter on management discussion and analysis on risk management.

10.7 Proceeds of the public issue and preferential issue

During the year ended March 31, 2012, the Company made a public issue of secured non convertible debentures (NCD) of face value of ₹ 1,000 each aggregating upto ₹ 375 crores with an option to retain over subscription upto ₹ 375 crores for issuance of additional NCDs aggregating to a total upto ₹ 750 crores. The Company retained the additional subscription and allotted NCDs for ₹ 750 crores. The Company also during the year ended March 31, 2012 issued and allotted on preferential basis 23,00,000 equity shares of ₹ 10 each for cash at a subscription price of ₹ 570 (including a premium of ₹ 560 each) each and 59,00,000 warrants at a subscription price of not less than ₹ 143 for each warrant conferring an option to the holder to subscribe to one equity share per warrant at the exercise price of ₹ 570 per warrant to Shriram Capital Limited.

The utilisation of the proceeds of both the issues have been placed before audit committee, reported in quarterly declaration of financial results and have been reported to stock exchanges duly certified by the statutory auditors of the Company. The utilisation statement is reported in note no 27 (ii) of the notes to accounts forming part of this report

10.8 Details of non compliance and penalties, strictures imposed, if any

There have been no instances of non compliance by the Company on any matter relating to capital market during last three years and hence no penalties, strictures have been imposed on the Company by stock exchanges or SEBI or any other statutory authority.

10.9 Whistle blower policy

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting unethical behavior. The Company has adopted a whistle blower policy and has established the necessary mechanism in line with clause 49 of the listing agreement with the stock exchanges, for employees to report concerns about unethical behaviour. No person has been denied access to the audit committee.

10.10 Reconciliation of share capital audit

SEBI has mandated reconciliation of share capital audit under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 read with SEBI Circular No. D&CC/FITTC/Cir-16/2002 dated December 31, 2012 and SEBI Circular No. CIR/MRID/DP/30/2010 dated September 06, 2010. Accordingly audit for reconciliation of share capital admitted with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd (CDSL) with the total issued and listed capital has been carried out on a quarterly basis during the year ended on March 31, 2012 by a Practicing Company Secretary appointed by the committee of the Board. The audit has confirmed that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form and total number of dematerialised shares with NSDL and CDSL.

Annexure to the Directors' Report for the year ended on March 31, 2012

10.11 Means of communication

The audited financial results, the quarterly results and half-yearly results of the Company were published in English ('Business Line') and Tamil newspaper ('Makkal Kural') within 48 hours of conclusion of the Board or Committee Meetings at which the financial results were approved. The results are also displayed at Company's website www.shriramcity.in. The Company's web site www.shriramcity.in contains a separate section "INVESTOR", where shareholder information is available. The annual report of the Company is also available in the same section of the web site of the Company and is in downloadable form. The Annual Report of the Company containing stand alone financial statements, consolidated financial statements, auditor's report thereon and other important information are circulated to members and others entitled thereto. The investor complaints are processed in centralized web based complaints redressal system controlled by SEBI and is known as SEBI Complaint redress system (SCORES). The company has designated an email id sect@shriramcity.in exclusively for investor servicing. As required under Clause 52 of the listing agreement with stock exchanges, the information about corporate governance, shareholding pattern, financial results etc. are available in the web site of CFDS viz www.corpfiling.co.in. The Company has also been filing the information related to corporate governance and shareholding pattern in the website of NEAPS (National Electronic Application Processing System) viz www.connect2nse.com.

10.12 Details of twenty sixth AGM

a. Date and Time	July 27, 2012 at 10 am
b. Venue	Narada Gana Sabha ('Mini Hall'), No.314 (Old No 254), T T K Road, Alwarpet, Chennai 600 018.
c. Book Closure	July 20, 2012 - July 27, 2012(both days inclusive)
d. Dividend	<p>An interim dividend of ₹ 2.5 per equity share was declared by the board of directors at its meeting held on October 31, 2011 and the payments thereof were effected on November 23, 2011.</p> <p>The payment of final dividend upon declaration by the shareholders at the AGM, will be made on or after July 31, 2012 to those members, whose name appear on the Register of members as on the record date.</p>

10.13 Financial year

April 1, 2012 to March 31, 2013

10.14 Details of listing on stock exchanges

Name of the Stock Exchange	Stock Code (equity shares)
Madras Stock Exchange Limited (MSE)	SRIRACITUN
Bombay Stock Exchange Limited (BSE)	532498
National Stock Exchange of India Limited(NSE)	SHRIRAMCIT
Demat ISIN Number in NSDL & CDSL	INE722A01011

Annexure to the Directors' Report for the year ended on March 31, 2012

10.15 Details of debentures listed on stock exchanges

The debentures of the Company of face value of ₹ 1,000 each offered for subscription to public under Prospectus dated August 1, 2011 are listed on both NSE and BSE. The ISIN details of the same are as under :

Option	ISIN	Coupon rate	Scrip Code in NSE	Scrip Code in BSE	Date of Allotment	Date of Maturity	Put and Call Option
I	INE722A07208	11.60%	N1	934820	August 26, 2011	August 25, 2016	Exercisable at the end of 48 months from the date of allotment
I	INE722A07224	11.85%	N2	934822	August 26, 2011	August 25, 2016	Exercisable at the end of 48 months from the date of allotment
I	INE722A07216	12.10%	N3	934821	August 26, 2011	August 25, 2016	Exercisable at the end of 48 months from the date of allotment
II	INE722A07232	11.50%	N4	934823	August 26, 2011	August 25, 2014	
II	INE722A07257	11.60%	N5	934825	August 26, 2011	August 25, 2014	
II	INE722A07240	11.85%	N6	934824	August 26, 2011	August 25, 2014	

The Company has paid annual listing fees for the financial year 2012-13 to BSE, MSE and NSE on time.

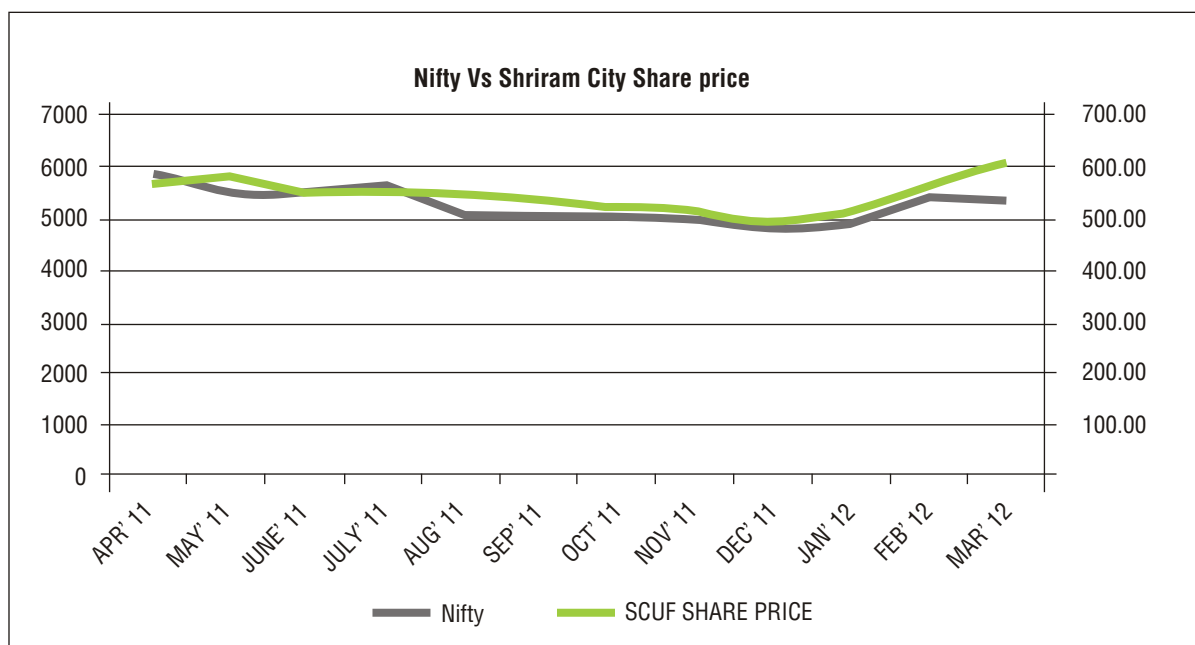
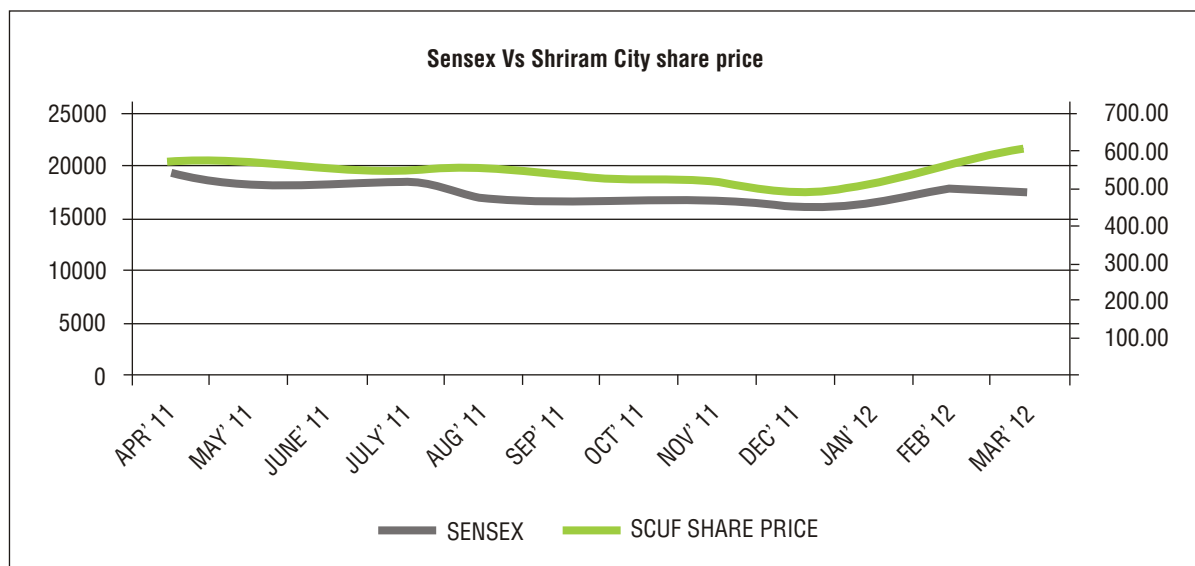
10.16 Stock market price data

The high and low market price and volume of shares traded during each month of the financial year ended March 31, 2012 are given below.

Month	BSE (for the month)			NSE (for the month)		
	Share prices (In ₹ per share)		No of shares traded	Share prices (In ₹ per share)		No of shares traded
	High	Low		High	Low	
April 11	616.05	534.70	4919	617.20	526.00	70759
May 11	611.00	541.00	3147	611.10	553.20	65623
June 11	566.90	540.50	8347	564.90	540.05	71643
July 11	559.70	540.00	9029	560.25	540.70	75008
Aug 11	575.00	530.00	7205	571.20	530.00	81008
Sep 11	553.95	520.60	4241	544.85	525.10	64093
Oct 11	539.95	513.00	1113	532.30	509.85	34079
Nov 11	546.25	492.45	7292	541.45	490.35	60945
Dec 11	515.00	461.15	4842	505.00	471.15	61890
Jan 12	542.85	471.00	4361	541.05	482.80	102374
Feb 12	580.40	542.75	11607	587.65	540.00	118738
Mar 12	635.10	575.00	4675	637.75	569.80	129419

Annexure to the Directors' Report for the year ended on March 31, 2012

10.17 Share price performance in comparison to broad based indices (BSE Sensex , NSE Nifty)



10.18 Registrar and Transfer Agents (RTA) for equity shares and debentures held in dematerialised form

Integrated Enterprises (India) Limited

II Floor, Kences Towers, No 1, Ramakrishna Street, North Usman Road, T Nagar, Chennai - 600 017

Ph : 044 - 2814 0801 - 03 , Fax no: 044 - 28142479, Email id : corpserve@integratedindia.in

Annexure to the Directors' Report for the year ended on March 31, 2012

10.19 Trustees for debentures

Public issue of debentures

IDBI Trusteeship Services Limited,
 Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai 400 001
 Ph No: 022 - 40807000, Email id : itsl@idbitrustee.co.in

Debentures issued to institutions and retail

GDATrusteeship Limited,
 Survey No. 94/95 Plot No 851, Near Dr. Kurtkoti Hospital, Opposite Kothrud Bus Depot, Bhusari Colony (Right), Paud Road, Pune - 411 038
 Ph No: 020 - 2528008, Email id : dt@gdatrustee.com

10.20 Share transfer system

Transfer of shares existing in dematerialised form are done through the depositories with no involvement of the Company. Transfer of shares existing in physical form are processed and duly endorsed share certificates are issued within stipulated time subject to documents lodged being valid. The transfer documents can be lodged with RTA at the above mentioned address for transfer of shares existing in physical form. The Board of Directors of the Company has delegated the authority to approve transfer, transmission etc of shares of the Company to the share transfer committee. As stipulated under clause 47 (c) of the listing agreement with stock exchanges, the Company obtains a half yearly certificate of compliance for share transfer formalities from a company secretary in practice and files a copy of the said certificate with stock exchanges. There are no deviations reported in the said certificate.

10.21 Distribution of shareholding as at March 31, 2012

No. of equity shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	4548	89.15	510847	0.98
501 - 1000	302	5.92	218314	0.42
1001 - 2000	118	2.31	175368	0.33
2001 - 3000	42	0.82	110600	0.21
3001 - 4000	16	0.31	57558	0.11
4001 - 5000	11	0.22	50445	0.10
5001 - 10000	20	0.39	145302	0.28
10001 and above	45	0.88	51098775	97.57
Total	5102	100.00	52367209	100.00

Annexure to the Directors' Report for the year ended on March 31, 2012

10.22 Shareholding pattern (in %) as at March 31, 2012

Promoters	Banks	NRI's	Mutual Funds	Foreign Companies	FII	Trusts	Public	Total
54.95	0.19	0.06	0.26	19.67	14.89	7.07	2.91	100.00

10.23. Dematerialisation of shares and liquidity

The Company's shares are tradable compulsorily in dematerialised form and are available for trading on both the depositories in India viz. NSDL and CDSL. The connectivity with NSDL and CDSL is established through the RTA. As on March 31, 2012, 4,97,10,229 nos of equity shares (94.93 % of the shares), exist in dematerialised form. The Company's shares are liquid and are actively traded in both NSE and BSE.

10.24 Outstanding GDR/ADR/Convertible warrants, conversion date and impact on equity

The Company has not issued any GDRs / ADRs. 59,00,000 warrants were allotted to Shriram Capital Limited on March 27, 2012 on preferential basis at a subscription price of not less than ₹ 143/- for each Warrant conferring an option to the holder to subscribe to one equity share per warrant at an exercise price of ₹ 570/- per warrant, being a price higher than the price determined as per Regulation 76(1) of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The warrants shall be converted into equity shares within a period not exceeding 18 months from the date of their allotment at the option of the holder and the said warrants are locked in for a period of 18 months from the date of their allotment. On exercise of option of conversion, each of these warrants will give rise to one equity share of ₹ 10 each fully paid up. The Company has also granted stock options to the eligible employees of the Company under Employees Stock Option Scheme, 2006. The details of the scheme are set out under annexure to Directors' Report.

10.25 Location

The company is in the business of Non Banking Finance and operates through various offices in India. The list of locations are mentioned in this Annual Report.

10.26 Address for correspondence

Registered Office :123, Angappa Naicken Street, Chennai 600 001, Ph: 044 - 25341431

Secretarial Office :144, Santhome High Road, Mylapore, Chennai 600 004, Ph : 044 43925300 Email : sect@shriramcity.in

10.27 Calendar for the financial year 2012 - 2013 (tentative)

Annual General Meeting	September, 2013
Unaudited results for the quarter ending June 30, 2012	Last week of July, 2012
Unaudited results for the quarter/ half - year ending September 30, 2012	Last week of October, 2012
Unaudited results for the quarter ending December 31, 2012	Last week of January, 2013
Audited results for the year ending March 31, 2013	Last week of June, 2013

Annexure to the Directors' Report for the year ended on March 31, 2012

10.28 Adoption of mandatory and non mandatory requirements under clause 49 and Annexure I D to the said clause

The Company has complied with all mandatory requirements as per clause 49 of the listing agreement with stock exchanges and has adopted the following non mandatory requirements as mentioned in Annexure I D of the said clause.

- (i) Remuneration committee : The Company has constituted a remuneration committee.
- (ii) Shareholders rights : The communication with shareholders are made as mentioned above as "means of communication" (point no.10.11 of this report).
- (iii) Audit qualification : The Company is in the regime of unqualified financial statements.
- (iv) Training of the Board : The members of the Board are provided with necessary documents, reports, information to familiarise them with the Company's procedures and practices. Periodic presentations are made at Board and Committee meetings on business, performance, risks, strategies updates of the Company. Quarterly updates on statutory compliances are also made.
- (v) Whistle blower policy : The Company has implemented whistle blower policy.

11. CEO AND CFO CERTIFICATION

The Managing Director (MD) and Chief Financial Officer (CFO) of the Company give annual certification on financial reporting and internal control to the Board in terms of Clause 49 (V) of the listing agreement with stock exchanges. The said certificate is attached to this report. The MD and CFO also give quarterly certificate on financial results, while placing the quarterly financial results before the Board of Directors in terms of clause 41 of the listing agreement with stock exchanges.

12.COMPLIANCE CERTIFICATE FROM THE AUDITORS REGARDING CORPORATE GOVERNANCE BY THE COMPANY

Certificate from the auditors of the Company, M/s Pijush Gupta & Co, Chartered Accountants confirming compliance with the conditions of corporate governance as stipulated under clause-49 of the listing agreement with stock exchanges is attached to this report.

13.PROFILE OF DIRECTORS RETIRING BY ROTATION OPTING TO BE REAPPOINTED AT THE ENSUING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 IV (G) OF THE LISTING AGREEMENT

1. S Venkatakrishnan - Director

Sri. S Venkatakrishnan holds a Master's Degree . He is an IA& AS (retired). He has served in Senior Management positions in Finance, Audit & Accounts Departments in the Central Government and Public Sector Undertakings in India. He has rich experience and expertise in the fields of finance , audit and accounts .

He serves on the Boards of Galada Finance Ltd, Shriram Housing Finance & Development Company Limited, Madras Shoe Fabric Company Ltd, Shriram Credit Company Ltd, Shriram Trade Finance Ltd, Shriram Investment Holdings Ltd, Bentleys Pharmaceuticals Pvt Ltd, Shriram Industrial Holding Pvt Ltd, Shriram Exports Pvt Ltd, Charukesi Investments Pvt Ltd, Ranjani Enterprises Pvt Ltd, Rambal Properties Pvt Ltd, Medicorp Pharmaceuticals India Pvt Ltd, Desh Consultancy Services Pvt Ltd, Road Safety Club Pvt Limited, Pavron Spraytech Pvt Ltd, Shriram Overseas Investments Pvt Ltd Celindia Finance & Investments Company Pvt Ltd, Hymavathi Enterprises Pvt Limited, Bilahari Enterprises Pvt Limited, Alagiri Spinning & Weaving Mills Pvt Ltd, Novochem Laboratories Pvt Ltd.

Annexure to the Directors' Report for the year ended on March 31, 2012

2. Sri G S Sundararajan - Director

Sri G S Sundararajan , B E, M B A. He is at present whole time Director of Shriram Capital Ltd, the holding Company of Shriram Group's financial services and Insurance Business across India and abroad.

In this capacity, Sri Sundararajan functions on the Boards of these subsidiaries and provides oversight in critical areas of strategy, growth opportunities and mentorship of the seniors in each of the businesses. Sri Sundararajan, also leads the Banking initiative for the group which is one of the key value - enhancing forays in the near future for this financial conglomerate.

