

Sundaram Finance Limited

61st Annual Report

2013-14



SUNDARAM FINANCE
Enduring values. New age thinking.



SUNDARAM FINANCE

Enduring values. New age thinking.

Board of Directors	S Viji S Ram N Venkataramani P N Venkatachalam S Mahalingam S Prasad S Ravindran Aroon Raman Shobhana Ramachandhran T T Srinivasaraghavan Harsha Viji A N Raju	Chairman Managing Director Director (Strategy & Planning) Director (Operations)
Audit Committee	S Prasad S Ravindran Shobhana Ramachandhran	Chairman
Stakeholders Relationship Committee	S Prasad T T Srinivasaraghavan	Chairman
Nomination, Compensation & Remuneration Committee	P N Venkatachalam S Prasad S Ravindran Aroon Raman	Chairman
Corporate Social Responsibility Committee	Aroon Raman S Ravindran Shobhana Ramachandhran T T Srinivasaraghavan	Chairman
Risk Management Committee	T T Srinivasaraghavan Srinivas Acharya Harsha Viji A N Raju M Ramaswamy	Chairman
Asset Liability Management Committee	T T Srinivasaraghavan Srinivas Acharya Harsha Viji A N Raju M Ramaswamy	Chairman
Chief Financial Officer	M Ramaswamy	
Secretary & Compliance Officer	P Viswanathan	
Registered Office	21, Patullas Road, Chennai - 600 002 • Tel: 044 2852 1181 • Fax: 044 2858 6641 Email: investorservices@sundaramfinance.in • Website: www.sundaramfinance.in	
CIN	L65191TN1954PLC002429	
Auditors	M/s. Brahmaya & Co., Chartered Accountants, 48, Masilamani Road, Balaji Nagar, Royapettah, Chennai 600 014	
Information Security Assurance Services	M/s. Tejas Brainware Systems (P) Ltd., 'Lakshmi Bagh', New No.28, Old No.19, Second Main Road, C.I.T. Colony, Mylapore, Chennai 600 004	

Management Team	Paramesh Krishnaier	Executive Director
	K Swaminathan	Advisor – Technology
	V K Raman	Senior Vice President & Head – Group Internal Audit
	S Ravindran	Senior Vice President & Head – Credit Control and Processing Dept.
	S Srinivasan	Senior Vice President & Head – Corporate Finance
	S Sivakumar	Vice President & Head – Administration & Corporate Communications
	Shridhar Iyer	Vice President
	M J Kulkarni	Vice President & Head – Western Region
	K Sankarakumar	Vice President & Head – Distribution
	D Ravindran	Vice President (Sundaram Infotech Solutions)
	V Ananthanarayanan	Chief Information Officer
	Rajesh Venkat	Senior General Manager & Head – Sundaram Business Services
	H Venkatesan	Senior General Manager – Internal Audit
	N Veeraraghavan	Senior General Manager – Information Systems
	N Ramachandran	Senior General Manager & Head – Central Region
S Sridhar	Senior General Manager – Treasury	

Subsidiaries	Sundaram BNP Paribas Home Finance Limited	IGF Services Limited
	Sundaram Asset Management Company Limited	Sundaram Infotech Solutions Limited
	Sundaram Asset Management Singapore Pte. Ltd.	Sundaram Business Services Limited
	Sundaram Trustee Company Limited	Sundaram BPO India Limited
	Sundaram Finance Distribution Limited	Sundaram BNP Paribas Fund Services Limited
	Infreight Logistics Solutions Limited	Sundaram Insurance Broking Services Limited
	Sundaram Parekh Warehousing Services Limited	

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

Debenture Trustee	IDBI Trusteeship Services Limited
	Asian Building, Ground Floor,
	17, R. Kamani Marg, Ballard Estate, Mumbai – 400001

CURRENCY EQUIVALENTS

₹ One Million	=	₹ 10 Lakhs	US\$ 1 = Indian ₹ 60.10*
₹ One Billion	=	₹ 100 Crores or ₹ 10,000 Lakhs	*RBI Reference Rate as on 31.03.2014

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A member of the



International Finance & Leasing Association

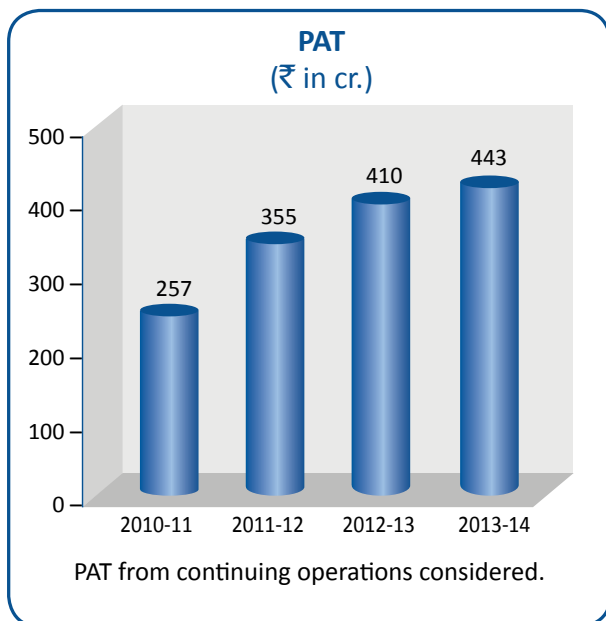
Directors' Report

Your directors have pleasure in presenting the 61st Annual Report with audited accounts for the year ended 31st March 2014. The summarised financial results of the Company are given hereunder:

FINANCIAL RESULTS:

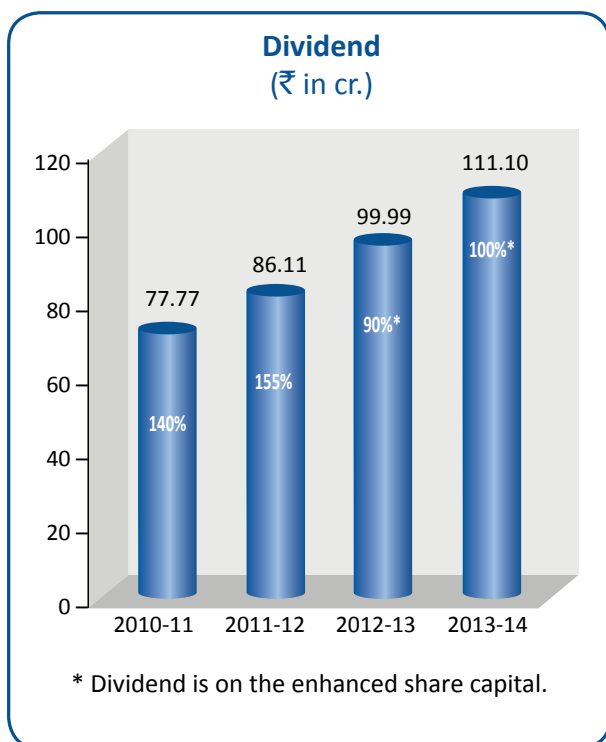
(₹ in cr.)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Revenue from Operations	2215.48	2063.02
Other Income	98.43	68.76
Total Revenue	2313.91	2131.78
Less: Total Expenses	1667.28	1539.17
Profit before Tax	646.63	592.61
Profit after Tax	442.51	410.11
Surplus brought forward	107.95	67.56
Amount available for appropriation	550.46	477.67
Appropriations have been made as under:		
Transfers to:		
– Statutory Reserve	88.50	82.02
– General Reserve	199.00	174.88
Dividend – Interim	–	50.00
Final (Proposed)	111.10	50.00
Dividend Tax	14.16	12.82
Surplus carried to balance sheet	137.70	107.95
	550.46	477.67



DIVIDEND

Your directors are pleased to recommend a dividend of ₹10/- per share (100% on the face value of ₹10/-) for the financial year 2013-14 on the paid-up capital of ₹111.10 cr.



CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The early part of the Financial Year 2013-14 witnessed some volatility in the emerging markets in response to the Federal Reserve's tapering, but the global economic scenario has since remained stable. While the recovery in advanced economies notably the US, has gathered steam, economic activity in most emerging market economies has remained below par. Chinese economic growth, a key driver of the global economy for the past few years, moderated, as tighter credit conditions and slowing exports posed significant challenges. The impact of tapering of the US quantitative easing program was felt even more sharply in the emerging market economies of South Africa, Brazil, Indonesia and Turkey. Global economic growth is projected to improve from 3% in 2013 to 3.6% in 2014, led predominantly by the advanced economies.

INDIAN ECONOMY

For the first time in 25 years, the Indian economy witnessed its second successive year of below 5% growth, driven predominantly by a decline in financial savings, low business confidence and sluggish investment demand over successive quarters, resulting in a sharp deceleration in industrial growth. Rarely has India seen a slowdown of such length and depth, and the recovery is likely to be a slow and long process. The Index of Industrial Production (IIP) showed a decline

of 0.1% during April 2013 – February 2014, compared with 0.9% growth in the corresponding period of the previous year. Growth of core industries, which provide key inputs to the industrial sector, remained sluggish at 2.6% during April 2013 – February 2014 compared to a growth of 6.4% in the corresponding period a year ago.

India's exports, buoyed by a weakened rupee, witnessed a revival of sorts in the early part of the year but began to lose momentum and started decelerating from November 2013 and turned negative in February 2014. The Farm sector has been the one bright spot in an otherwise gloomy picture. Agricultural GDP grew by 4.9% during April - December 2013 and with good winter rainfall and healthy reservoir storage, food grain production is estimated to be a record 263.2 million tonnes in 2013-14. Unseasonal rainfall in March is said to have caused some damage to crops in parts of Central and South India but the overall impact is unlikely to be significant.

High interest rates, stubborn retail inflation and lack of policy direction, combined with uncomfortably high fiscal and current account deficits (CAD), left the Government with very few options. Faced with compulsions to rein in the fiscal deficit, government put the brakes on Plan expenditure, as a result of which investment and consumption growth declined to their lowest levels in 11 years.

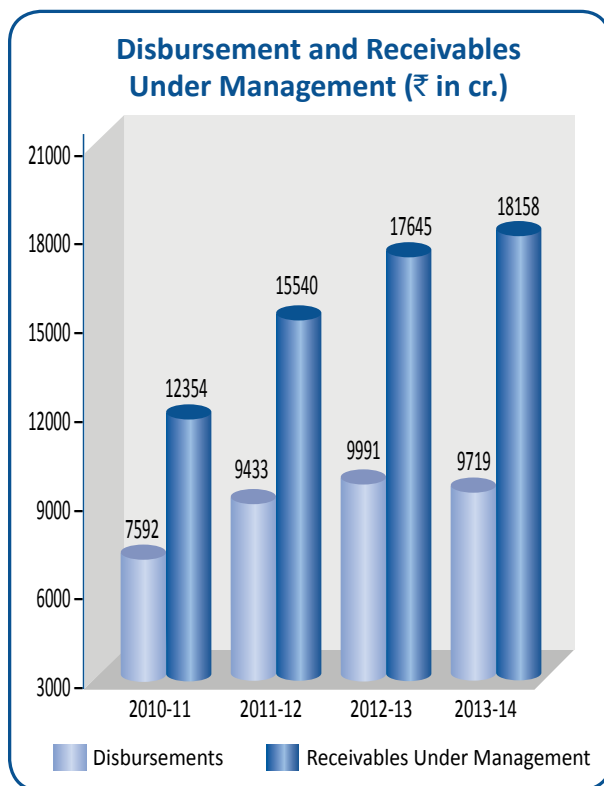
Following the US Federal Reserve's first hints about tapering its bond buying programme, the Rupee fell to a low of ₹68.85 to the Dollar, before RBI's intervention helped it recover to ₹61-62. RBI's decision to open a Dollar window for the oil companies and introduce a swap arrangement to encourage overseas deposits, as well as the Finance Ministry's steps to curb gold imports, helped reduce the CAD and raise foreign exchange reserves.