Sri Sundararajan was the CEO and Managing Director of Fullerton India Credit Company Ltd, a registered Non Banking Finance Company catering to the financial services needs of the retail and commercial mass markets. Fullerton India Credit Company Ltd is a fully owned subsidiary of Temasek Holdings, Singapore.

Sri Sundararajan was also the Managing Director of Fullerton Enterprises Pvt Ltd, a KPO, which had formed a strategic alliance with Centurion Bank of Punjab to jointly drive the SME business.

Sri Sundararajan with an impeccable track record of successful design and execution of appropriate business models in SME and the underserved sectors of the large Indian economy, was nominated to the boards of two financial services investments of Temasekin, China, one in Nanjing for the SME business and the other in Chengdu in their village bank franchise .

He also serves on the board of Vistaar Financial Services Pvt Ltd, Shriram Credit Company Ltd, Shriram Life Insurance Company Ltd and Shriram General Insurance Company Ltd .

3. Sri Sunil Varma, Director

Sri Sunil Varma , a graduate in Economics, is a Chartered Accountant and a Cost and Management Accountant. A Business Consultant with a long and distinguished career, Sri Varma has extensive consulting experience spanning over 30 years with Price Waterhouse Management Consultants and IBM Consulting group in India and Overseas. He has worked in Australia, India, Indonesia, Hong Kong, Thailand, China and other countries in Africa and the Asia pacific region.

During his 25 years tenure with Price Water House (now Price Water House Coopers) he headed the consulting practice in Indonesia between 1978 and 1984. Thereafter, he was the Vice President of the regional/transnational practice of Pricewater House in Asia Pacific until he joined IBM Global Services as the Regional Advisor to their Consulting Group in 1994.

Sri Varma has advised large multinational as well as domestic companies in the areas of corporate governance, financial management, organisational strengthening, efficiency improvement, process re-engineering and business systems.

The industries to which his expertise extends include Information Technology, Oil & Gas, Fertilisers and Chemicals , Power and Steel . He has handled several very large assignments for PSUs funded by the World Bank , Asian Development Bank and other multi-lateral funding agencies . He officiated as CFO, HCL - Perot Systems and MD, Asia Online Ltd, Hong Kong.

He serves on the boards of International Asset Reconstruction Company Pvt Ltd, Vistaar Financial Services Pvt Ltd, HKT Ltd and HKT Management Ltd.

14. PROFILE OF DIRECTORS PROPOSED FOR APPOINTMENT AS A DIRECTOR AT THE ENSUING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 IV (G) (i) OF THE LISTING AGREEMENT :

Sri V Murali

Sri V Murali is a Bachelor of Commerce from the reputed Vivekananda College, Chennai. He is a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Cost & Works Accountants of India .

Annexure to the Directors' Report for the year ended on March 31, 2012

Sri V Murali is the senior partner of M/s Victor Grace & Co., Chartered Accountants, Chennai. He has to his credit more than three decades of experience in the areas of Finance, Accounts & Consultancy. He is elected as a Central Council Member of ICAI for three terms in succession for the periods 2004-2013. He is at present the Chairman of the Board of Studies, Chairman of the Committee on Banking, Insurance and Pension, Vice Chairman of the Ethical Standards Board and a member of various committees constituted by the ICAI. He was nominated as a 'Technical Expert' by the Comptroller and Auditor General of India, New Delhi on the Audit Boards of Power Finance Corporation Limited and Rural Electrification Corporation Limited.

Since 2006-07, he has been an Executive Committee Member of The Madras Chamber of Commerce & Industry, Andhra Chamber of Commerce, The Tamil Chamber of Commerce and Hindustan Chamber of Commerce. He is the elected Vice President of The Hindustan Chamber of Commerce.

Sri V Murali is a prominent social worker dedicated to public causes and connected with various Professional, Cultural, Social, Voluntary, Non- Profit Organisations, Public Charitable and Welfare Organizations.

He serves on the Board of Neyveli Lignite Corporation Ltd and is the chairman of its audit committee. He also serves as a Director on the board of Witzemann (India) Pvt Ltd. He was a director on the Board of State Bank of Hyderabad and was the Chairman of its Audit Committee.

Sri R Duruvasan

Sri R Duruvasan a Commerce Graduate, has been serving the Shriram Group for more than three decades. He started his career with Shriram Chits at Chennai in the collection department and has worked his way up to being CEO and Executive Director of Shriram Chits P Ltd, Hyderabad. He was instrumental in the growth of the Company during his stint at Hyderabad and has expanded the Company from 16 branches to 202 branches. During his tenure the Company flourished as the largest Chit Fund company in the country in terms of Auction Turnover, No of Branches, Manpower and Customer base. His contribution has paved way for the Shriram Group to expand its Deposit and NCD portfolio. Sri Duruvasan was the Managing Director and Principal Officer of Shriram Life Insurance Co. Ltd. He also serves on the Board of Serve All Enterprise Solutions Ltd.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

I hereby confirm that the Company has obtained from all the members of the Board and designated senior management employees of the Company affirmation that they have complied with code of conduct of the Company during the year ended March 31, 2012.

Chennai
June 5, 2012

R Kannan
Managing Director

CEO / CFO CERTIFICATION

To
The Board of Directors
Shriram City Union Finance Limited
Chennai

We, R Kannan, Managing Director and Subhasri Sriram, Executive Director and Chief Financial Officer of Shriram City Union Finance Limited to the best of our knowledge and belief, certify that

- (i) we have reviewed the Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the year ending on same date, Cash Flow statement as on the same, notes there to (together known as financial statements) and Directors' report.
- (ii) these financial statements do not contain any materially untrue statement or omit any material fact or they contain statements that might be misleading
- (iii) these financial statements and other financial information included in this report present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (iv) there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (v) we accept responsibility for establishing and maintaining internal controls for financial reporting.
- (vi) we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting.
- (vii) there are no deficiencies in the design or operation of internal controls which are to be disclosed to the auditors and/or to the audit committee.
- (viii) we have indicated to the auditors of the Company and the audit committee that there were
 - (a) no significant changes in internal control over financial reporting during the year covered by this report;
 - (b) no significant change in accounting policy has been made during the year covered by this report
 - (c) no significant instances of fraud detected during the year ending March 31, 2012.

R Kannan
Managing Director

Chennai
May 18, 2012

Subhasri Sriram
Executive Director and Chief Financial Officer

PIJUSH GUPTA & CO
CHARTERED ACCOUNTANTS
P-199, C.I.T.ROAD, SCHEME IV-M, KOLKATA 700 010

To
The Members of
Shriram City Union Finance Limited

We have examined the compliance of conditions of Corporate Governance by Shriram City Union Finance Ltd ("the Company") for the year ended on March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For **Pijush Gupta & Co.**
Firm Registration No :309015E
Chartered Accountants

Place: Chennai
Date :June 5, 2012

Ramendra Nath Das
Partner
Membership No. 014125

PIJUSH GUPTA & CO
CHARTERED ACCOUNTANTS
P-199, C.I.T.ROAD, SCHEME IV-M, KOLKATA 700 010
Auditor's Report

TO THE MEMBERS OF
Shriram City Union Finance Limited

1. We have audited the attached Balance Sheet of SHRIRAM CITY UNION FINANCE LIMITED, (the "Company") as at March 31, 2012, and the related Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ("the Order") issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit a statement on matters specified in the said order has been given in the annexure hereof.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion and according to the information and explanations given to us, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors and taken on record by the company, none of the directors are disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274, of the Companies Act, 1956;
 - f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

(ii) in the case of the Statement of Profit and Loss , of the profit of the Company for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Pijush Gupta & Co.**
Firm Registration No :309015E
Chartered Accountants

Place: Chennai
Date :May 18, 2012

Ramendra Nath Das
Partner
Membership No. 014125

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)
Re: SHRIRAM CITY UNION FINANCE LIMITED ("the company")
Financial Year Ended March 31, 2012

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such physical verification.

(c) There was no disposal of substantial part of its fixed assets during the year.
- II. The Company is engaged in financing activities which does not involve maintenance of any inventory.
- III. As per the information and explanations given to us the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 (the Act).
- IV. 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 for purchase of fixed assets. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness the internal control system of the company in respect of these areas. There is no sale of goods or service or purchase of inventory.
- V. According to the information and explanations provided by the management there are no contracts or arrangements referred to in Section 301 of the Act, the particulars of which need to be entered into the register maintained under the said Section.
- VI. In respect of deposits accepted, in our opinion and according to the information and explanations given to us, the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, to the extent applicable, have been complied with. According to the information and explanation given to us, no order has been passed by the Company Law Board, the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal in this regard in respect of the Company.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- VIII. According to the information and explanations given to us the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Act.
- IX. (a) According to the information and explanations provided to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, service tax, income tax, and other material statutory dues applicable to it and there are no dues payable in respect of Employees' State Insurance, Investor Education and Protection Fund, Excise duty, Custom Duty and Sales Tax, cess and any other statutory dues with appropriate authorities.

(b) On the basis of information and explanations given to us and the relevant documents produced before us, the following dues have not been deposited on account of dispute:

Name of the statute	Nature of dues	Amount (₹ in lacs)	Years to which the amount relates	Pending with
Income Tax Act	Income tax on demands/ ESOP disallowance	1678.61	Assessment year 2009-10	CIT (Appeals)

- X. Based on our audit procedures and as per information and explanations given by the management, it appears that the Company has not defaulted in the repayment of dues to banks, financial institutions or debenture holders.
- XI. From our examination of books and records and according to the information and explanations given to us, it appears that adequate documents and records are maintained in cases where Company has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- XII. In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society.
- XIII. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities and debentures and other investments.
- XIV. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- XV. In our opinion and to the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained other than funds temporarily parked pending utilization of the funds for the intended use.
- XVI. According to the information and explanations given to us, and on overall examination of the books and records of the company and considering the nature of the business and activity being carried on, we report that no funds raised on short term basis have been used for long term investment.
- XVII. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- XVIII. According to the information and explanations given to us, during the period, the Company has created charge in respect of secured debentures issued.
- XIX. The company has disclosed the end use of money raised by public issues in the Notes to accounts and the same has been verified by us.
- XX. Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the company has been noticed or reported during the course of our audit.

For **Pijush Gupta & Co.**
 Firm Registration No :309015E
 Chartered Accountants

Place: Chennai
 Date :May 18, 2012

Ramendra Nath Das
 Partner
 Membership No. 014125

Balance sheet as at March 31,	Notes	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	5,236.72	4,953.69
Reserves and surplus	4	1,59,822.32	1,16,253.59
Money received against share warrants	3.4	8,437.00	—
		1,73,496.04	1,21,207.28
Non-current liabilities			
Long-term borrowings	5	6,31,400.98	4,13,366.00
Other long-term liabilities	6	44,591.61	31,824.39
Long-term provisions	7	1,024.94	1,265.20
		6,77,017.53	4,46,455.59
Current liabilities			
Short-term borrowings	8	1,23,794.53	1,57,437.62
Other current liabilities	6	2,82,715.23	2,00,574.79
Short-term provisions	7	7,829.34	5,874.88
		4,14,339.10	3,63,887.29
Total		12,64,852.67	9,31,550.16
ASSETS			
Non-current assets			
Fixed assets:			
Tangible assets	9	5,124.03	2,737.94
Intangible assets	9	130.28	206.49
Non-current investments	10	1,781.45	551.45
Deferred tax assets	11	1,314.44	1,581.66
Long-term loans and advances	12	2,49,575.13	2,09,228.90
Other non-current assets	13	36,908.80	10,632.14
		2,94,834.13	2,24,938.58
Current assets			
Cash and bank balances	14	1,15,649.90	2,09,950.14
Short-term loans and advances	12	8,22,512.52	4,82,108.27
Other current assets	13	31,856.12	14,553.17
		9,70,018.54	7,06,611.58
Total		12,64,852.67	9,31,550.16
Summary of significant accounting policies	2.1		

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

₹ in lacs

Statement of profit and loss for the year ended March 31,	Notes	2012	2011
Revenue from operations	15	2,03,747.82	1,32,053.58
Other income	16	1,893.61	291.07
Total Revenue		2,05,641.43	1,32,344.65
Expenses:			
Employee benefits expense	17	9,236.77	4,367.02
Finance costs	18	92,858.01	55,145.42
Depreciation and amortization expense		1,371.34	747.41
Other expenses	19	31,924.25	24,173.01
Provisions & write offs (net)	20	17,834.75	11,851.70
Total expenses		1,53,225.12	96,284.56
Profit before tax		52,416.31	36,060.09
Tax expense:			
- Current tax		16,898.55	12,460.20
- Deferred tax		267.22	(458.96)
- Tax of earlier years		997.42	—
Total tax expense		18,163.19	12,001.24
Profit for the year from continuing operation		34,253.12	24,058.85
Earnings per equity share:			
Equity shares of par value ₹ 10/- each			
Basic (₹)		68.75	48.78
Diluted (₹)		68.22	47.97
Summary of significant accounting policies	2.1		

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

 For and on behalf of the Board of Directors of
Shriram City Union Finance Limited
R. Kannan
 Managing Director

S.Venkatakrishnan
 Director

C R Dash
 Company Secretary

Cash flow statement for the year ended March 31,	2012	2011
Cash flow from operating activities		
Net profit before taxation	52,416.31	36,060.09
Non-cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	1,371.34	747.41
(Profit)/loss on sale of fixed assets	3.52	13.78
Employees stock option compensation expenses	191.82	471.68
Public issue expenditure for non-convertible debenture	162.05	—
Provision for non performing assets and bad debt written off	16,889.81	10,136.82
Contingent provision on standard assets	944.94	1,714.89
Provision for hedging contracts	(772.49)	(546.62)
Provision for gratuity	63.55	40.82
Provision for leave benefits	25.08	27.48
Net gain on sale of current investments	(134.74)	—
Interest income on current and long term investments and interest income on fixed deposits	(1,140.59)	(270.70)
Dividend income	(596.67)	—
Operating profit before working capital changes	69,423.93	48,395.65
Movement in working capital:		
(Increase) / decrease in assets under financing activities	(3,95,959.82)	(2,33,365.56)
(Increase) / decrease in short-term loans and advances	(577.32)	86.00
(Increase) / decrease in long-term loans and advances	(1,103.15)	(521.66)
(Increase) / decrease in other current assets	(17,025.15)	(9,672.96)
(Increase) / decrease in other non-current assets	(14,915.23)	(2,688.63)
Increase / (decrease) in other current liabilities	82,140.44	36,939.35
Increase / (decrease) in other non-current liabilities	12,767.22	11,526.82
Cash generated from operation	(2,65,249.08)	(1,49,300.99)
Direct taxes paid (net of refund)	(16,862.29)	(11,127.69)
Net cash flow from/(used in) operating activities (A)	(2,82,111.37)	(1,60,428.68)
Cash flow from investing activities		
Investment in fixed deposit (having maturity of more than three months)	51.00	55.00
Investment in margin money deposit	(21,747.88)	7,937.17
Purchase of fixed and intangible assets	(3,686.08)	(1,663.61)
Proceeds from sale of fixed assets	1.33	2.52
Purchase of investments	—	(200.00)
Investment in subsidiary company	(1,230.00)	(250.00)
Proceeds from sale of investments (net)	134.74	—
Interest received on current and long term investments and interest on fixed deposits	1,140.59	270.70
Dividend received	596.67	—
Net cash flow from/(used in) investing activities (B)	(24,739.63)	6,151.78

Cash flow statement for the year ended March 31,	2012	2011
Cash flow from financing activities		
Proceeds from issue of equity share capital including securities premium and share application money	21,732.61	133.05
Increase / (decrease) of long-term borrowings	2,18,034.98	2,29,623.26
Increase / (decrease) of short-term borrowings	(33,643.09)	12,005.58
Public issue expenses for non-convertible debenture paid	(1,268.28)	—
Dividend paid	(2,985.09)	(2,710.89)
Tax on dividend	(484.25)	(450.25)
Net cash flow from/(used in) financing activities (C)	2,01,386.88	2,38,600.75
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(1,05,464.12)	84,323.85
Cash and cash equivalents at the beginning of the year	2,01,052.74	1,16,728.89
Cash and cash equivalents at the end of the year	95,588.62	2,01,052.74

Component of cash and cash equivalents	For the year ended March 31,	
	2012	2011
Cash on hand	7,520.43	6,025.87
Balances with banks:		
Current account	31,514.92	95,504.76
Balance in unpaid dividend accounts	30.77	22.11
Bank deposit with maturity of less than 3 months	56,522.50	99,500.00
Total cash and cash equivalents	95,588.62	2,01,052.74
Summary of significant accounting policies	2.1	

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

Notes forming part of the financial statements for the year ended March 31, 2012

1. Corporate information

Shriram City Union Finance Limited (the company) is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. Its shares are listed on Bombay Stock Exchange Ltd. (BSE), National Stock Exchange of India Ltd. (NSE) and Madras Stock Exchange Ltd. (MSE). The company is a Deposit Accepting Non Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI). The company operates in India.

2. Basis of preparation

The financial statements of the company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 as amended, the relevant provisions of the Companies Act, 1956 and the guidelines issued by RBI as applicable to NBFCs. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year, except the changes in accounting policy mentioned below.

2.1 Summary of significant accounting policies

a. Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the figures for the previous year in accordance with the requirements applicable in the current year. [Refer note 36]

b. Current / Non-current classification of assets / liabilities

Pursuant to applicability of revised Schedule VI on presentation of financial statements for the financial year ended March 31, 2012; the Company has classified all its assets / liabilities into current / non-current portion based on the time frame of 12 months from the date of financial statements. Accordingly, assets/liabilities expected to be realised /settled within 12 months from the date of financial statements are classified as current and other assets/ liabilities are classified as non current.

c. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the date of the financial statements and results of operations during the reporting year end. Although these estimates are based on the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates are recognised in current and future years.

d. Tangible fixed assets

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

Notes forming part of the financial statements for the year ended March 31, 2012

Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenditure is incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

e. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

f. Depreciation on tangible fixed assets

Depreciation on fixed assets is provided on Straight Line Method (SLM) by using the rates arrived at based on the useful lives estimated by the management, which are greater than or equal to the rates prescribed under the Schedule XIV to the Companies Act, 1956.

Leasehold improvements are amortised on SLM over the primary period of lease subject to a maximum of 60 months. All fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of installation. Depreciation on assets acquired /sold during the year is recognised on a prorata basis in the statement of profit and loss till the date of sale or from the date of acquisition.

g. Depreciation on intangible assets

Amortisation is provided on Straight Line Method (SLM), which reflects the management's estimate of the useful life of the intangible asset. The company has used the following rate to, provide depreciation on the intangible assets.

	Rates (SLM)
Computer software	33.33%

Amortisation on assets acquired/sold during the year is recognised on prorata basis in the statement of profit and loss till the date of acquisition/sale.

h. Impairment of assets

The company assesses at each balance sheet date if there is an indication of impairment of any asset. If any indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is greater of net selling price and value in use of the asset. Where the carrying amount of an asset is more than its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.. The value in use is the estimated future cash flows discounted to their present value at pre-tax discount rate which reflects current market assessment of the time value of money and risk specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Notes forming part of the financial statements for the year ended March 31, 2012

An assessment is made at each Balance Sheet date about existence or decrease of previously recognised impairment losses. If such indication exists, the company estimates the asset's recoverable amount. A previously recognised impairment loss is increased or reversed depending on the changes in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

i. Capital advance

Capital advances are advances given for procurement of fixed assets. Company does not expect to realise them in cash and over a period of time these advances get converted into fixed assets which are non-current by nature. Therefore irrespective of when the fixed assets are expected to be received such advances are disclosed under "long-term loans and advances".

j. Borrowing costs

Borrowing cost includes interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs are charged to statement of profit & loss in the year in which they are incurred.

k. Investments

Investments intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary in the value of such investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

l. Provision/write off of assets

Non performing loans are written off / provided for, as per estimates of management, subject to the minimum provision required as per Non- Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on standard asset is made as required under Reserve Bank of India (RBI) notification No. DNBS.222/CGM (US-2011) dated January 17, 2011.

m. Loans

Loans are stated at the amount advanced including finance charges accrued and expenses recoverable, as reduced by the amounts received up to the date of balance sheet and loans securitised.

n. Leases

Where the Company is the lessor

Assets given on operating leases are included in fixed assets. Lease income is recognised in the statement of profit and loss on

Notes forming part of the financial statements for the year ended March 31, 2012

a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the statement of profit and loss.

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

o. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The revenue recognition are as under:

- (i) Income from financing activities is recognised on the basis of internal rate of return.
- (ii) Additional finance charges / additional interest are treated to accrue on realisation due to uncertainty of its realisation.
- (iii) Gain arising on securitization/direct assignment of assets is recognised over the tenure of agreements as per guideline on securitisation of standard assets issued by RBI. Loss or expenditure in respect of securitisation / assignment, if any, is recognised upfront.
- (iv) The prudential norms for income recognition prescribed under Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 are followed.
- (v) Income from services is recognised as per the terms of the contract on accrual basis.
- (vi) Interest Income on deposit accounts with banks is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend is recognised as income when right to receive payment is established by the date of balance sheet.
- (viii) Profit/loss on sale of investments is recognised at the time of actual sale / redemption.

p. Foreign currency translation

Foreign currency transactions and balances

Initial recognition : Foreign currency transactions are recorded in Indian rupee, by applying to the foreign currency amount the exchange rate between the Indian rupee and the foreign currency at the date of the transaction.

Conversion : Foreign currency monetary items are retranslated to Indian rupees by using the exchange rate prevailing at the Balance Sheet date.

Exchange differences : All exchange differences are dealt with in the statement of profit and loss.

Notes forming part of the financial statements for the year ended March 31, 2012

q. **Income taxes**

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of a deferred tax asset to the extent it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The un-recognised deferred tax assets are re-assessed by the company at each balance sheet date and are recognised to the extent it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

r. **Segment reporting**

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole. The segments are identified based on the nature of product & market served. The income /expenses which are not allocated to any reportable segments are reported as un allocable segment.

s. **Employee stock compensation cost**

The measurement and disclosure of the employee share based payment plans is done in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments issued by The Institute of Chartered Accountants of India (ICAI). The company measures cost relating to employees stock option by intrinsic value method. Compensation expenses is amortised on straight line method over the period of vesting of options.

t. **Retirement and other employee benefits**

Provident fund

All the employees of the company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the company contribute monthly at a stipulated rate. The company has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense in the year it is incurred.

Gratuity

The company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum

Notes forming part of the financial statements for the year ended March 31, 2012

payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Leave benefits

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

u. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

v. Expenses on deposits / debentures

Expenses for private placement of debentures/subordinated debt bonds/deposits are charged to statement of profit and loss in the year in which they are incurred.

Expenses incurred on public issue of debentures other than brokerage are charged off on straight line basis over the weighted average tenor of the underlying debentures. The brokerage incurred on issue of debenture is treated as expenditure in the year in which it is incurred.

w. Provisions

A provision is recognised when the company has a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Notes forming part of the financial statements for the year ended March 31, 2012

x. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. Cash equivalents are short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash-in-hand, cash at bank, cheque in hand, remittances in transit and short term investments with an original maturity period of three months or less.

y. Derivative instruments

In accordance with the ICAI guidelines and on principle of prudence, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. However net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

z. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are beyond the control of the company. A contingent liability also includes a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises where, a liability cannot be measured reliably. The company does not recognise a contingent liability in the accounts but discloses its existence in the financial statements.

3. Share capital

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Authorised		
1000,00,000 (March 31, 2011: 600,00,000) equity shares of ₹ 10/- each *	10,000.00	6,000.00
40,00,000 (March 31, 2011: 40,00,000) cumulative redeemable preference shares of ₹ 100/- each	4,000.00	4,000.00
	14,000.00	10,000.00
Issued, subscribed and fully paid-up		
Equity shares		
5,23,67,209 (March 31, 2011: 4,95,36,877) shares of ₹ 10/- each	5236.72	4953.69
Total Issued, subscribed and fully paid-up share capital	5236.72	4953.69

* Necessary return for increase in authorised equity capital for the year ended on March 31, 2012 was filed with Registrar of companies, Chennai on April 7, 2012.

Notes forming part of the financial statements for the year ended March 31, 2012

3.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	₹ in lacs	Number	₹ in lacs
At the beginning of the year	4,95,36,877	4,953.69	4,91,54,700	4,915.47
Issued during the year - ESOP [Refer note-23]	5,30,332	53.03	3,82,177	38.22
Issued during the year - Preferential Issue [Refer note-3.6]	23,00,000	230.00	—	—
Outstanding at the end of the year	5,23,67,209	5,236.72	4,95,36,877	4,953.69

3.2 Terms / rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of the equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of dividend per equity share recognised as distributions to equity shareholders is ₹ 6.50 (March 31, 2011 : ₹ 6.00 including interim dividend) including interim dividend.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity share of ₹ 10/- each fully paid				
Shriram Enterprise Holding Pvt. Ltd.	1,79,21,462	34.22	1,79,21,462	36.18
Shriram Retail Holding Pvt. Ltd.	85,56,201	16.34	85,56,201	17.27
Norwest Venture Partners X FII-Mauritius	43,42,179	8.29	43,42,179	8.77
Van Gogh Ltd.	66,25,000	12.65	66,25,000	13.37
Bessemer Venture Partners Trust	25,00,000	4.77	25,00,000	5.05
IDBI Trusteeship Services Ltd.	37,00,054	7.07	37,00,054	7.47

As per records of the company, including the register of shareholders /members and other declarations received from shareholders/members regarding beneficial interest, the above shareholding represents legal ownerships of shares.

Notes forming part of the financial statements for the year ended March 31, 2012

3.4 Shares reserved for issue under option:

(i) For detail of share reserved for issue under the employees stock option scheme (ESOP) [Refer note 23]

(ii) Preferential issue of share warrants:

During the year 59,00,000 warrants were issued /allotted to Shriram Capital Limited at a subscription price of not less than ₹ 143/- for each warrant conferring an option to the holder to subscribe to one equity share per warrant at the exercise price of ₹ 570/- per warrant being a price higher than the price determined as per Regulation 76(1) Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The warrants are convertible within a period not exceeding 18 months from the date of allotment.

3.5 The company issued 13,55,000 equity shares (March 31, 2011: 13,55,000) during the period of five years immediately preceding the reporting date on exercise of options granted under ESOP, wherein a part of the consideration was received in form of employee service.

3.6 Preferential allotment of equity shares :

During the year 23,00,000 equity shares of the company were issued/allotted to Shriram Capital Limited for cash at a subscription price of ₹ 570.00 per equity share (includes a premium of ₹ 560.00 per equity share) being the price higher than the price determined under chapter VII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Notes forming part of the financial statements for the year ended March 31, 2012

4. Reserves & surplus

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Capital reserves	1,400.00	1,400.00
Capital redemption reserve	2,328.98	2,328.98
Securities premium		
Opening balance	50,797.13	49,836.14
Add : securities premium credited during the year	14,213.52	960.99
Closing balance	65,010.65	50,797.13
Debenture redemption reserve		
Opening balance	—	—
Add: transfer from statement of profit & loss	4,914.00	—
Closing balance	4,914.00	—
Stock options outstanding		
Employee stock option outstanding	878.15	2,079.09
Less: transfer to deferred employee compensation outstanding	—	191.82
Closing balance	878.15	1,887.27
Statutory reserve (pursuant to section 45-IC of the RBI Act, 1934)		
Opening balance	15,960.00	11,150.00
Add: transfer from statement of profit & loss	6,860.00	4,810.00
Closing balance	22,820.00	15,960.00
General reserve		
Opening balance	7,767.90	5,357.90
Add: transfer from statement of profit & loss	3,430.00	2,410.00
Closing balance	11,197.90	7,767.90
Surplus in the statement of profit & loss		
Opening balance	36,112.31	22,730.09
Add: net profit for the year	34,253.12	24,058.85
Less: Appropriations		
- Interim dividends [Refer note-3.2]	(1,251.30)	(1,236.25)
- Tax on interim dividend [Refer note-3.2]	(202.99)	(205.33)
- Proposed final equity dividend	(2,094.69)	(1,733.79)
- Tax on proposed equity dividend	(339.81)	(281.26)
- Transfer to statutory reserve (pursuant to section 45-IC of the RBI Act, 1934)	(6,860.00)	(4,810.00)
- Transfer to general reserve	(3,430.00)	(2,410.00)
- Transfer to debenture redemption reserve	(4,914.00)	—
Net surplus in the statement of profit & loss	51,272.64	36,112.31
Total	1,59,822.32	1,16,253.59

Notes forming part of the financial statements for the year ended March 31, 2012

5. Long-term borrowings

₹ in lacs

Particulars	Non-current portion		Current maturities	
	As at March 31, 2012		As at March 31, 2012	
	2012	2011	2012	2011
Secured				
Privately placed redeemable non-convertible debentures (Retail) [Refer note 5.1(A)(i)]	1,32,134.87	94,640.44	73,820.06	60,653.87
Privately placed non-convertible debentures (Institutional) [Refer note 5.1(A)(ii)(a)&(b)]	58,726.67	58,750.00	14,733.33	5,833.33
Public issue of redeemable non-convertible debentures [Refer note 5.1(A)(iii)]	75,000.00	—	—	—
Term loan from banks [Refer note 5.1(B)(i)]	2,74,356.88	2,03,304.65	1,09,558.27	92,372.63
Term loan from financial institutions [Refer 5.1(B)(ii)]	16,500.00	6,500.00	—	—
Total secured long-term borrowing	5,56,718.42	3,63,195.09	1,98,111.66	1,58,859.83
Unsecured				
Fixed deposits (Refer note 5.2(A))	8.71	13.57	13.50	41.53
Subordinated debt bonds (Refer note 5.2(B)(i)(ii))	74,673.85	50,157.34	8,900.16	3,114.99
Total unsecured long-term borrowing	74,682.56	50,170.91	8,913.66	3,156.52
Amount disclosed under the head "other current liabilities" [Refer note-6]	—	—	(2,07,011.82)	(1,61,974.82)
Amount disclosed under the head "short-term borrowings" [Refer note-8]	—	—	(13.50)	(41.53)
Total	6,31,400.98	4,13,366.00	—	—

Notes forming part of the financial statements for the year ended March 31, 2012

5.1 Secured loans - Long term borrowings

A. Secured redeemable non convertible debentures

(i) Privately placed secured redeemable non convertible debentures of (NCDs) ₹ 1000/- each - Unquoted (Retail)

Terms of repayment as at March 31, 2012

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	—	321.36	—	321.36
48-60 months	11.72	1,616.20	241.48	1.12	1,870.52
36-48 months	620.49	1,339.37	—	292.28	2,252.14
24-36 months	1,511.71	68,577.25	3.10	115.36	70,207.42
12-24 months	28,045.27	28,756.66	571.14	110.36	57,483.43
Total non-current portion	30,189.19	1,00,289.48	1,137.08	519.12	1,32,134.87
12 months	47,129.83	25,680.74	833.21	176.28	73,820.06
Total current maturities	47,129.83	25,680.74	833.21	176.28	73,820.06
Grand Total	77,319.02	1,25,970.22	1,970.29	695.40	2,05,954.93

Terms of repayment as at March 31, 2011

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	—	562.84	1.12	563.96
48-60 months	610.17	549.30	—	292.28	1,451.75
36-48 months	500.41	1,636.83	3.10	115.36	2,255.70
24-36 months	19,582.78	26,542.68	571.95	110.36	46,807.77
12-24 months	16,735.32	25,815.00	834.66	176.28	43,561.26
Total non-current portion	37,428.68	54,543.81	1,972.55	695.40	94,640.44
12 months	34,123.40	11,221.33	14,750.14	559.00	60,653.87
Total current maturities	34,123.40	11,221.33	14,750.14	559.00	60,653.87
Grand Total	71,552.08	65,765.14	16,722.69	1,254.40	1,55,294.31

Nature of security

The redemption of principal amount of secured redeemable non-convertible debentures with all interest there on are secured by a legal mortgage on the specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts / loan receivables in favour of the Trustees appointed.

Notes forming part of the financial statements for the year ended March 31, 2012

These secured redeemable non-convertible debentures are redeemable at par over a period of 12 months to 160 months from the date of allotment depending on the terms of the agreement.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and /or regulatory requirements, upon the terms and conditions as may be decided by the company. The company may grant loan against the security of NCDs upon the terms and conditions as may be decided by the company and subject to applicable statutory and /or regulatory requirements.

(ii) Privately placed redeemable non-convertible debenture (Institutional)

a. Privately placed redeemable non-convertible debenture (NCDs) of ₹ 1,00,000/- each - quoted

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31,		As at March 31,		
	2012	2011	2012	2011	
10.75%	3,000.00	3,000.00	—	—	07-Oct-14
10.75%	5,600.00	7,000.00	—	—	30-Sep-14
10.75%	—	—	1,400.00	—	30-Mar-13
Total	8,600.00	10,000.00	1,400.00	—	

b. Privately placed redeemable non-convertible debenture (NCDs) of ₹ 10,00,000/- each quoted

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31,		As at March 31,		
	2012	2011	2012	2011	
10.60%	1,000.00	1,000.00	—	—	13-Dec-17
10.60%	1,500.00	1,500.00	—	—	13-Dec-17
9.00%	27,500.00	27,500.00	—	—	30-Mar-17
10.75%	500.00	500.00	—	—	04-Feb-21
10.50%	2,000.00	2,000.00	—	—	23-Nov-17
10.65%	1,000.00	—	—	—	03-Feb-15
11.00%	1,500.00	—	—	—	01-Dec-14
10.61%	2,900.00	—	—	—	02-Jun-14
10.60%	680.00	—	—	—	17-Feb-14
10.30%	1,000.00	—	—	—	20-Jan-14
10.95%	1,800.00	—	—	—	25-Oct-13
10.60%	500.00	—	—	—	09-Aug-13
10.96%	2,500.00	—	—	—	23-May-13
10.85%	1,100.00	—	—	—	18-Apr-13
10.96%	1,730.00	—	—	—	03-Apr-13
9.00%	—	7,500.00	—	—	05-Jan-13
7.82%	2,916.67	8,750.00	—	—	22-Apr-13
9.00%	—	—	7,500.00	—	05-Jan-13
7.82%	—	—	2,916.67	—	22-Oct-12
7.82%	—	—	2,916.66	—	22-Apr-12
7.82%	—	—	—	2,916.67	22-Oct-11
7.82%	—	—	—	2,916.66	22-Apr-11
Total	50,126.67	48,750.00	13,333.33	5,833.33	

Notes forming part of the financial statements for the year ended March 31, 2012

Nature of security

The redemption of principal amount of secured redeemable non-convertible debentures with all interest there on are secured by a legal mortgage on the specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts / loan receivables in favour of the Trustees appointed.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and /or regulatory requirements, upon the terms and conditions as may be decided by the company.

(iii) Public issue of secured redeemable non convertible debentures (NCDs) of ₹ 1,000/- each - quoted (2011)

₹ in lacs

Option Detail	Rate of Interest	As at March 31, 2012	2011	Redeemable at par on	Put and call option
Option I	11.60%	5,429.05	—	25-Aug-16	25-Aug-15
	12.10%	43,653.65	—	25-Aug-16	25-Aug-15
	11.85%	12,125.30	—	25-Aug-16	25-Aug-15
Option II	11.50%	9,570.95	—	25-Aug-14	—
	11.85%	1,346.35	—	25-Aug-14	—
	11.60%	2,874.70	—	25-Aug-14	—
Total		75,000.00	—		

Nature of security

The repayment of secured redeemable non convertible debentures of ₹ 1,000/- each at face value on maturity together with interest thereon are secured by mortgage of specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts / loan receivables in favor of the Trustees appointed.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and /or regulatory requirements, upon the terms and conditions as may be decided by the company.

B. Term loan

(i) Term loan from banks

Terms of repayment as at March 31, 2012

₹ in lacs

Tenor	Rate of Interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	11.15% to 12.00%	1 to 48 instalments of bullet, half yearly and yearly frequency	50,625.00	6,875.00
24-36 months	10.75% to 11.50%	1 to 36 instalments of bullet & quarterly frequency	1,00,000.00	—
12-24 months	9.25% to 12.25%	1 to 24 instalments of bullet, monthly, quarterly and half yearly frequency	1,23,731.88	22,000.00
Upto 12 months	8.20% to 12.25%	1 to 12 instalments of bullet, quarterly & half yearly frequency	—	80,683.27
Grand Total			2,74,356.88	1,09,558.27

Notes forming part of the financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

₹ in lacs

Tenor	Rate of Interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	10.00%	1 to 48 instalments of quarterly frequency	5,000.00	—
24-36 months	9.25% to 10.75%	1 to 36 instalments of bullet, monthly, quarterly, half yearly and yearly frequency	1,15,749.39	11,250.00
*12-24 months	8.75% to 12.25%	1 to 24 instalments of bullet, Quarterly & half yearly frequency	82,555.26	4,683.32
Upto 12 months	8.20% to 12.50%	1 to 12 instalments of bullet, Quarterly & half yearly frequency	—	76,439.31
Grand Total			2,03,304.65	92,372.63

* Includes a loan outstanding amount of ₹1,871.95 lacs with original maturity date is Dec 30, 2012 but that was preclosed on Feb 22, 2012.

Nature of security

Term Loans from banks are secured by an exclusive charge by way of hypothecation of specific assets under financing.

(ii) Term loan from institutions

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31,		As at March 31,		
	2012	2011	2012	2011	
11.75%	10,000.00	—	—	—	10-Jul-17
10.00%	6,500.00	6,500.00	—	—	10-Aug-13
Grand Total	16,500.00	6,500.00	—	—	

Nature of security

Term loans from institutions are secured by an exclusive charge by way of hypothecation of specific assets under financing.

5.2 Unsecured loan - Long term borrowings

A. Fixed deposits of ₹ 1000/- each - unquoted

Terms of repayment as at March 31, 2012

₹ in lacs

Redeemable at par within	Rate of interest				Total
	>=6% <8%	>=8% <10%	>=10% <12%	>=12%	
48-60 months	0.20	—	—	—	0.20
36-48 months	—	—	—	—	—
24-36 months	3.15	2.49	—	—	5.64
12-24 months	2.57	0.30	—	—	2.87
Total non-current portion	5.92	2.79	—	—	8.71
12 months	6.31	7.07	0.12	—	13.50
Total current maturities	6.31	7.07	0.12	—	13.50
Grand Total	12.23	9.86	0.12	—	22.21

Notes forming part of the financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

₹ in lacs

Redeemable at par within	Rate of interest				Total
	>=6% <8%	>=8% <10%	>=10% <12%	>=12%	
36-48 months	—	2.49	—	—	2.49
24-36 months	2.47	0.30	—	—	2.77
12-24 months	1.12	7.07	0.12	—	8.31
Total non-current portion	3.59	9.86	0.12	—	13.57
12 months	21.31	16.85	3.37	—	41.53
Total current maturities	21.31	16.85	3.37	—	41.53
Grand Total	24.90	26.71	3.49	—	55.10

B. Privately placed subordinated debt bonds

The company has issued subordinated debt bonds with coupon rate of 7% to 15% per annum which are redeemable over a period of 60 months to 88 months.

Terms of repayment as at March 31, 2012

(i) Privately placed subordinated debt bonds of ₹ 1,000/- each - unquoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	1,239.57	14,170.39	—	—	15,409.96
48-60 months	56.17	2,443.60	—	—	2,499.77
36-48 months	—	8,731.43	55.61	—	8,787.04
24-36 months	—	3,763.80	7,687.31	—	11,451.11
12-24 months	—	10,574.89	2,916.08	—	13,490.97
Total non-current portion	1,295.74	39,684.11	10,659.00	—	51,638.85
12 months	—	8,719.49	180.34	0.33	8,900.16
Total current maturities	—	8,719.49	180.34	0.33	8,900.16
Grand Total	1,295.74	48,403.60	10,839.34	0.33	60,539.01

(ii) Privately placed subordinated debt bonds of ₹ 1,00,000/- each - quoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	23,035.00	—	—	23,035.00
Total non-current portion	—	23,035.00	—	—	23,035.00

Notes forming part of the financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

(i) Privately placed subordinated debt bonds of ₹ 1,000/- each - unquoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	1,295.74	6,232.32	—	—	7,528.06
48-60 months	—	8,731.43	55.61	—	8,787.04
36-48 months	—	3,763.80	7,687.31	—	11,451.11
24-36 months	—	10,574.89	2,916.08	—	13,490.97
12-24 months	—	8,719.49	180.34	0.33	8,900.16
Total non-current portion	1,295.74	38,021.93	10,839.34	0.33	50,157.34
12 months	—	3,114.81	—	0.18	3,114.99
Total current maturities	—	3,114.81	—	0.18	3,114.99
Grand Total	1,295.74	41,136.74	10,839.34	0.51	53,272.33

6. Other liabilities

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31, 2012		As at March 31, 2012	
	2012	2011	2012	2011
Current maturities of long-term borrowings [Refer note: 5]	—	—	2,07,011.82	1,61,974.82
Interest accrued but not due on borrowings	23,469.00	21,194.69	16,934.34	11,623.74
Application money on redeemable non convertible debentures	421.05	967.07	—	—
Application money on subordinate debt bonds	217.26	107.47	—	—
Unclaimed dividends*	—	—	30.77	22.11
Unclaimed matured deposits and interest accrued thereon*	—	—	14.51	27.05
Unclaimed matured debentures and interest accrued thereon*	—	—	5,260.72	4,487.39
Unclaimed matured subordinate debts and interest accrued thereon*	—	—	553.05	352.48
Temporary credit balance in bank accounts	—	—	13,485.59	3,122.28
Tax deducted at source	—	—	356.69	267.81
Statutory due pertaining to employees	—	—	39.88	24.39
Service tax - contested #	—	—	1,553.08	1,553.08
Securitisation deferred income (income received in advance)	19,321.32	8,889.38	33,326.76	14,796.99
Retention and other	1,162.98	665.78	4,148.02	2,322.65
Total	44,591.61	31,824.39	2,82,715.23	2,00,574.79

Notes forming part of the financial statements for the year ended March 31, 2012

As regards the recovery of Service tax on lease and hire purchase transactions, the Hon'ble Supreme Court vide its order dated October 26, 2010 has directed the competent authority under the Finance act, 1994 to decide the matter in accordance with the law laid down.

* Accrued interest is up to the date of maturity. Amounts shall be credited to Investor Education & Protection Fund as and when due to the extent unclaimed.

7. Provisions

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Provision for Employee benefits:				
Provision for gratuity	250.52	190.77	9.37	5.57
Provision for leave benefits	47.10	49.13	32.21	5.10
Other provisions:				
Provision for standard assets [Refer note 2(I)]	617.04	520.62	2,042.78	1,194.27
Provision for hedging contracts	92.35	486.75	394.40	772.49
Provision for diminution in the value of investments	17.93	17.93	—	—
Provision for income tax [net of advance income tax of ₹ 56916.23 lacs [March 31, 2011 ₹ 40053.93 lacs]	—	—	2,916.08	1,882.40
Proposed dividend	—	—	2,094.69	1,733.79
Corporate dividend tax	—	—	339.81	281.26
Total	1,024.94	1,265.20	7,829.34	5,874.88

8. Short term borrowings

₹ in lacs

Particulars	As at March 31,	
	2012	2011
Secured		
Cash credit from banks	56,366.20	63,806.17
Working capital demand loan from banks	65,414.83	71,089.92
	1,21,781.03	1,34,896.09
Unsecured		
Fixed deposits [Refer note: 5]	13.50	41.53
Commercial papers	—	22,500.00
Inter corporate deposits [Shriram Credit Company Ltd @ 10.50% on Nov 1, 2011]	2,000.00	—
	2,013.50	22,541.53
Total	1,23,794.53	1,57,437.62

8.1 Nature of security

Cash credit and working capital demand loans from banks are secured by way of hypothecation of specific movable assets relating to the loans.

Notes forming part of the financial statements for the year ended March 31, 2012

9. Tangible and intangible fixed assets

₹ in lacs

Particulars	Tangible assets						Total tangible asset	Intangible assets	Total fixed assets
	Land	Building	Plant and machinery	Furniture and fixtures	Vehicles	Leasehold improvements		Computer software	
Gross Block									
As at April 1, 2010	1.76	12.94	1,347.95	548.01	23.53	744.85	2,679.04	350.85	3,029.89
Additions	—	—	559.49	480.69	6.42	576.04	1,622.64	40.97	1,663.61
Disposals	—	—	9.86	9.52	0.48	20.21	40.07	—	40.07
As at March 31, 2011	1.76	12.94	1,897.58	1,019.18	29.47	1,300.68	4,261.61	391.82	4,653.43
Additions	0.46	—	1,465.89	924.87	6.67	1,202.70	3,600.59	85.49	3,686.08
Disposals	—	—	4.03	2.00	2.90	—	8.93	—	8.93
As at March 31, 2012	2.22	12.94	3,359.44	1,942.05	33.24	2,503.38	7,853.27	477.31	8,330.58
Depreciation									
As at April 1, 2010	—	2.14	420.34	130.07	4.39	369.96	926.90	58.47	985.37
Charge for the year	—	0.21	248.89	101.73	2.57	267.15	620.55	126.86	747.41
On disposals	—	—	1.90	3.55	0.22	18.09	23.76	—	23.76
As at March 31, 2011	—	2.35	667.33	228.25	6.74	619.02	1,523.69	185.33	1,709.02
Charge for the year	—	0.21	417.60	230.84	3.19	557.80	1,209.64	161.70	1,371.34
On disposals	—	—	2.08	0.79	1.22	—	4.09	—	4.09
As at March 31, 2012	—	2.56	1,082.85	458.30	8.71	1,176.82	2,729.24	347.03	3,076.27
Net Block									
As at March 31, 2011	1.76	10.59	1,230.25	790.93	22.73	681.66	2,737.92	206.49	2,944.41
As at March 31, 2012	2.22	10.38	2,276.59	1,483.75	24.53	1,326.56	5,124.03	130.28	5,254.31

Notes forming part of the financial statements for the year ended March 31, 2012

10. Non-current investments

₹ in lacs

Particulars	As at March 31,	
	2012	2011
Long-term investment		
Other than trade		
A. Unquoted equity instruments		
(i) Investment in wholly owned subsidiary (valued at cost)		
1,48,00,000 (March 31, 2011: 25,00,000) Equity shares of ₹ 10 each fully paid-up in Shriram Housing Finance Ltd.	1,480.00	250.00
(ii) Investment in other companies (valued at cost)		
16,32,653 (March 31, 2011: 16,32,653) equity shares of ₹ 10 each fully paid-up in Highmark Credit Information Services Private Ltd.	200.00	200.00
Total unquoted non-current investment	1,680.00	450.00
B. Quoted Investment		
(i) Investment in government securities (valued at cost)		
Quoted		
6.13% GOI Loan 2028 of face value ₹ 100 lacs (Market value as on March 31, 2012: ₹ 83.52 lacs and March 31, 2011: ₹ 83.52 lacs)	101.45	101.45
Total quoted non-current investment	101.45	101.45
Total	1,781.45	551.45
Aggregate amount of Quoted Investments (cost of acquisition)	101.45	101.45
Aggregate amount of Unquoted Investments (cost of acquisition)	1680.00	450.00
Aggregate amount of provision for diminution in value of Investments	17.93	17.93

In accordance with the Reserve Bank of India circular no. RBI/2006-07/225 DNBS (PD) C.C No.87/03.02.2004/2006-07 dated January 4, 2007, the company has created a floating charge on the statutory liquid assets comprising of investment in government securities being statutory liquid assets to the extent of ₹ 101.45 Lacs (March 31, 2011: ₹ 101.45 lacs) in favor of trustees representing the public deposit holders of the company.

Notes forming part of the financial statements for the year ended March 31, 2012

11. Deferred tax asset (Net)

₹ in lacs

Particulars	As at March 31,	
	2012	2011
Deferred tax liabilities		
Timing difference on account of :		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	72.50	85.63
Deferred expenses incurred for NCD mobilization	358.91	—
Gross deferred tax liabilities (A)	431.41	85.63
Deferred tax asset		
Timing difference on account of :		
Provision for service tax	503.90	515.90
Contingent provision against standard assets	862.98	569.65
Provision for leave benefits	25.73	18.01
Provision for gratuity	84.32	65.22
Provision for derivative	157.93	418.29
Provision for bonus	46.10	13.78
Estimated disallowances	64.89	66.44
Gross deferred tax Assets (B)	1,745.85	1,667.29
Deferred tax asset (Net)) (B-A)	1,314.44	1,581.66

12. Loans and advances

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Unsecured, considered good				
Capital advances	719.24	108.93	—	—
Security deposits	1,046.55	553.71	300.00	—
Loans and advances				
Assets under financing activities :				
- Secured, considered good	2,27,370.63	1,86,230.96	7,68,852.49	4,28,753.40
- Doubtful	1,382.21	447.34	12,432.95	9,602.36
- Less: provision for non-performing assets	(388.90)	(128.03)	(9,346.71)	(6,938.92)
- Unsecured, considered good	19,445.40	22,015.99	48,259.74	48,954.70
- Doubtful	230.94	148.15	2,657.88	2,768.32
- Less: provision for non-performing assets	(230.94)	(148.15)	(2,657.88)	(2,768.32)
Advances recoverable in cash or in kind or for value to be received - Unsecured, consider good	—	—	2,014.05	1,736.73
Total	2,49,575.13	2,09,228.90	8,22,512.52	4,82,108.27

Notes forming part of the financial statements for the year ended March 31, 2012

13. Other assets

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Bank balances non-current portion [Refer note-14]	17,123.00	6,590.00	—	—
Public issue expenses for non-convertible debentures (to the extent not written off or adjusted)	828.43	—	277.80	—
Interest accrued on fixed deposit and other loan and advances	972.10	138.53	269.10	186.43
Securitisation-receivable	17,985.27	3,902.27	30,475.82	13,244.80
Service tax credit (input) receivable	—	—	106.76	146.00
Prepaid expenses	—	—	725.30	952.29
Other assets	—	1.34	1.34	23.65
Total	36,908.80	10,632.14	31,856.12	14,553.17

14. Cash and bank balances

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Cash and cash equivalents :				
Balances with banks:				
- Current account	—	—	31,514.92	95,504.76
- Balance in unpaid dividend accounts	—	—	30.77	22.11
- Bank deposit with maturity of less than three months	—	—	56,522.50	99,500.00
Cash on hand	—	—	7,520.43	6,025.87
Other bank balances:				
Bank deposit with maturity for more than three months but less than twelve months	—	—	—	51.00
Margin money deposit	17,123.00	6,590.00	20,061.28	8,846.40
	17,123.00	6,590.00	1,15,649.90	2,09,950.14
Amount disclosed under the head "non-current asset" [Refer note 13]	(17,123.00)	(6,590.00)	—	—
Total	—	—	1,15,649.90	2,09,950.14

Margin money deposit of ₹ 37,184.28 lacs as at March 31, 2012 (March 31, 2011 ₹ 15,436.40 lacs) is pledged with banks as margin for securitization.

Notes forming part of the financial statements for the year ended March 31, 2012

15. Revenue from operation

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Income from finance and other charges	1,75,171.77	1,22,778.70
Income on securitisation / assignment	26,238.79	8,222.30
Interest on margin money on securitisation / assignment	1,935.51	799.12
Bad debts recovery	401.75	253.46
Total	2,03,747.82	1,32,053.58

16. Other income

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Dividend income	596.67	—
Net gain on sale of investments	134.74	—
Other non-operating income:		
Interest on deposit with bank	1,134.46	264.57
Interest on government securities	6.13	6.13
Profit on sale of assets	0.05	0.16
Commission	5.24	10.23
Miscellaneous income	16.32	9.98
Total	1,893.61	291.07

17. Employee benefits expenses

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Salaries and incentives	8,575.91	3,678.56
Contributions to provident fund	215.51	138.21
Gratuity	69.12	40.51
Expense on employee stock option scheme	191.82	471.68
Staff welfare expenses	184.41	38.06
Total	9,236.77	4,367.02

Notes forming part of the financial statements for the year ended March 31, 2012

18. Finance cost

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Interest expense on :		
Debentures	31,999.07	18,256.28
Subordinate debt bonds	8,651.76	7,456.74
Fixed deposits	6.72	6.03
Loans from bank	40,112.97	18,914.70
Loans from institution and others	1,039.73	1,243.82
Commercial paper	1,601.26	1,434.16
Borrowing cost:		
Bank charges	1,230.54	1,535.79
Processing and other charges	1,879.52	2,413.69
Brokerage	6,336.44	3,884.21
Total	92,858.01	55,145.42

19. Other expenses

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Rent	1,711.12	1,007.21
Power and fuel expenses	334.73	360.57
Repairs & maintenance	981.85	437.90
Rates, duties & taxes	783.68	636.02
Printing & stationery	1,523.77	1,649.92
Travelling & conveyance	3,953.79	3,704.17
Advertisement	924.39	520.06
Business promotion expenses	5,394.99	3,495.02
Commission	5,980.18	3,702.84
Sourcing fees and other charges	2,574.22	1,444.79
Royalty	565.95	364.24
Directors' sitting fees	6.15	5.45
Insurance	322.40	167.01
Communication expenses	2,040.92	1,908.24
Payments to the auditor as		
a. Audit fees	17.66	14.09
b. Tax audit fees	3.28	3.10
c. Other services	4.14	4.05
Professional charges	2,702.70	2,092.43
Legal & professional fees	1,076.49	2,053.29
Donations	—	1.00
Public issue expenses for non-convertible debentures	162.05	—
Loss on sale of assets	3.57	13.94
Miscellaneous expenses	856.22	587.67
Total	31,924.25	24,173.01

Notes forming part of the financial statements for the year ended March 31, 2012

20. Provisions & write offs

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Provision for non performing assets	2,641.01	2,552.85
Provision for standard assets	944.94	1,714.89
Bad debts written off	14,248.80	7,583.96
Total	17,834.75	11,851.70

21. Earnings per share (EPS)

Particulars	For the year ended March 31,	
	2012	2011
Net profit after tax and share of loss of Associates as per statement of profit and loss (₹ in lacs) (A)	34,253.12	24,058.85
Weighted average number of equity shares for calculating Basic EPS (No. In lacs) (B)	498.20	493.23
Weighted average number of equity shares for calculating Diluted EPS (₹ in lacs) (C)	502.07	501.55
Basic earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (B)	68.75	48.78
Diluted earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (C)	68.22	47.97

Particulars	For the year ended March 31,	
	2012	2011
Weighted average number of equity shares for calculating EPS (No. in lacs)	498.20	493.23
Add : Equity shares arising on conversion of optionally convertible warrants (No. in lacs)	0.20	—
Add : Equity shares for no consideration arising on grant of stock options under ESOP (No. in lacs)	3.67	8.32
Weighted average number of equity shares in calculation diluted EPS (No. in lacs)	502.07	501.55

Notes forming part of the financial statements for the year ended March 31, 2012

22. Gratuity and other post-employment benefit plans:

The company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service

Consequent to the adoption of revised AS 15 'Employee Benefits' issued under Companies Accounting Standard Rules, 2006, as amended, the following disclosures are made as required by the standard:

Statement of profit and loss

Net Employee benefit expenses recognised in the employee cost:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Current service cost	30.74	4.84
Interest cost on benefit obligation	16.20	12.44
Expected return on plan assets	N.A.	N.A.
Net actuarial (gain) / loss recognised in the year	22.18	23.23
Past service cost	—	—
Net benefit expense	69.12	40.51
Actual return on plan assets	N.A.	N.A.

Balance sheet

Benefit asset/liability

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Defined benefit obligation	259.89	196.34
Fair value of plan assets	N.A.	N.A.
Total	259.89	196.34
Less: Unrecognised past service cost	—	—
Plan asset / (liability)	(259.89)	(196.34)

Changes in the present value of the defined benefit obligation are as follows:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Opening defined benefit obligation	196.34	155.52
Interest cost	16.20	12.44
Current service cost	30.74	4.84
Benefits paid	(5.57)	—
Actuarial (gains) / losses on obligation	22.18	23.54
Closing defined benefit obligation	259.89	196.34

Notes forming part of the financial statements for the year ended March 31, 2012

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Investments with insurer	N.A.	N.A.

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Discount rate	8.50%	8.25%
Increase in compensation cost	5.00%	5.00%
Employee turnover*	2.00%	2.00%

The estimates of future salary increases, considered in actuarial valuation, are on account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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

₹ in lacs

Particulars	For the year ended March 31,			
	2012	2011	2010	2009
Defined benefit obligation	259.89	196.34	155.52	139.64
Plan assets	NA	NA	NA	NA
Surplus / (deficit)	(259.89)	(196.34)	(155.52)	(139.64)
Experience adjustments on plan liabilities	(35.18)	(29.63)	(19.27)	(39.51)
Experience adjustments on plan assets	NA	NA	NA	NA

23. Employee Stock Option Plans:

The company provides share-based payment schemes to its employees. During the year ended 31 March 2012, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

Date of Shareholder's approval	: October 30 2006
Date of grant	: October 19 2007
Date of Board Approval	: October 19 2007
Number of options granted	: 13,55,000
Method of Settlement (Cash/Equity)	: Equity
Graded vesting period:	
After 1 years of grant date	: 10% of options granted
After 2 years of grant date	: 20% of options granted
After 3 years of grant date	: 30% of options granted
After 4 years of grant date	: 40% of options granted
Exercisable period	: 10 years from vesting date
Vesting Conditions	: on achievement of pre determined targets

Notes forming part of the financial statements for the year ended March 31, 2012

The details of Series I have been summarized below:

Particulars	As at March 31, 2012		As at March 31, 2012	
	Number of Shares	Weighted Average Exercise Price(in ₹)	Number of Shares	Weighted Average Exercise Price(in ₹)
Outstanding at the beginning of the year	9,18,123	35.00	12,72,800	35.00
Add: Granted during the year	—	—	27,500	—
Less: Forfeited during the year	—	—	—	35.00
Less: Exercised during the year	5,30,332	35.00	3,82,177	—
Less: Expired during the year	—	—	—	35.00
Outstanding at the end of the year	3,87,791	35.00	9,18,123	—
Exercisable at the end of the year	—	—	—	—
Weighted average remaining contractual life (in years)	—	8.55	—	9.55
Weighted average remaining contractual life (in years)	—	227.42	—	227.42

The details of exercise price for stock options outstanding at the end of the period are:

As at March 31,	Range of exercise prices (in ₹)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average Exercise Price (in ₹)
2012	35.00	3,87,791	8.55	35.00
2011	35.00	9,18,123	9.55	35.00

Stock Options granted

The weighted average fair value of stock options granted was ₹ 227.42. The Black Scholes model has been used for computing the weighted average fair value of options considering the following inputs:

	2006	2007	2008	2009
Exercise price (Rs.)	35.00	35.00	35.00	35.00
Expected volatility (%)	55.36	55.36	55.36	55.36
Historical volatility	NA	NA	NA	NA
Life of the options granted (Vesting and exercise period) in years	1.50	2.50	3.50	4.50
Expected dividends per annum (₹)	3.00	3.00	3.00	3.00
Average risk-free interest rate (%)	7.70	7.67	7.66	7.67
Expected dividend rate (%)	0.84	0.84	0.84	0.84

The expected volatility was determined based on historical volatility data equal to the NSE volatility rate of Bank Nifty which is considered as a comparable peer group of the Company. To allow for the effects of early exercise it was assumed that the employees would exercise the options within six months from the date of vesting in view of the exercise price being significantly lower than the market price.

Notes forming part of the financial statements for the year ended March 31, 2012

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Compensation cost pertaining to equity-settled employee share-based payment plan included above	191.82	471.68
Liability for employee stock options outstanding as at year end	878.15	2079.09
Deferred compensation cost	Nil	191.82

Since the company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

In March 2005, the ICAI issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1 2005. The said guidance note requires that the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note the impact on the reported net profit and earnings per share would be as follows:

Particulars	For the year ended March 31,	
	2012	2011
Profit as reported (₹ in lacs)	34,253.12	24,058.85
Add: Employee stock compensation under intrinsic value method (₹ in lacs)	191.82	471.68
Less: Employee stock compensation under fair value method (₹ in lacs)	192.64	473.70
Proforma profit (₹ in lacs)	34,252.30	24,056.83
Less: Preference dividend	—	—
Proforma net profit for equity shareholders	34,252.30	24,056.83
Earnings per share		
Basic (₹)		
- As reported	68.75	48.78
- Proforma	68.75	48.77
Diluted (₹)		
- As reported	68.22	47.97
- Proforma	68.22	47.96

24. Segment information

The company has got a single reportable segment.

25. Related party disclosure

(i) Subsidiaries

Shriram Housing Finance Limited (from 9th November 2010) (SHFL)

ii) Other related parties

Enterprises having significant influence over the company

- Shriram Enterprises Holding Private Limited (SEHPL)
- Shriram Retail Holdings Private Limited (SRHPL)
- Shriram Capital Limited (SCL)
- TPG India Investments Inc. (TPGI)
- Shriram Ownership Trust (SOT)

Notes forming part of the financial statements for the year ended March 31, 2012

(iii) Key Managerial Personnel

R Kannan Managing Director

₹ in lacs

	Enterprises having significant influence over the Company		Subsidiaries		Total	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Payments/Expenses						
Royalty to SOT	565.95	338.15	—	—	565.95	338.15
Data sourcing fees to SOT	367.75	206.40	—	—	367.75	206.40
Service charges SOT	2,206.48	1,238.39	—	—	2,206.48	1,238.39
Reimbursement of business promotion expenses, rent and other expenses to SCL	226.85	33.09	—	—	226.85	33.09
License fees to SCL	661.80	—	—	—	661.80	—
Gratuity and other expenses to SHFL	—	—	14.80	—	14.80	—
Equity dividend to SEHPL	448.04	985.68	—	—	448.04	985.68
Equity dividend to SRHPL	213.91	470.59	—	—	213.91	470.59
Investments in equity shares in SHFL	—	—	1,230.00	250.00	1,230.00	250.00
Balance outstanding as at						
Share capital held by SEHPL	1,792.15	1,792.15	—	—	1,792.15	1,792.15
Share capital held by SRHPL	855.62	855.62	—	—	855.62	855.62
Share capital held by SCL	230.00	—	—	—	230.00	—
Investment in shares of SHFL	—	—	1,480.00	250.00	1,480.00	250.00
Outstanding expenses SCL	—	41.84	—	—	—	41.84
Outstanding expenses SOT	764.63	897.09	—	—	764.63	897.09

26. Contingent liabilities and commitments to the extent not provided for

(i) Contingent liabilities

₹ in lacs

Income Tax	For the year ended March 31,	
	2012	2011
a. Income tax	1,447.80	—
b. Guarantees issued by the company	450.00	6.81
c. Guarantees issued by others	—	1,942.77

The Income tax assessments of the company have been completed up to the Assessment Year 2009-10. The disputed demand outstanding up to the assessment Year 2009-10 is ₹ 1,447.80 lacs.

The company has provided NSE with a bank guarantee for ₹ 450.00 lacs from Indusind bank, Nugambakkam, Chennai branch and a deposit of ₹ 300.00 lacs as security deposit both together 1% of total public issue of secured non-convertible debentures of ₹ 75,000.00 lacs. [Refer note: 27]

Standard Chartered Bank had provided guarantee for ₹ 1,942.77 lacs in favour of Bank of Maharashtra for Securitisation. The guarantee was closed on May 22, 2011.

Notes forming part of the financial statements for the year ended March 31, 2012

(ii) Commitments

(i) As at March 31, 2012 ₹ 686.76 lacs (March 31, 2011: ₹ 61.78 lacs (net of advances) is the estimated amount of contracts remaining to be executed on capital account.

(ii) The company has got further commitments to invest in the subsidiary company i.e. Shriram Housing Finance Limited as at March 31, 2012 ₹ 5529.55 (March 31, 2011 ₹ Nil)

27. Utilization of money raised through public issue of debentures and preferential issue of equity shares and warrants

(i) through public issue of debentures [Refer note 5.1 (A)(iii)]

During the year ended March 31, 2012, the company has raised ₹ 75,000 lacs through public issue of secured redeemable non convertible debentures of face value of ₹ 1000/- each (March 31 2011 :Nil). The proceeds of issue are utilized for the following purposes:

Particulars	₹ in lacs
Disbursement of loans	11,409.00
Repayment of loans from banks	39,030.00
Repayment of loans (Term loans, Securitisation loans)	24,561.00
Total	75,000.00

(ii) through preferential issue of equity shares and warrants [Refer note- 3.4(ii) & 3.6]

Particulars	₹ in lacs
FD placed With Bank	21,500.00
Disbursement of loan	47.00
Total	21,547.00

28. Securitisation / Assignment

The company sells loans through securitisation and direct assignment.

(i) The information on direct assignment activity of the company as an originator for the year March 31, 2012 and March 31, 2011 are given below:

Particulars	For the year ended March 31,	
	2012	2011
Total number of assets	2,62,044	1,78,502
Total book value of assets (₹ in lacs)	2,00,398.99	1,17,915.72
Sale consideration received (₹ in lacs)	2,00,398.99	1,26,737.01
Gain (₹ in lacs)	37,682.48	27,163.76
Outstanding credit enhancement- Deposit with banks/corporate (₹ in lacs)	31,766.37	15,436.40
Outstanding credit enhancement- Retained interest on securitisation (₹ in lacs)	1,374.98	1,900.63

* Gain on direct assignment deals is amortised over the period of the loan.

Notes forming part of the financial statements for the year ended March 31, 2012

(ii) The information on securitisation activity of the company as an originator for the year March 31, 2012 and March 31, 2011 is given below:

Particulars	For the year ended March 31,	
	2012	2011
Total number of assets	45,271	—
Total book value of assets (₹ in lacs)	66,543.26	—
Sale consideration received (₹ in lacs)	66,543.26	—
Gain (₹ in lacs)	17,826.38	—
Outstanding credit enhancement- Deposit with banks/corporate (₹ in lacs)	5,417.91	—
Outstanding credit enhancement- Retained interest on securitisation (₹ in lacs)	—	—

* Gain on securitisation is amortised over the period of the loan.

29. Derivative Instruments:

The Notional principal amount of derivative transactions outstanding as on March 31, 2012 for interest rate swaps ₹ 12,500.00 lacs (March 31 2011 ₹ 12,500.00 lacs).

30. Expenditure in foreign currency (cash basis)

₹ in lacs

	For the year ended March 31,	
	2012	2011
Subscription Fees	—	0.09

31. The company had no discontinuing operations during the year ended March 31, 2012 and during the year ended March 31, 2011.

32. The company operates in single reportable segment. Therefore, the segment wise reporting has not been given.

33. In addition to auditors remuneration shown in other expenses, the company has also incurred auditors remuneration amounting to ₹ 10.00 lacs in connection with other services provided by auditors for public issue of non-convertible debentures and the same has been amortised as per note 2.1(v) stated under "other assets" as public issue expenditure to the extent not written off.

34. Based on the intimation received by the company, none of the suppliers have confirmed to be registered under "the Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Therefore, the related information for this purpose stands to be Nil.

35. The ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular and hence the company is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated financial statements.

36. Previous Year Comparatives

Till the year ended March 31, 2011, the company was using pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012 the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year' classification. It significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet. The following is a summary of the effects that revised Schedule VI had on presentation of balance sheet of the company as at March 31, 2011:

Notes forming part of the financial statements for the year ended March 31, 2012

Pre-revised Schedule VI			Revised Schedule VI		
			₹ in lacs		
Heading	Amount	Adjustment	Amount	Heading	Nature of Adjustment
Source of funds				Equity and liabilities	
Shareholders' funds				Shareholders' funds	ESOP outstanding A/c disclosed as part of reserves
Share capital	4,953.69	—	4,953.69	Share capital	
Stock option outstanding	1,887.27	(1,887.27)	—		
Reserve and surplus	1,14,366.32	1,887.27	1,16,253.59	Reserve and surplus	
	1,21,207.28	—	1,21,207.28		
Loan funds				Non-current liabilities (NCL)	ESOP outstanding A/c disclosed as part of reserves
Secured loans	6,56,951.01				
Unsecured loans	75,827.43				
	7,32,778.44	(3,19,412.44)	4,13,366.00	Long term borrowings	Refer working note 1
		31,824.39	31,824.39	Other Long term liabilities	Refer working note 2
		1,265.20	1,265.20	Long term provisions	Non-current portion
	7,32,778.44	(2,86,322.85)	4,46,455.59		
Current liabilities and provisions				Current liabilities	
	—	1,57,437.62	1,57,437.62	Short-term borrowings	Refer working note 1
Current liabilities	70,089.54	1,30,485.25	2,00,574.79	Other current liabilities	Refer working note 3
Provisions	17,123.50	(11,248.62)	5,874.88	Short-term provisions	Refer working note 4
	87,213.04	2,76,674.25	3,63,887.29		
Total	9,41,198.76	(9,648.60)	9,31,550.16		
Application of funds				Assets	
Fixed and intangible assets				Fixed assets	
Gross block	4,653.43				
Less: accumulated depreciation	1,709.00				
	2,944.43	(2,944.43)	—	Net block	Net block of fixed assets are shown under two separate heads i.e. tangible & intangible fixed assets.
	—	2,737.94	2,737.94	Tangible assets	
	—	206.49	206.49	Intangible assets	
Investments	551.45	—	551.45	Non-current investments	
Deferred tax assets(net)	1,581.66	—	1,581.66	Deferred tax assets(net)	
		2,09,228.90	2,09,228.90	Long-term loan and advances	Non current component of assets under financing activities, other loans & advance plus capital advances.(Refer working note 5)

Contd.

Notes forming part of the financial statements for the year ended March 31, 2012

Pre-revised Schedule VI			Revised Schedule VI		
			₹ in lacs		
Heading	Amount	Adjustment	Amount	Heading	Nature of Adjustment
	—	10,632.14	10,632.14	Other non-current assets	Non current component of bank balances, Other receivables and interest accrued etc (Refer working note 6)
	5,077.54	2,19,861.04	2,24,938.58		
Current assets, loans and Advances				Current assets (CA)	
Assets under financing activities	6,98,921.22	(6,98,921.22)	—		
Cash and bank balances	2,16,540.14	(6,590.00)	2,09,950.14	Cash and cash equivalents	Non-current component grouped under other NCA
Other current asset	17,497.02	(2,943.85)	14,553.17	Other current assets	Refer working note 7
Other loans and advances	3,162.84	4,78,945.43	4,82,108.27	Short-term loans and advances	Refer working note 8
	9,36,121.22	(2,29,509.64)	7,06,611.58		
Total	9,41,198.76	(9,648.60)	9,31,550.16		

₹ in lacs

Working notes

1. Long term borrowings

Secured and unsecured loans as per pre revised Schedule VI		7,32,778.44
Less: Loans having original maturity of less than 12 months maturity regrouped as short-term borrowings	(1,57,396.09)	
Less: Current portion of fixed deposit regrouped under short-term borrowings	(41.53)	
Less: Current portion of long-term borrowings regrouped under other current liabilities	(1,61,974.82)	(3,19,412.44)
		4,13,366.00

2. Other long term liabilities

Amount as per pre-revised Schedule VI		Nil
Add: Application money on redeemable non convertible debentures	967.07	
Add: Application money on subordinate debts	107.47	
Add: Securitisation deferred income (non-current)	8,889.38	
Add: Interest accrued but not due on borrowings	21,194.69	
Add: Retention and other	665.78	31,824.39
		31,824.39

Notes forming part of the financial statements for the year ended March 31, 2012

₹ in lacs

Working notes

3. Other current liabilities

Current liabilities as per pre-revised schedule VI		70,089.54
Add: Current portion of long-term borrowings	1,61,974.82	
Less: Application money on redeemable non convertible debentures	(967.07)	
Less: Application money on subordinate debts	(107.47)	
Less: Securitisation deferred income (non-current)	(8,889.38)	
Less: Interest accrued but not due on borrowings(non-current portion)	(21,194.69)	
Less: Retention and other	(665.78)	
Add: Security Deposit Received from dealer grouped under other long term liabilities	29.34	
Add: Manufacturer Subvention Receivable a/c (regrouped under short term loan and advance)	305.48	1,30,485.25
		2,00,574.79

4. Short-term provision

Total provision as per pre-revised schedule VI		17,123.50
Less: Long term provision	(1,265.20)	
Less: Provision non-performing asset(shown under Loan & Adv.)	(9,983.42)	(11,248.62)
		5,874.88

5. Long term loan and Advances

Assets under financing activities		6,98,921.22
Add: Capital Advances	108.93	
Add: Security deposits	553.71	
Less: Amount shown under short term loan and advance	(4,90,078.78)	
Less: Provision for non-performing asset adjusted under long term loan & advances	(276.18)	(4,89,692.32)
		2,09,228.90

6. Other non-current assets

Other non-current asset as per pre-revised schedule VI		Nil
Add: Non-current portion of interest accrued but not due	138.53	
Add: Non-current portion of securitisation receivable	3,902.27	
Add: Non-current portion other current asset	1.34	
Add: Non-current bank balance	6,590.00	10,632.14
		10,632.14

7. Other current assets

Other current asset as per pre-revised schedule VI		17497.02
Less: Non-current portion of interest accrued but not due	(138.53)	
Less: Non-current portion of securitisation receivable	(3,902.27)	
Less: Non-current portion other current asset	(1.34)	
Add: Prepaid expenses	952.29	
Add: Service tax credit (input) receivable	146.00	(2,943.85)
		14,553.17

Notes forming part of the financial statements for the year ended March 31, 2012

₹ in lacs

Working notes

8. Short term loan and advances

Other loans and advances as per pre revised schedule VI		3,162.84
Less: Advance-capital asset grouped under long term loan and advance	(108.93)	
Less: Security deposit grouped under long term loan and advance	(553.71)	
Less: Prepaid expenses grouped under other current assets	(952.29)	
Less: Service tax credit (input) receivable	(146.00)	
Add: Manufacturer Subvention Receivable a/c (regrouped under short term loan and advance)	305.48	
Add: Security Deposit Received from dealer grouped under other long term liabilities	29.34	
Add: Current portion of asset under financing activities	4,90,078.78	
Less: Current portion of provision for non performing assets	(9,707.24)	4,78,945.43
		4,82,108.27

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E
Chartered Accountants

Ramendra Nath Das

Partner
Membership no: 014125

Place: Chennai
Date: May 18, 2012

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

As required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

₹ in lacs

	Particulars	Amount outstanding	Amount overdue
	Liabilities side :		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			
(a) Debenture : Secured		3,79,168.47	5,260.72#
: Unsecured		—	—
(other than falling within the meaning of public deposits*)			
(b) Deferred credits		—	—
(c) Term loans		4,01,630.05	—
(d) Inter-corporate loans and borrowing		2,000.00	—
(e) Commercial paper		—	—
(f) Public deposits*		38.32	14.51#
(g) Other Loans - Subordinate debt bonds		1,04,184.05	553.05#
- Cash credit		1,22,056.36	—
Total		10,09,077.26	5,828.28
*Please see Note 1 below			
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued there on but not paid)			
(a) In the form of unsecured debentures		—	—
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security		—	—
(c) Other public deposits		38.32	14.51#
Total (2)		38.32	14.51#
*Please see Note 1 below			
# Represent amount unclaimed.			
Assets side :		Amount outstanding	
(3) Break-up of loans and advances including bills receivables (other than those included in (4) below):			
(a) Secured			10,10,038.28
(b) Unsecured			70,593.96
Total (3)			10,80,632.24

₹ in lacs

Assets side :		Amount outstanding
(4) Break up of leased assets and stock on hire and other assets counting towards AFC activities		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	—	
(b) Operating lease	—	
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire	—	
(b) Repossessed assets	—	
(iii) Other loans counting towards AFC Activities :		
(a) Loans where assets have been repossessed	—	
(b) Loans other than (a) above	—	
Total (4)	—	
(5) Break-up of Investments :		
Current Investments :		
1. Quoted :		
(I) Shares : (a) Equity	—	
(b) Preference	—	
(ii) Debenture and bonds	—	
(iii) Units of mutual funds	—	
(iv) Government securities	—	
(v) Others (Please specify)	—	
2. Unquoted :		
(I) Shares: (a) Equity	—	
(b) Preference	—	
(ii) Debentures and Bonds	—	
(iii) Units of mutual funds	—	
(iv) Government Securities	—	
(v) Others (Please specify)	—	
Long Term investments :	—	
1. Quoted :		
(I) Shares : (a) Equity	—	
(b) Preference	—	
(ii) Debentures and bonds	—	
(iii) Units of mutual funds	—	
(iv) Government securities	101.45	
(v) Others (Please specify)	—	
2. Unquoted :		
(I) Shares: (a) Equity	1,680.00	
(b) Preference	—	
(ii) Debentures and bonds	—	
(iii) Units of mutual funds	—	
(iv) Government securities	—	
(v) Others (Please specify)	—	
Total (5)		1,781.45

Assets side :			Amount outstanding
(6) Borrower group-wise classification of assets, financed as in (3) and (4) above : Please see Note 2 below			
Category	Amount (Net of provisions)		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	—	—	—
(b) Companies in the same group	—	—	—
(c) Other related parties	—	—	—
2. Other than related parties	10,10,038.28	70,593.96	10,80,632.24
Less: provision	(9,735.61)	(2,888.82)	(12,624.43)
Total (6)	10,00,302.67	67,705.14	10,68,007.81
(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):			
Category	Market Value/break-up or fair value or NAV	Book Value (net of provisions)	
1. Related Parties **			
(a) Subsidiaries	1,480.00	1,480.00	
(b) Companies in the same group	—	—	
(c) Other related parties	—	—	
2. Other than related parties	200.00	200.00	
Government securities	101.45	101.45	
Less: provision on government securities	(17.93)	(17.93)	
Total (7)	1,763.52	1,763.52	
* Disclosure is made in respect of available information. ** As per Accounting Standard of ICAI (Please see Note 3)			
(8) Other information			
Particulars	Amount		
(i) Gross non-performing assets			
(a) Related parties	—		
(b) Other than related parties	16,703.98		
(ii) Net non-performing assets			
(a) Related parties	—		
(b) Other than related parties	4,079.56		
(iii) Assets acquired in satisfaction of debt	—		

Notes :

1. As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for calculation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

For **Shriram City Union Finance Limited**

Place: Chennai
Date: May 18, 2012

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

Summary of financial information of subsidiary company for the year ended March 31, 2012
Under section 212 of the Companies Act 1956.

SI No.	Particulars of subsidiary company	Shriram Housing Finance Limited
1.	Financial year ended on	March 31, 2012
2.	Capital (₹ in lacs) 1,48,00,000 equity shares of face value of ₹10 each	1,480.00
3.	Holding company's interest in the subsidiary company as at March 31, 2012	1,47,99,994 equity shares of ₹ 10/- each (100%)
4.	Net aggregate amount of profit (loss) of the subsidiary company not dealt with in the holding company's account.	
	(i) For the financial year of the subsidiary company	(444.79)
	(ii) For the previous financial year of the subsidiary company	—
5.	Net aggregate amount of profit (loss) of the subsidiary company dealt with in the holding company's account.	
	(i) For the financial year of the subsidiary company	—
	(ii) For the previous financial year of the subsidiary company	—
6.	Reserves (₹ in lacs)	(444.79)*
7.	Total Assets (₹ in lacs)	1,099.87
8.	Total liabilities (₹ in lacs)	64.66
9.	Turnover (₹ in lacs)	43.18
10.	Profit before taxation (₹ in lacs)	(489.18)
11.	Provision for taxation (₹ in lacs)	44.39
12.	Profit after taxation (₹ in lacs)	(444.79)

* Represents debit balance in Statement of profit and loss

For **Shriram City Union Finance Limited**

Place: Chennai
Date: May 18, 2012

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

PIJUSH GUPTA & CO
CHARTERED ACCOUNTANTS
P-199, C.I.T.ROAD, SCHEME IV-M, KOLKATA 700 010
Auditor's Report on Consolidated Financial Statement

The Board of Directors

Shriram City Union Finance Limited

1. We have audited the attached Consolidated balance sheet of Shriram City Union Finance Limited ('the Company') and its subsidiary (collectively referred to as 'the group') as at March 31, 2012 and also the Consolidated statement of profit and loss and the Consolidated cash flow statement for the year ended on that date (collectively referred to as 'financial statements') annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the said management on the basis of separate audited financial statements and other financial information regarding components (the company and its subsidiary). Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards AS 21 "Consolidated Financial Statements" and Accounting Standard AS 23 "Accounting for Investments in Associates in Consolidated financial statements" notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).

4. Based on our audit as stated above and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated balance sheet, of the state of affairs of the Group as at March 31, 2012;
- (b) in the case of the Consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Pijush Gupta & Co.**
Firm Registration No :309015E
Chartered Accountants

Place: Chennai
Date :May 18, 2012

Ramendra Nath Das
Partner
Membership No. 014125

Consolidated Balance sheet as at March 31,	Notes	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	5,236.72	4,953.69
Reserves and surplus	4	1,59,377.53	1,16,253.59
Money received against share warrants	3.4	8,437.00	—
		1,73,051.25	1,21,207.28
Non-current liabilities			
Long-term borrowings	5	6,31,400.98	4,13,366.00
Other long-term liabilities	6	44,591.61	31,824.39
Long-term provisions	7	1,045.59	1,265.20
		6,77,038.18	4,46,455.59
Current liabilities			
Short-term borrowings	8	1,23,794.53	1,57,437.62
Other current liabilities	6	2,82,754.09	2,00,593.46
Short-term provisions	7	7,834.49	5,874.88
		4,14,383.11	3,63,905.96
Total		12,64,472.54	9,31,568.83
ASSETS			
Non-current assets			
Fixed assets:			
Tangible assets	9	5,194.75	2,740.66
Intangible assets	9	130.59	206.49
Non-current investments	10	301.45	301.45
Deferred tax assets	11	1,358.83	1,581.66
Long-term loans and advances	12	2,50,108.17	2,09,228.90
Other non-current assets	13	36,968.56	10,655.90
		2,94,062.35	2,24,715.06
Current assets			
Cash and bank balances	14	1,16,015.14	2,10,192.33
Short-term loans and advances	12	8,22,524.21	4,82,108.27
Other current assets	13	31,870.84	14,553.17
		9,70,410.19	7,06,853.77
Total		12,64,472.54	9,31,568.83
Summary of significant accounting policies	2.2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

₹ in lacs

Consolidated Profit and loss for the ended March 31,	Notes	2012	2011
Revenue from operations	15	2,03,783.03	1,32,053.58
Other income	16	1,901.58	291.07
Total revenue		2,05,684.61	1,32,344.65
Expenses:			
Employee benefits expense	17	9,416.76	4,367.02
Finance costs	18	92,858.01	55,145.42
Depreciation and amortization expense		1,377.97	747.41
Other expenses	19	32,109.26	24,173.01
Provisions & write offs (net)	20	17,995.48	11,851.70
Total expenses		1,53,757.48	96,284.56
Profit before tax		51,927.13	36,060.09
Tax expense:			
- Current tax		16,898.55	12,460.20
- Deferred tax		222.83	(458.96)
- Tax of earlier years		997.42	—
Total tax expense		18,118.80	12,001.24
Profit for the year from continuing operation		33,808.33	24,058.85
Earnings per equity share:			
Equity shares of par value ₹ 10/- each			
Basic (₹)		67.86	48.78
Diluted (₹)		67.34	47.97
Summary of significant accounting policies	2.2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

 For and on behalf of the Board of Directors of
Shriram City Union Finance Limited
R. Kannan
 Managing Director

S.Venkatakrishnan
 Director

C R Dash
 Company Secretary

Consolidated Cash flow statement for the year ended March 31,	2012	2011
Cash flow from operating activities		
Net profit before taxation	51,927.13	36,060.09
Non-cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	1,379.49	747.42
(Profit)/loss on sale of fixed assets	3.52	13.78
Employees stock option compensation expenses	191.82	471.68
Public issue expenditure for non-convertible debenture	162.05	—
Provision for non performing assets and bad debt written off	16,889.81	10,136.82
Contingent provision on standard assets	946.89	1,714.89
Provision for hedging contracts	(772.49)	(546.62)
Provision for gratuity	81.76	40.82
Provision for bonus and ex-gratia	5.12	—
Provision for leave benefits	25.60	27.48
Net gain on sale of current investments	(134.74)	—
Interest income on current and long term investments and interest income on fixed deposits	(1,148.05)	(270.70)
Dividend income	(596.67)	—
Operating profit before working capital changes	68,961.24	48,395.66
Movement in working capital:		
(Increase) / decrease in assts under financing activities	(3,95,959.82)	(2,33,365.56)
(Increase) / decrease in Short-term loans and advances	(589.02)	86.00
(Increase) / decrease in Long-term loans and advances	(1,636.18)	(521.66)
(Increase) / decrease in other current assets	(17,039.87)	(9,672.96)
(Increase) / decrease in other non-current assets	(14,951.23)	(2,712.39)
Increase / (decrease) in other current liabilities	82,160.63	36,958.02
Increase / (decrease) in other non-current liabilities	12,767.22	11,526.82
Cash generated from operation	(2,66,287.03)	(1,49,306.07)
Direct taxes paid (net of refund)	(16,862.29)	(11,127.69)
Net cash flow from/(used in) operating activities (A)	(2,83,149.32)	(1,60,433.76)
Cash flow from investing activities		
Investment in fixed deposit (having maturity of more than three months)	51.00	55.00
Investment in margin money deposit	(21,747.88)	7,937.17
Purchase of fixed and intangible assets	(3,762.54)	(1,666.34)
Proceeds from sale of fixed assets	1.33	2.52
Purchase of investments	—	(200.00)
Proceeds from sale of investments (net)	134.74	—
Interest received on current and long term investments and interest on fixed deposits	1,148.05	270.70
Dividend received	596.67	—
Net cash flow from/(used in) investing activities (B)	(23,578.63)	6,399.05

Consolidated Cash flow statement for the year ended March 31,	2012	2011
Cash flow from financing activities		
Proceeds from issue of equity share capital including securities premium and share application money	21,732.61	133.05
Increase / (decrease) of long-term borrowings	2,18,034.98	2,29,623.26
Increase / (decrease) of short-term borrowings	(33,643.09)	12,005.58
Public issue expenses for non-convertible debenture paid	(1,268.28)	—
Dividend paid	(2,985.09)	(2,710.89)
Tax on dividend	(484.25)	(450.25)
Net cash flow from/(used in) financing activities (C)	2,01,386.88	2,38,600.75
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(1,05,341.07)	84,566.04
Cash and cash equivalents at the beginning of the year	2,01,294.93	1,16,728.89
Cash and cash equivalents at the end of the year	95,953.86	2,01,294.93

Component of cash and cash equivalents	For the year ended March 31,	
	2012	2011
Cash on hand	7,520.52	6,025.90
Balances with banks:		
Current account	31,580.07	95,746.92
Balance in unpaid dividend accounts	30.77	22.11
Bank deposit with maturity of less than 3 months	56,822.50	99,500.00
Total cash and cash equivalents	95,953.86	201,294.93
Summary of significant accounting policies	2.2	

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E
Chartered Accountants

Ramendra Nath Das

Partner
Membership no: 014125

Place: Chennai
Date: May 18, 2012

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

R. Kannan
Managing Director

S.Venkatakrishnan
Director

C R Dash
Company Secretary

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

1. Basis of preparation

The consolidated financial statements related to Shriram City Union Finance Limited ('the Company') and its subsidiary company. The financial statements have been prepared in conformity with generally accepted accounting principles to comply in all material respects with the notified Accounting Standards ('AS') under Companies Accounting Standard Rules, 2006, as amended, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC') and the guidelines issued by National Housing Bank (NHB) as applicable for housing finance operations. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except for the change in accounting policy explained below.

2. Basis of consolidation

(i) The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company i.e. period ended March 31, 2012 and are prepared based on the accounting policies consistent with those used by the Company.

(ii) The financial statements of the Group have been prepared in accordance with the Accounting Standard 21 (AS21) 'Consolidated Financial Statements' and Accounting Standard 23(AS23) 'Accounting for investments in Associates in Consolidated Financial Statements, notified under the Companies (Accounting Standards) Rules, 2006, as amended and other generally accepted accounting principles in India.

(iii) The consolidated financial statements have been prepared on the following basis :

- a. The financial statements of the company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions have been fully eliminated.
- b. The consolidated financial statements include the share of profit / loss of the associate company which has been accounted as per the 'Equity method', and accordingly, the share of profit / loss of the associate company (the loss being restricted to the cost of investment) has been added to / deducted from the cost of investments.
- c. The excess of cost to the Company of its investments in the subsidiary company over its share of equity of the subsidiary company, at the dates on which the investments in the subsidiary company are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- d. Minority interest, if any, in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary company and further movements in their share in the equity, subsequent to the dates of investments as stated above.

(iv) The following subsidiary company is considered in the consolidated financial statements:

Name of the company	Country of incorporation	Share of ownership interest as at March,31	
		2012	2012
Shriram Housing Finance Limited(SHFL)	India	100%	100%

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

2.1 Summary of significant accounting policies

a. Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the figures for the previous year in accordance with the requirements applicable in the current year.

b. Current / Non-current classification of assets / liabilities

Pursuant to applicability of Revised Schedule VI on presentation of financial statements for the financial year ended March 31, 2012; the Company has classified all its assets / liabilities into current / non-current portion based on the time frame of 12 months from the date of financial statements. Accordingly, assets/liabilities expected to be realised /settled within 12 months from the date of financial statements are classified as current and other assets/ liabilities are classified as noncurrent.

c. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the date of the financial statements and results of operations during the reporting year end. Although these estimates are based on the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates are recognised in current and future years.

d. Tangible fixed assets

Fixed assets, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price and directly attributable cost for bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenditure is incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

e. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

f. Depreciation on tangible fixed assets

Depreciation on fixed assets is provided on Straight Line Method (SLM) by using the rates arrived at based on the useful lives estimated by the management, which are greater than or equal to the rates prescribed under the Schedule XIV to the Companies Act, 1956.

Leasehold improvements are amortised on SLM over the primary period of lease subject to a maximum of 60 months. All fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of installation. Depreciation on assets acquired /sold during the year is recognised on a prorata basis in the statement of profit and loss till the date of sale or from the date of acquisition.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

g. Depreciation on intangible assets

Amortisation is provided on Straight Line Method (SLM), which reflects the management's estimate of the useful life of the intangible asset. The company has used the following rate to, provide depreciation on the intangible assets.

	Rates (SLM)
Computer software	33.33%

Amortisation on assets acquired/sold during the year is recognised on prorata basis in the statement of profit and loss till the date of acquisition/sale.

h. Impairment of assets

The company assesses at each balance sheet date if there is an indication of impairment of any asset. If any indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is greater of net selling price and value in use of the asset. Where the carrying amount of an asset is more than its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.. The value in use is the estimated future cash flows discounted to their present value at pre-tax discount rate which reflects current market assessment of the time value of money and risk specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each Balance Sheet date about existence or decrease of previously recognised impairment losses. If such indication exists, the company estimates the asset's recoverable amount. A previously recognised impairment loss is increased or reversed depending on the changes in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

i. Capital advance

Capital advances are advances given for procurement of fixed assets. Company does not expect to realise them in cash and over a period of time these advances get converted into fixed assets which are non-current by nature. Therefore irrespective of when the fixed assets are expected to be received such advances are disclosed under "long-term loans and advances".

j. Borrowing costs

Borrowing cost includes interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs are charged to statement of profit & loss in the year in which they are incurred.

k. Investments

Investments intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary in the value of such investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

I. Provision/write off of assets

Nonperforming loans are written off / provided for, as per estimates of management, subject to the minimum provision required as per Non- Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on standard asset is made as required under Reserve Bank of India (RBI) notification No. DNBS.222/CGM (US-2011) dated January 17, 2011.

m. Loans

Loans are stated at the amount advanced including finance charges accrued and expenses recoverable, as reduced by the amounts received up to the date of balance sheet and loans securitised.

n. Leases

Where the Company is the lessor

Assets given on operating leases are included in fixed assets. Lease income is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the statement of profit and loss.

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

o. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The revenue recognition are as under:

- (i) Income from financing activities is recognised on the basis of internal rate of return.
- (ii) Additional finance charges / additional interest are treated to accrue on realisation due to uncertainty of its realisation.
- (iii) Gain arising on securitization/direct assignment of assets is recognised over the tenure of agreements as per guideline on securitisation of standard assets issued by RBI. Loss or expenditure in respect of securitisation / assignment, if any, is recognised upfront.
- (iv) The prudential norms for income recognition prescribed under Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 are followed.
- (v) Income from services is recognised as per the terms of the contract on accrual basis.
- (vi) Interest Income on deposit accounts with banks is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend is recognised as income when right to receive payment is established by the date of balance sheet.
- (viii) Profit/loss on sale of investments is recognised at the time of actual sale / redemption.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

p. Foreign currency translation

Foreign currency transactions and balances

Initial recognition: Foreign currency transactions are recorded in Indian rupee, by applying to the foreign currency amount the exchange rate between the Indian rupee and the foreign currency at the date of the transaction.

Conversion: Foreign currency monetary items are retranslated to Indian rupees by using the exchange rate prevailing at the Balance Sheet date.

Exchange differences: All exchange differences are dealt with in the statement of profit and loss.

q. Income taxes

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of a deferred tax asset to the extent it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The un-recognised deferred tax assets are re-assessed by the company at each balance sheet date and are recognised to the extent it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

r. Segment reporting

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole. The segments are identified based on the nature of product & market served. The income /expenses which are not allocated to any reportable segments are reported as un allocable segment.

s. Employee stock compensation cost

The measurement and disclosure of the employee share based payment plans is done in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments issued by The Institute of Chartered Accountants of India (ICAI). The company measures cost relating to employees stock option by intrinsic value method. Compensation expenses is amortised on straight line method over the period of vesting of options.

t. Retirement and other employee benefits

Provident fund

All the employees of the company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated rate. The company has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense in the year it is incurred.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Gratuity

The company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Leave benefits

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

u. Earnings per share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

v. Expenses on deposits / debentures

Expenses for private placement of debentures/subordinated debts/deposits are charged to statement of profit and loss in the year in which they are incurred.

Expenses incurred on public issue of debentures other than brokerage are charged off on straight line basis over the weighted average tenor of the underlying debentures. The brokerage incurred on issue of debenture is treated as expenditure in the year in which it is incurred.

w. Provisions

A provision is recognised when the company has a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

x. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. Cash equivalents are short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash-in-hand, cash at bank, cheque in hand, remittances in transit and short term investments with an original maturity period of three months or less.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

y. Derivative instruments

In accordance with the ICAI guidelines and on principle of prudence, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. However net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

z. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are beyond the control of the company. A contingent liability also includes a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises where; a liability cannot be measured reliably. The company does not recognise a contingent liability in the accounts but discloses its existence in the financial statements.

3. Share capital

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Authorised		
1000,00,000 (March 31, 2011: 600,00,000) equity shares of ₹ 10/- each *	10,000.00	6,000.00
40,00,000 (March 31, 2011: 40,00,000) cumulative redeemable preference shares of ₹ 100/- each	4,000.00	4,000.00
	14,000.00	10,000.00
Issued, subscribed and fully paid-up		
Equity shares		
5,23,67,209 (March 31, 2011: 4,95,36,877) shares of ₹ 10/- each	5236.72	4953.69
Total Issued, subscribed and fully paid-up share capital	5236.72	4953.69

* Necessary return for increase in authorised equity capital for the year ended on March 31, 2012 was filed with Registrar of companies, Chennai on April 7, 2012.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

3.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	₹ in lacs	Number	₹ in lacs
At the beginning of the year	4,95,36,877	4,953.69	4,91,54,700	4,915.47
Issued during the year - ESOP [Refer note-23]	5,30,332	53.03	3,82,177	38.22
Issued during the year - Preferential Issue [Refer note-3.6]	23,00,000	230.00	—	—
Outstanding at the end of the year	5,23,67,209	5,236.72	4,95,36,877	4,953.69

3.2 Terms / rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of the equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of dividend per equity share recognised as distributions to equity shareholders is ₹ 6.50 (March 31, 2011 : ₹ 6.00 including interim dividend) including interim dividend.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity share of ₹ 10 each fully paid				
Shriram Enterprise Holding Pvt. Ltd.	1,79,21,462	34.22	1,79,21,462	36.18
Shriram Retail Holding Pvt. Ltd.	85,56,201	16.34	85,56,201	17.27
Norwest Venture Partners X FII-Mauritius	43,42,179	8.29	43,42,179	8.77
Van Gogh Ltd.	66,25,000	12.65	66,25,000	13.37
Bessemer Venture Partners Trust	25,00,000	4.77	25,00,000	5.05
IDBI Trusteeship Services Ltd.	37,00,054	7.07	37,00,054	7.47

As per records of the company, including the register of shareholders/members and other declarations received from shareholders/members regarding beneficial interest, the above shareholding represents legal ownerships of shares.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

3.4 Shares reserved for issue under option:

(i) For detail of share reserved for issue under the employees stock option scheme (ESOP) [Refer note 23]

(ii) Preferential issue of share warrants:

During the year 59,00,000 warrants were issued /allotted to Shriram Capital Limited at a subscription price of not less than ₹ 143/- for each warrant conferring an option to the holder to subscribe to one equity share per warrant at the exercise price of ₹ 570/- per warrant being a price higher than the price determined as per Regulation 76(1) Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The warrants are convertible within a period not exceeding 18 months from the date of allotment.

3.5 The company issued 13,55,000 equity shares (March 31, 2011: 13,55,000) during the period of five years immediately preceding the reporting date on exercise of options granted under ESOP, wherein a part of the consideration was received in form of employee service.

3.6 Preferential allotment of equity Shares :

During the year 23,00,000 equity shares of the company were issued/allotted to Shriram Capital Limited for cash at a subscription price of ₹ 570.00 per equity share (includes a premium of ₹ 560.00 per equity share) being the price higher than the price determined under chapter VII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

4. Reserves & surplus

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Capital reserves	1,400.00	1,400.00
Capital redemption reserve	2,328.98	2,328.98
Securities premium		
Opening balance	50,797.13	49,836.14
Add : securities premium credited during the year	14,213.52	960.99
Closing balance	65,010.65	50,797.13
Debenture redemption reserve		
Opening balance	—	—
Add: transfer from statement of profit & loss	4,914.00	—
Closing balance	4,914.00	—
Stock options outstanding		
Employee stock option outstanding	878.15	2,079.09
Less: transfer to deferred employee compensation outstanding	—	191.82
Closing balance	878.15	1,887.27
Statutory reserve (pursuant to section 45-IC of the RBI Act, 1934)		
Opening balance	15,960.00	11,150.00
Add: transfer from statement of profit & loss	6,860.00	4,810.00
Closing balance	22,820.00	15,960.00
General reserve		
Opening balance	7,767.90	5,357.90
Add: transfer from statement of profit & loss	3,430.00	2,410.00
Closing balance	11,197.90	7,767.90
Surplus in the statement of profit & loss		
Opening balance	36,112.31	22,730.09
Add: net profit for the year	33,808.33	24,058.85
Less: Appropriations		
- Interim dividends	(1,251.30)	(1,236.25)
- Tax on interim dividend	(202.99)	(205.33)
- Proposed final equity dividend	(2,094.69)	(1,733.79)
- Tax on proposed equity dividend	(339.81)	(281.26)
- Transfer to statutory reserve (pursuant to section 45-IC of the RBI Act, 1934)	(6,860.00)	(4,810.00)
- Transfer to general reserve	(3,430.00)	(2,410.00)
- Transfer to debenture redemption reserve	(4,914.00)	—
Net surplus in the statement of profit & loss	50,827.85	36,112.31
Total	1,59,377.53	1,16,253.59

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

5. Long-term borrowings

₹ in lacs

Particulars	Non-current portion		Current maturities	
	As at March 31, 2012		As at March 31, 2012	
	2012	2011	2012	2011
Secured				
Privately placed redeemable non-convertible debentures (Retail) [Refer note 5.1(A)(i)]	1,32,134.87	94,640.44	73,820.06	60,653.87
Privately placed non-convertible debentures (Institutional) [Refer note 5.1(A)(ii)(a)&(b)]	58,726.67	58,750.00	14,733.33	5,833.33
Public issue of redeemable non-convertible debentures [Refer note 5.1(A)(iii)]	75,000.00	—	—	—
Term loan from banks [Refer note 5.1(B)(i)]	2,74,356.88	2,03,304.65	1,09,558.27	92,372.63
Term loan from financial institutions [Refer 5.1(B)(ii)]	16,500.00	6,500.00	—	—
Total secured long-term borrowing	5,56,718.42	3,63,195.09	1,98,111.66	1,58,859.83
Unsecured				
Fixed deposits (Refer note 5.2(A))	8.71	13.57	13.50	41.53
Subordinated debt bonds (Refer note 5.2(B)(i)(ii))	74,673.85	50,157.34	8,900.16	3,114.99
Total unsecured long-term borrowing	74,682.56	50,170.91	8,913.66	3,156.52
Amount disclosed under the head "other current liabilities" [Refer note-6]	—	—	(2,07,011.82)	(1,61,974.82)
Amount disclosed under the head "short-term borrowings" [Refer note-8]	—	—	(13.50)	(41.53)
Total	6,31,400.98	4,13,366.00	—	—

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

5.1 Secured loans - Long term borrowings

A. Secured redeemable non convertible debentures

(i) Privately placed secured redeemable non convertible debentures of (NCDs) ₹ 1000/- each - Unquoted (Retail)

Terms of repayment as at March 31, 2012

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	—	321.36	—	321.36
48-60 months	11.72	1,616.20	241.48	1.12	1,870.52
36-48 months	620.49	1,339.37	—	292.28	2,252.14
24-36 months	1,511.71	68,577.25	3.10	115.36	70,207.42
12-24 months	28,045.27	28,756.66	571.14	110.36	57,483.43
Total non-current portion	30,189.19	1,00,289.48	1,137.08	519.12	1,32,134.87
12 months	47,129.83	25,680.74	833.21	176.28	73,820.06
Total current maturities	47,129.83	25,680.74	833.21	176.28	73,820.06
Grand Total	77,319.02	1,25,970.22	1,970.29	695.40	2,05,954.93

Terms of repayment as at March 31, 2011

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	—	562.84	1.12	563.96
48-60 months	610.17	549.30	—	292.28	1,451.75
36-48 months	500.41	1,636.83	3.10	115.36	2,255.70
24-36 months	19,582.78	26,542.68	571.95	110.36	46,807.77
12-24 months	16,735.32	25,815.00	834.66	176.28	43,561.26
Total non-current portion	37,428.68	54,543.81	1,972.55	695.40	94,640.44
12 months	34,123.40	11,221.33	14,750.14	559.00	60,653.87
Total current maturities	34,123.40	11,221.33	14,750.14	559.00	60,653.87
Grand Total	71,552.08	65,765.14	16,722.69	1,254.40	1,55,294.31

Nature of security

The redemption of principal amount of secured redeemable non-convertible debentures with all interest there on are secured by a legal mortgage on the specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts / loan receivables in favour of the Trustees appointed.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

These secured redeemable non-convertible debentures are redeemable at par over a period of 12 months to 160 months from the date of allotment depending on the terms of the agreement.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and /or regulatory requirements, upon the terms and conditions as may be decided by the company. The company may grant loan against the security of NCDs upon the terms and conditions as may be decided by the company and subject to applicable statutory and /or regulatory requirements.

(ii) Privately placed redeemable non-convertible debentures (Institutional)

a. Privately placed redeemable non-convertible debentures (NCDs) of ₹ 1,00,000/- each - quoted

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31, 2012		As at March 31, 2012		
	2012	2011	2012	2011	
10.75%	3,000.00	3,000.00	—	—	07-Oct-14
10.75%	5,600.00	7,000.00	—	—	30-Sep-14
10.75%	—	—	1,400.00	—	30-Mar-13
Total	8,600.00	10,000.00	1,400.00	—	

b. Privately Placed Redeemable Non-Convertible Debentures (NCDs) of ₹ 10,00,000/- each - quoted

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31, 2012		As at March 31, 2012		
	2012	2011	2012	2011	
10.60%	1,000.00	1,000.00	—	—	13-Dec-17
10.60%	1,500.00	1,500.00	—	—	13-Dec-17
9.00%	27,500.00	27,500.00	—	—	30-Mar-17
10.75%	500.00	500.00	—	—	04-Feb-21
10.50%	2,000.00	2,000.00	—	—	23-Nov-17
10.65%	1,000.00	—	—	—	03-Feb-15
11.00%	1,500.00	—	—	—	01-Dec-14
10.61%	2,900.00	—	—	—	02-Jun-14
10.60%	680.00	—	—	—	17-Feb-14
10.30%	1,000.00	—	—	—	20-Jan-14
10.95%	1,800.00	—	—	—	25-Oct-13
10.60%	500.00	—	—	—	09-Aug-13
10.96%	2,500.00	—	—	—	23-May-13
10.85%	1,100.00	—	—	—	18-Apr-13
10.96%	1,730.00	—	—	—	03-Apr-13
9.00%	—	7,500.00	—	—	05-Jan-13
7.82%	2,916.67	8,750.00	—	—	22-Apr-13
9.00%	—	—	7,500.00	—	05-Jan-13
7.82%	—	—	2,916.67	—	22-Oct-12
7.82%	—	—	2,916.66	—	22-Apr-12
7.82%	—	—	—	2,916.67	22-Oct-11
7.82%	—	—	—	2,916.66	22-Apr-11
Total	50,126.67	48,750.00	13,333.33	5,833.33	

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Nature of security

The redemption of principal amount of secured redeemable non-convertible debentures with all interest there on are secured by a legal mortgage on the specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts/loan receivables in favor of the Trustees appointed.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the company.

(iii) Public issue of secured redeemable non convertible debentures (NCDs) of ₹ 1000/- each - quoted (2011)

₹ in lacs

Option Detail	Rate of Interest	As at March 31,		Redeemable at par on	Put and call option
		2012	2011		
Option I	11.60%	5,429.05	—	25-Aug-16	25-Aug-15
	12.10%	43,653.65	—	25-Aug-16	25-Aug-15
	11.85%	12,125.30	—	25-Aug-16	25-Aug-15
Option II	11.50%	9,570.95	—	25-Aug-14	—
	11.85%	1,346.35	—	25-Aug-14	—
	11.60%	2,874.70	—	25-Aug-14	—
Total		75,000.00	—		

Nature of security

The repayment of secured redeemable non convertible debentures of ₹ 1,000/- each at face value on maturity together with interest thereon are secured by mortgage of specified immovable property and by way of charge on the company's specifically identified movable assets such as book debts / loan receivables in favor of the Trustees appointed.

Secured redeemable non-convertible debentures may be bought back by the company subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the company.

B. Term loan

(i) Term loan from bank

Terms of repayment as at March 31, 2012

₹ in lacs

Tenor	Rate of Interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	11.15% to 12%	1 to 48 instalments of bullet, half yearly and yearly frequency	50,625.00	6,875.00
24-36 months	10.75% to 11.50%	1 to 36 instalments of bullet & quarterly frequency	1,00,000.00	—
12-24 months	9.25% to 12.25%	1 to 24 instalments of bullet, monthly, quarterly and half yearly frequency	1,23,731.88	22,000.00
Upto 12 months	8.20% to 12.25%	1 to 12 instalments of bullet, quarterly & half yearly frequency	—	80,683.27
Grand Total			2,74,356.88	1,09,558.27

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

₹ in lacs

Tenor	Rate of Interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	10%	1 to 48 instalments of quarterly frequency	5,000.00	—
24-36 months	9.25% to 10.75%	1 to 36 instalments of bullet, monthly, quarterly, half yearly and yearly frequency	1,15,749.39	11,250.00
*12-24 months	8.75% to 12.25%	1 to 24 instalments of bullet, Quarterly & half yearly frequency	82,555.26	4,683.32
Upto 12 months	8.20% to 12.50%	1 to 12 instalments of bullet, Quarterly & half yearly frequency	—	76,439.31
Grand Total			2,03,304.65	92,372.63

* Includes a loan outstanding amount of ₹ 1,871.95 lacs with original maturity date is Dec 30, 2012 but that was preclosed on Feb 22, 2012.

Nature of security

Term Loans from banks are secured by an exclusive charge by way of hypothecation of specific assets under financing.

(ii) Term loan from institutions

₹ in lacs

Rate of Interest	Non-current portion		Current maturities		Redeemable at par on
	As at March 31,		As at March 31,		
	2012	2011	2012	2011	
11.75%	10,000.00	—	—	—	10-Jul-17
10%	6,500.00	6,500.00	—	—	10-Aug-13
Grand Total	16,500.00	6,500.00	—	—	

Nature of security

Term loans from institutions are secured by an exclusive charge by way of hypothecation of specific assets under financing.

5.2 Unsecured loan - Long term borrowings

A. Fixed deposits of ₹ 1000/- each - unquoted

Terms of repayment as at March 31, 2012

₹ in lacs

Redeemable at par within	Rate of interest				Total
	>=6% <8%	>=8% <10%	>=10% <12%	>=12%	
48-60 months	0.20	—	—	—	0.20
36-48 months	—	—	—	—	—
24-36 months	3.15	2.49	—	—	5.64
12-24 months	2.57	0.30	—	—	2.87
Total non-current portion	5.92	2.79	—	—	8.71
12 months	6.31	7.07	0.12	—	13.50
Total current maturities	6.31	7.07	0.12	—	13.50
Grand Total	12.23	9.86	0.12	—	22.21

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

₹ in lacs

Redeemable at par within	Rate of interest				Total
	>=6% <8%	>=8% <10%	>=10% <12%	>=12%	
36-48 months	—	2.49	—	—	2.49
24-36 months	2.47	0.30	—	—	2.77
12-24 months	1.12	7.07	0.12	—	8.31
Total non-current portion	3.59	9.86	0.12	—	13.57
12 months	21.31	16.85	3.37	—	41.53
Total current maturities	21.31	16.85	3.37	—	41.53
Grand Total	24.90	26.71	3.49	—	55.10

B. Privately placed subordinated debts

The company has issued subordinated debt bonds with coupon rate of 7% to 15% per annum which are redeemable over a period of 60 months to 88 months.

Terms of repayment as at March 31, 2012

(i) Privately placed subordinated debt bonds of ₹ 1,000/- each - unquoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	1,239.57	14,170.39	—	—	15,409.96
48-60 months	56.17	2,443.60	—	—	2,499.77
36-48 months	—	8,731.43	55.61	—	8,787.04
24-36 months	—	3,763.80	7,687.31	—	11,451.11
12-24 months	—	10,574.89	2,916.08	—	13,490.97
Total non-current portion	1,295.74	39,684.11	10,659.00	—	51,638.85
12 months	—	8,719.49	180.34	0.33	8,900.16
Total current maturities	—	8,719.49	180.34	0.33	8,900.16
Grand Total	1,295.74	48,403.60	10,839.34	0.33	60,539.01

(ii) Privately placed subordinated debt bonds of ₹ 1,00,000/- each - quoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	—	23,035.00	—	—	23,035.00
Total non-current portion	—	23,035.00	—	—	23,035.00

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Terms of repayment as at March 31, 2011

(i) Privately placed subordinated debt bonds of ₹ 1,000/- each - unquoted

₹ in lacs

Redeemable at par within	Rate of interest				Total
	< 10%	>= 10% < 12%	>= 12% < 14%	>= 14%	
Over 60 months	1,295.74	6,232.32	—	—	7,528.06
48-60 months	—	8,731.43	55.61	—	8,787.04
36-48 months	—	3,763.80	7,687.31	—	11,451.11
24-36 months	—	10,574.89	2,916.08	—	13,490.97
12-24 months	—	8,719.49	180.34	0.33	8,900.16
Total non-current portion	1,295.74	38,021.93	10,839.34	0.33	50,157.34
12 months	—	3,114.81	—	0.18	3,114.99
Total current maturities	—	3,114.81	—	0.18	3,114.99
Grand Total	1,295.74	41,136.74	10,839.34	0.51	53,272.33

6. Other liabilities

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31, 2012		As at March 31, 2012	
	2012	2011	2012	2011
Current maturities of long-term borrowings [Refer note: 5]	—	—	2,07,011.82	1,61,974.82
Interest accrued but not due on borrowings	23,469.00	21,194.69	16,934.34	11,623.74
Application money on redeemable non convertible debentures	421.05	967.07	—	—
Application money on subordinate debt bonds	217.26	107.47	—	—
Unclaimed dividends*	—	—	30.77	22.11
Unclaimed matured deposits and interest accrued thereon*	—	—	14.51	27.05
Unclaimed matured debentures and interest accrued thereon*	—	—	5,260.72	4,487.39
Unclaimed matured subordinate debts and interest accrued thereon*	—	—	553.05	352.48
Temporary credit balance in bank accounts	—	—	13,485.59	3,122.28
Tax deducted at source	—	—	356.71	267.81
Statutory due pertaining to employees	—	—	39.88	24.39
Service tax - contested #	—	—	1,553.08	1,553.08
Securitisation deferred income (income received in advance)	19,321.32	8,889.38	33,326.76	14,796.99
Retention and other	1,162.98	665.78	4,186.86	2,341.32
Total	44,591.61	31,824.39	2,82,754.09	2,00,593.46

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

As regards the recovery of Service tax on lease and hire purchase transactions, the Hon,ble Supreme Court vide its order dated October 26, 2010 has directed the competent authority under the Finance act, 1994 to decide the matter in accordance with the law laid down.

* Accrued interest is up to the date of maturity. Amounts shall be credited to Investor Education & Protection Fund as and when due to the extent unclaimed.

7. Provisions

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31, 2012		As at March 31, 2012	
	2012	2011	2012	2011
Provision for Employee benefits:				
Provision for gratuity	268.73	190.77	9.37	5.57
Provision for leave benefits	47.62	49.13	32.21	5.10
Other provisions:				
Provision for standard assets [Refer note 2.1(I)]	618.96	520.62	2,042.81	1,194.27
Provision for hedging contracts	92.35	486.75	394.40	772.49
Provision for diminution in the value of Investments	17.93	17.93	—	—
Provision for income tax [net of advance income tax of ₹ 56916.23 lacs [March 31, 2011 ₹ 40053.93 lacs]	—	—	2,916.08	1,882.40
Proposed dividend	—	—	2,094.69	1,733.79
Corporate dividend tax	—	—	339.81	281.26
Provision for bonus and ex-gratia	—	—	5.12	—
Total	1,045.59	1,265.20	7,834.49	5,874.88

8. Short term borrowings

₹ in lacs

Particulars	As at March 31, 2012	
	2012	2011
Secured		
Cash credit from banks	56,366.20	63,806.17
Working capital demand loan from banks	65,414.83	71,089.92
	1,21,781.03	1,34,896.09
Unsecured		
Fixed deposits [Refer note: 5]	13.50	41.53
Commercial papers	—	22,500.00
Inter corporate deposits [Shriram Credit Company Ltd @ 10.50% on Nov 1, 2011]	2,000.00	—
	2,013.50	22,541.53
Total	1,23,794.53	1,57,437.62

8.1 Nature of security

Cash credit and working capital demand loans from banks are secured by way of hypothecation of specific movable assets relating to the loans.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

9. Tangible and intangible fixed assets

₹ in lacs

Particulars	Tangible assets						Total tangible asset	Intangible assets	Total fixed assets
	Land	Building	Plant and machinery	Furniture and fixtures	Vehicles	Leasehold improvements		Computer software	
Gross Block									
As at April 1, 2010	1.76	12.94	1,347.95	548.01	23.53	744.85	2,679.04	350.85	3,029.89
Additions	—	—	562.22	480.69	6.42	576.04	1,625.37	40.97	1,666.34
Disposals	—	—	9.86	9.52	0.48	20.21	40.07	—	40.07
As at March 31, 2011	1.76	12.94	1,900.31	1,019.18	29.47	1,300.68	4,264.34	391.82	4,656.16
Additions	0.46	—	1,493.69	928.54	6.67	1,247.35	3,676.71	85.83	3,762.54
Disposals	—	—	4.03	2.00	2.90	—	8.93	—	8.93
As at March 31, 2012	2.22	12.94	3,389.97	1,945.72	33.24	2,548.03	7,932.12	477.65	8,409.77
Depreciation									
As at April 1, 2010	—	2.14	420.34	130.07	4.39	369.96	926.90	58.47	985.37
Charge for the year	—	0.21	248.90	101.73	2.57	267.15	620.56	126.86	747.42
On disposals	—	—	1.90	3.55	0.22	18.09	23.76	—	23.76
As at March 31, 2011	—	2.35	667.34	228.25	6.74	619.02	1,523.70	185.33	1,709.03
Charge for the year	—	0.21	419.82	231.03	3.19	563.51	1,217.76	161.73	1,379.49
On disposals	—	—	2.08	0.79	1.22	—	4.09	—	4.09
As at March 31, 2012	—	2.56	1,085.08	458.49	8.71	1,182.53	2,737.37	347.06	3,084.43
Net Block									
As at March 31, 2011	1.76	10.59	1,232.97	790.93	22.73	681.66	2,740.64	206.49	2,947.13
As at March 31, 2012	2.22	10.38	2,304.89	1,487.23	24.53	1,365.50	5,194.75	130.59	5,325.34

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

10. Non-current investments

₹ in lacs

Particulars	As at March 31,	
	2012	2011
Long-term investment		
Other than trade		
A. Unquoted equity instruments		
(i) Investment in other companies (valued at cost)		
16,32,653 (March 31, 2011: 16,32,653) equity shares of ₹ 10 each fully paid-up in Highmark Credit Information Services Private Ltd.	200.00	200.00
Total unquoted non-current investment	200.00	200.00
B. Quoted Investment		
(i) Investment in government securities (valued at cost)		
Quoted		
6.13% GOI Loan 2028 of face value ₹ 100 lacs (Market value as on March 31, 2012: ₹ 83.52 lacs and March 31, 2011: ₹ 83.52 lacs)	101.45	101.45
Total quoted non-current investment	101.45	101.45
Total	301.45	301.45
Aggregate amount of Quoted Investments (cost of acquisition)	101.45	101.45
Aggregate amount of Unquoted Investments (cost of acquisition)	200.00	200.00
Aggregate amount of provision for diminution in value of Investments	17.93	17.93

In accordance with the Reserve Bank of India circular no. RBI/2006-07/225 DNBS (PD) C.C No.87/03.02.2004/2006-07 dated January 4, 2007, the company has created a floating charge on the statutory liquid assets comprising of investment in government securities being statutory liquid assets to the extent of ₹ 101.45 Lacs (March 31, 2011: ₹ 101.45 lacs) in favor of trustees representing the public deposit holders of the company.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

11. Deferred tax asset (Net)

₹ in lacs

Particulars	As at March 31,	
	2012	2011
Deferred tax liabilities		
Timing difference on account of :		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	74.46	85.63
Deferred expenses incurred for NCD mobilization	358.91	—
Gross deferred tax liabilities (A)	433.37	85.63
Deferred tax asset		
Timing difference on account of :		
Provision for service tax	503.90	515.90
Contingent provision against standard assets	863.58	569.65
Provision for leave benefits	25.89	18.01
Provision for gratuity	89.95	65.22
Provision for derivative	157.93	418.29
Provision for bonus	46.89	13.78
Estimated disallowances	64.89	66.44
Preliminary expenditure	0.67	—
Deferred revenue expenditure	38.50	—
Gross deferred tax Assets (B)	1,792.20	1,667.29
Deferred tax asset (Net)) (B-A)	1,358.83	1,581.66

12. Loans and advances

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Unsecured, considered good				
Capital advances	771.82	108.93	—	—
Security deposits	1,046.55	553.71	300.00	—
Loans and advances				
Assets under financing activities :				
- Secured, considered good	2,27,851.09	1,86,230.96	7,68,864.19	4,28,753.40
- Doubtful	1,382.21	447.34	12,432.95	9,602.36
- Less: provision for non-performing assets	(388.90)	(128.03)	(9,346.71)	(6,938.92)
- Unsecured, considered good	19,445.40	22,015.99	48,259.74	48,954.70
- Doubtful	230.94	148.15	2,657.88	2,768.32
- Less: provision for non-performing assets	(230.94)	(148.15)	(2,657.88)	(2,768.32)
Advances recoverable in cash or in kind or for value to be received - Unsecured, consider good	—	—	2,014.05	1,736.73
Total	2,50,108.17	2,09,228.90	8,22,524.21	4,82,108.27

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

13. Other assets

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Non-current bank balances [Refer note-14]	17123.00	6590.00	—	—
Fixed deposit with bank under lien [Refer note-14]	7.00	—	—	—
Public issue expenses for non-convertible debentures (to the extent not written off or adjusted)	828.43	—	277.80	—
Miscellaneous expenditure (to the extent not written off or adjusted)	—	23.76	—	—
Interest accrued on fixed deposit and other loan and advances	972.10	138.53	269.10	186.43
Securitisation-receivable	17,985.27	3,902.27	30,475.82	13,244.80
Service tax credit (input) receivable	—	—	115.13	146.00
Prepaid expenses	—	—	725.52	952.29
Security deposit	52.76	—	—	—
Other assets	—	1.34	7.47	23.65
Total	36,968.56	10,655.90	31,870.84	14,553.17

14. Cash and bank balances

₹ in lacs

Particulars	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Cash and cash equivalents :				
Balances with banks:				
-Current account	—	—	31,580.07	95,746.92
-Balance in unpaid dividend accounts	—	—	30.77	22.11
-Bank deposit with maturity of less than three months	—	—	56,822.50	99,500.00
Cash on hand	—	—	7,520.52	6,025.90
Other bank balances:				
Bank deposit with maturity for more than three months but less than twelve months	—	—	—	51.00
More than 12 months	7.00	—	—	—
Margin money deposit	17,123.00	6590.00	20,061.28	8,846.40
	17,130.00	6590.00	1,16,015.14	2,10,192.33
Amount disclosed under the head "non-current asset" [Refer note 13]	(17,130.00)	(6,590.00)	—	—
Total	—	—	1,16,015.14	2,10,192.33

Margin money deposit of ₹ 37,184.28 lacs as at March 31, 2012 (March 31, 2011 ₹ 15,436.40 lacs) is pledged with banks as margin for securitisation. Bank deposit of ₹ 7.00 lacs is under lien as on March 31, 2012.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

15. Revenue from operation

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Income from finance and other charges	1,75,206.98	1,22,778.70
Income on Securitisation / assignment	26,238.79	8,222.30
Interest on margin money on securitisation / assignment	1,935.51	799.12
Bad debts recovery	401.75	253.46
Total	2,03,783.03	1,32,053.58

16. Other income

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Dividend Income	596.67	—
Net gain on sale of investments	134.74	—
Other non-operating income:		
Interest on deposit with bank	1,141.92	264.57
Interest on government securities	6.13	6.13
Profit on sale of assets	0.05	0.16
Commission	5.24	10.23
Miscellaneous income	16.83	9.98
Total	1,901.58	291.07

17. Employee benefits expenses

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Salaries and incentives	8,725.71	3678.56
Contributions to provident fund	219.39	138.21
Gratuity	87.63	40.51
Provision for leave encashment	0.65	—
Bonus and ex-gratia	5.12	—
Expense on employee stock option scheme and employee stock purchase plan	191.82	471.68
Staff welfare expenses	186.44	38.06
Total	9,416.76	4,367.02

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

18. Finance cost

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Interest expense on :		
Debentures	31,999.07	18,256.28
Subordinate debt bonds	8,651.76	7,456.74
Fixed deposits	6.72	6.03
Loans from bank	40,112.97	18,914.70
Loans from institution and others	1,039.73	1,243.82
Commercial Paper	1,601.26	1,434.16
Borrowing Cost:		
Bank Charges	1,230.54	1,535.79
Processing and other charges	1,879.52	2,413.69
Brokerage	6,336.44	3,884.21
Total	92,858.01	55,145.42

19. Other expenses

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Rent	1,784.26	1,007.21
Power and fuel expenses	339.28	360.57
Repairs & maintenance	984.31	437.90
Rates, duties & taxes	839.12	636.02
Printing & stationery	1,528.06	1,649.92
Travelling & conveyance	3,976.19	3,704.17
Advertisement	924.39	520.06
Business promotion expenses	5,398.06	3,495.02
Commission	5,980.18	3,702.84
Sourcing fees and other charges	2,575.66	1,444.79
Royalty	565.95	364.24
Directors' sitting fees	6.25	5.45
Insurance	322.40	167.01
Communication expenses	2,045.42	1,908.24
Payments to the auditor as		
a. Audit fees	18.71	14.09
b. Tax audit fees	3.28	3.10
c. Other services	4.14	4.05
Professional charges	2,715.27	2,092.43
Legal & professional fees	1,076.49	2,053.29
Donations	—	1.00
Public issue expenses for non-convertible debentures	162.05	—
Loss on sale of assets	3.57	13.94
Miscellaneous expenses	856.22	587.67
Total	32,109.26	24,173.01

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

20. Provisions & write offs

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Provision for non performing assets	2,641.01	2,552.85
Provision for standard assets	946.89	1,714.89
Bad debts written off	14,248.80	7,583.96
Preliminary & pre operative expenditure	158.48	—
Others	0.30	—
Total	17,995.48	11,851.70

21. Earnings per share (EPS)

Particulars	For the year ended March 31,	
	2012	2011
Net profit after tax and share of loss of Associates as per statement of profit and loss (₹ in lacs) (A)	33,808.33	24,058.85
Weighted average number of equity shares for calculating Basic EPS (No. in lacs) (B)	498.20	493.23
Weighted average number of equity shares for calculating Diluted EPS (₹ in lacs) (C)	502.07	501.55
Basic earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (B)	67.86	48.78
Diluted earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (C)	67.34	47.97

Particulars	For the year ended March 31,	
	2012	2011
Weighted average number of equity shares for calculating EPS (No. in lacs)	498.20	493.23
Add : Equity shares arising on conversion of optionally convertible warrants (No. in lacs)	0.20	—
Add : Equity shares for no consideration arising on grant of stock options under ESOP (No. in lacs)	3.67	8.32
Weighted average number of equity shares in calculation diluted EPS (No. in lacs)	502.07	501.55

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

22. Gratuity and other post-employment benefit plans:

The company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service

Consequent to the adoption of revised AS 15 'Employee Benefits' issued under Companies Accounting Standard Rules, 2006, as amended, the following disclosures are made as required by the standard:

Statement of profit and loss

Net Employee benefit expenses recognised in the employee cost:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Current service cost	33.04	4.84
Interest cost on benefit obligation	16.20	12.44
Expected return on plan assets	N.A.	N.A.
Net actuarial (gain) / loss recognised in the year	38.09	23.23
Past service cost	—	—
Net benefit expense	87.33	40.51
Actual return on plan assets	N.A.	N.A.

Balance sheet

Benefit asset/liability

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Defined benefit obligation	278.10	196.34
Fair value of plan assets	N.A.	N.A.
Total	278.10	196.34
Less: Unrecognised past service cost	—	—
Plan asset / (liability)	(278.10)	(196.34)

Changes in the present value of the defined benefit obligation are as follows:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Opening defined benefit obligation	196.34	155.52
Interest cost	16.20	12.44
Current service cost	33.04	4.84
Benefits paid	(5.57)	—
Actuarial (gains) / losses on obligation	38.09	23.54
Closing defined benefit obligation	278.10	196.34

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

₹ in lacs

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Investments with insurer	N.A.	N.A.

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Particulars	Gratuity	
	For the year ended March 31,	
	2012	2011
Discount rate	8.50%	8.25%
Increase in compensation cost	5.00%	5.00%
Employee turnover*	2.00%	2.00%

The estimates of future salary increases, considered in actuarial valuation, are on account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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

₹ in lacs

Particulars	For the year ended March 31,			
	2012	2011	2010	2009
Defined benefit obligation	278.10	196.34	155.52	139.64
Plan assets	NA	NA	NA	NA
Surplus / (deficit)	(278.10)	(196.34)	(155.52)	(139.64)
Experience adjustments on plan liabilities	(37.48)	(29.63)	(19.27)	(39.51)
Experience adjustments on plan assets	NA	NA	NA	NA

23. Employee Stock Option Plans:

The company provides share-based payment schemes to its employees. During the year ended 31 March 2012, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

Date of Shareholder's approval	: October 30 2006
Date of grant	: October 19 2007
Date of Board Approval	: October 19 2007
Number of options granted	: 1355000
Method of Settlement (Cash/Equity)	: Equity
Graded vesting period:	
After 1 years of grant date	: 10% of options granted
After 2 years of grant date	: 20% of options granted
After 3 years of grant date	: 30% of options granted
After 4 years of grant date	: 40% of options granted
Exercisable period	: 10 years from vesting date
Vesting Conditions	: on achievement of pre determined targets

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

The details of Series I have been summarized below:

Particulars	As at March 31, 2012		As at March 31, 2012	
	Number of Shares	Weighted Average Exercise Price (in ₹)	Number of Shares	Weighted Average Exercise Price (in ₹)
Outstanding at the beginning of the year	9,18,123	35.00	12,72,800	35.00
Add: Granted during the year	—	—	27,500	—
Less: Forfeited during the year	—	—	—	35.00
Less: Exercised during the year	5,30,332	35.00	3,82,177	—
Less: Expired during the year	—	—	—	35.00
Outstanding at the end of the year	3,87,791	35.00	9,18,123	—
Exercisable at the end of the year	—	—	—	—
Weighted average remaining contractual life (in years)	—	8.55	—	9.55
Weighted average remaining contractual life (in years)	—	227.42	—	227.42

The details of exercise price for stock options outstanding at the end of the period are:

As at March 31,	Range of exercise prices (in ₹)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average Exercise Price (in ₹)
2012	35.00	3,87,791	8.55	35.00
2011	35.00	9,18,123	9.55	35.00

Stock Options granted

The weighted average fair value of stock options granted was ₹ 227.42. The Black Scholes model has been used for computing the weighted average fair value of options considering the following inputs:

	2006	2007	2008	2009
Exercise price (₹)	35.00	35.00	35.00	35.00
Expected volatility (%)	55.36	55.36	55.36	55.36
Historical volatility	NA	NA	NA	NA
Life of the options granted (Vesting and exercise period) in years	1.50	2.50	3.50	4.50
Expected dividends per annum (₹)	3.00	3.00	3.00	3.00
Average risk-free interest rate (%)	7.70	7.67	7.66	7.67
Expected dividend rate (%)	0.84	0.84	0.84	0.84

The expected volatility was determined based on historical volatility data equal to the NSE volatility rate of Bank Nifty which is considered as a comparable peer group of the Company. To allow for the effects of early exercise it was assumed that the employees would exercise the options within six months from the date of vesting in view of the exercise price being significantly lower than the market price.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Compensation cost pertaining to equity-settled employee share-based payment plan included above	191.82	471.68
Liability for employee stock options outstanding as at year end	878.15	2079.09
Deferred compensation cost	Nil	191.82

Since the company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

In March 2005, the ICAI issued a guidance note on “Accounting for Employees Share Based Payments” applicable to employee based share plan the grant date in respect of which falls on or after April 1 2005. The said guidance note requires that the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note the impact on the reported net profit and earnings per share would be as follows:

Particulars	For the year ended March 31,	
	2012	2011
Profit as reported (₹ in lacs)	34,253.12	24,058.85
Add: Employee stock compensation under intrinsic value method (₹ in lacs)	191.82	471.68
Less: Employee stock compensation under fair value method (₹ in lacs)	192.64	473.70
Proforma profit (₹ in lacs)	34,252.30	24,056.83
Less: Preference Dividend	—	—
Proforma net profit for equity shareholders	34,252.30	24,056.83
Earnings per share		
Basic (₹)		
- As reported	68.75	48.78
- Proforma	68.75	48.77
Diluted (₹)		
- As reported	68.22	47.97
- Proforma	68.22	47.96

24. Related party disclosure

(i) Other related parties

Enterprises having significant influence over the company

- Shriram Enterprises Holding Private Limited (SEHPL)
- Shriram Retail Holdings Private Limited (SRHPL)
- Shriram Capital Limited (SCL)
- TPG India Investments Inc. (TPGI)
- Shriram Ownership Trust (SOT)

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

(ii) Key Managerial Personnel

R Kannan Managing Director

₹ in lacs

	March 31, 2012	March 31, 2011
Payments/Expenses		
Royalty to SOT	565.95	338.15
Data sourcing fees to SOT	367.75	206.40
Service charges SOT	2,206.48	1,238.39
Reimbursement of business promotion expenses, rent and other expenses to SCL	361.15	33.09
License fees to SCL	661.80	—
Equity dividend to SEHPL	448.04	985.68
Equity dividend to SRHPL	213.91	470.59
Balance outstanding as at		
Share capital held by SEHPL	1,792.15	1,792.15
Share capital held by SRHPL	855.62	855.62
Share capital held by SCL	230.00	—
Outstanding expenses SCL	—	41.84
Outstanding expenses SOT	764.63	897.09

25. Contingent liabilities and commitments to the extent not provided for

(i) Contingent liabilities

₹ in lacs

Income Tax	For the year ended March 31,	
	2012	2011
a. Income tax	1,447.80	—
b. Guarantees issued by the company	457.00	6.81
c. Guarantees issued by others	—	1,942.77

The Income tax assessments of the company have been completed up to the Assessment Year 2009-10. The disputed demand outstanding up to the assessment Year 2009-10 is ₹ 1447.80 lacs.

The company has provided NSE with a bank guarantee for ₹ 450.00 lacs from Indusind bank, Nugambakkam, Chennai branch and a deposit of ₹ 300.00 lacs as security deposit i.e. 1% of total public issue of secured non-convertible debentures of ₹ 75,000.00 lacs. [Refer note: 26]. And Bank deposit of ₹ 7.00 Lacs liened against corporate credit cards.

Standard Chartered Bank had provided guarantee for ₹ 1942.77 lacs in favour of Bank of Maharashtra for Securitisation. The guarantee was closed on May 22, 2011.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

(ii) Commitments

(i) As at March 31, 2012 ₹ 686.76 lacs (March 31, 2011: ₹ 61.78 lacs (net of advances) is the estimated amount of contracts remaining to be executed on capital account.

(ii) The company has got further commitments to invest in the subsidiary company i.e. Shriram Housing Finance Limited as at March 31, 2012 ₹ 5529.55 (March 31, 2011 ₹ Nil)

26. Utilization of money raised through public issue of debentures and preferential issue of equity shares and warrants

(i) through public issue of debentures [Refer note 5.1 (A)(iii)]

During the year ended March 31, 2012, the company has raised ₹ 75,000 lacs through public issue of secured redeemable non convertible debentures of face value of ₹ 1000/- each (March 31 2011 :Nil). The proceeds of issue are utilized for the following purposes:

Particulars	₹ in lacs
Disbursement of loans by the company	11,409.00
Repayment of loans from banks (Funding of Cash credit account)	39,030.00
Repayment of loans (Term loans, Securitisation loans)	24,561.00
Total	75,000.00

(ii) through preferential issue of equity shares and warrants [Refer note- 3.4(ii) & 3.6]

Particulars	₹ in lacs
FD placed With Bank	21,500.00
Disbursement of loan	47.00
Total	21,547.00

27. Securitisation / Assignment

The company sells loans through securitisation and direct assignment.

(i) The information on direct assignment activity of the company as an originator for the year March 31, 2012 and March 31, 2011 are given below:

₹ in lacs

Particulars	For the year ended March 31,	
	2012	2011
Total number of assets	2,62,044	1,78,502
Total book value of assets (₹ in lacs)	2,00,398.99	1,17,915.72
Sale consideration received (₹ in lacs)	2,00,398.99	1,26,737.01
Gain (₹ in lacs)	37,682.48	27,163.76
Outstanding credit enhancement- Deposit with banks/corporate (₹ in lacs)	31,766.37	15,436.40
Outstanding credit enhancement- Retained interest on securitisation (₹ in lacs)	1,374.98	1,900.63

* Gain on direct assignment deals is amortised over the period of the loan.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

(ii) The information on securitisation activity of the company as an originator for the year March 31, 2012 and March 31, 2011 is given below:

Particulars	For the year ended March 31,	
	2012	2011
Total number of assets	45,271	—
Total book value of assets (₹ in lacs)	66,543.26	—
Sale consideration received (₹ in lacs)	66,543.26	—
Net Gain (₹ in lacs)	17,826.38	—
Outstanding credit enhancement- Deposit with banks/corporate (₹ in lacs)	5,417.91	—
Outstanding credit enhancement- Retained interest on securitisation (₹ in lacs)	—	—

* Gain on securitisation is amortised over the period of the loan.

28. Derivative Instruments:

The Notional principal amount of derivative transactions outstanding as on March 31, 2012 for interest rate swaps ₹ 12,500 lacs (March 31, 2011 ₹ 12,500 lacs).

29. Expenditure in foreign currency (cash basis)

₹ in lacs

	For the year ended March 31,	
	2012	2011
Subscription Fees	—	0.09

30. The company had no discontinuing operations during the year ended March 31, 2012 and during the year ended March 31, 2011.

31. In addition to auditors remuneration shown in other expenses, the company has also incurred auditors remuneration amounting to ₹ 10 lacs in connection with other services provided by auditors for public issue of non-convertible debentures and the same has been amortised as per note 2.1(v) stated under "other assets" as public issue expenditure to the extent not written off.

32. Based on the intimation received by the company, none of the suppliers have confirmed to be registered under "the Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Therefore, the related information for this purpose stands to be Nil.

33. The ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular and hence the company is entitled to the exemption. Necessary information relating to the subsidiary has been included in the Consolidated Financial Statements.

34. The housing finance business operations started on and from 1st October 2011. Accordingly an amount of ₹ 158.48 lacs have been charged to statement of profit and loss account as Pre operative expenses.

35. Transfer to Reserve fund:

Since there is no profit during the year ended March 31, 2012 from housing finance operations, no amount has been transferred to Special reserve fund as required under section 29C of the NHB act 1987.

Notes forming part of the consolidated financial statements for the year ended March 31, 2012

36.Previous Year Comparatives

Till the year ended March 31, 2011, the company was using pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012 the revised Schedule Vi notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year' classification. It significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date

For Pijush Gupta & Co.

Firm Registration No: 309015E

Chartered Accountants

Ramendra Nath Das

Partner

Membership no: 014125

Place: Chennai

Date: May 18, 2012

For and on behalf of the Board of Directors of

Shriram City Union Finance Limited

R. Kannan

Managing Director

S.Venkatakrishnan

Director

C R Dash

Company Secretary

Shriram City Union Finance Limited

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