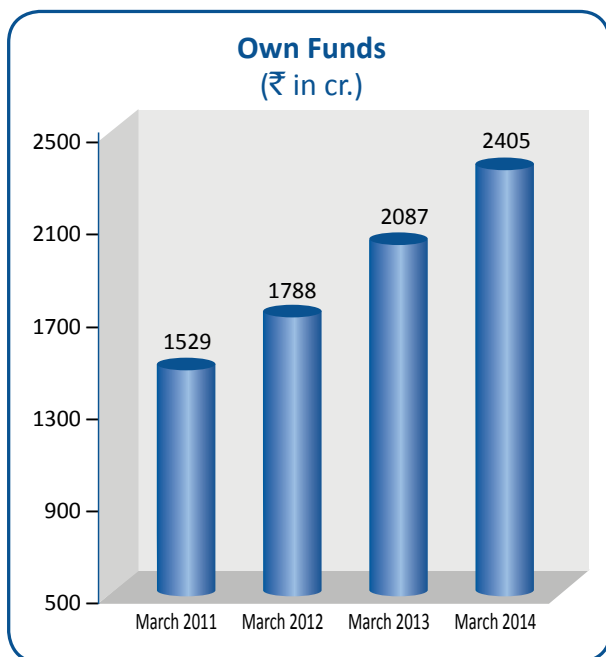
Faced with sticky retail inflation, RBI was compelled to increase the repo rate by 75 bps during the year. However, with

retail inflation, as measured by the CPI, dropping from 9.1% in December 2013 to 6.7% in February 2014, RBI held the policy rates steady in April 2014. Though both the fiscal deficit and CAD have narrowed, many believe that the reduction in the fiscal deficit is merely an accounting adjustment, which will catch up in the current financial year. The Balance of Payments situation however, appears to be comfortable.

AUTOMOTIVE SECTOR

During the Financial Year 2013-14, the automotive industry in India continued to face weak consumer sentiment which impacted the sale of passenger cars and commercial vehicles alike. The Medium and heavy commercial vehicles segment (M & HCV) bore the brunt of the slowdown, registering its worst performance since 2008-09, with sales plummeting 25% to 200627 units. This was on top of an already steep decline of 23% registered in 2012-13. With freight availability being low for most part of the year and freight rates not keeping





pace with the ever increasing diesel prices, road transport operators faced severe cash flow strains and the very viability of many small operators came under threat. The continuing restrictions on mining across the country and the large scale disruptions in Andhra Pradesh did not help matters much either. Similarly, sales of light commercial vehicles were also down by 18%. The launch of several new models of cars and multi-utility vehicles was widely expected to spur demand in this segment but those hopes were belied, with sales declining by 6% over the previous year. The 4% reduction in excise duty on commercial and passenger vehicles announced by the Government, did very little to improve the situation.

OPERATING & FINANCIAL PERFORMANCE

Reflecting the sharp downturn in the automotive sector, your Company's disbursements at ₹9719 cr. for the year were lower by 3% compared to the previous year. Your Company was, however, able to maintain its market share in all its key asset segments. The gross receivables managed by the Company, grew by 3% and stood at ₹18158 cr. as at 31st March 2014.

The company's continued focus on strict credit acceptance norms and superior collection skills have ensured that asset quality continues to be one of the best in the industry. Gross and Net NPAs as at 31st March, 2014 stood at 1.23% and 0.45%, respectively, based on the more stringent 120 day NPA classification norm adopted by your company, as against the regulatory norm of 180 days.

The net profit from operations was ₹442.51 cr. as against ₹410.11 cr. in the previous year, registering a growth of 8%. The company's Net-Worth stood at ₹2404.92 cr. as on 31.3.2014. Capital Adequacy (CRAR) at 18.18% was comfortably higher than the statutory requirement of 15%. Your company has provided for Standard Assets at 0.40% and has transferred an amount of ₹1.90 cr. towards Contingent Provision against Standard Assets.

RESOURCE MOBILISATION

a) Deposits

During the year, your Company mobilised fresh deposits aggregating to ₹372.87 cr. Renewal of deposits during the year amounted to ₹713.38 cr. representing 82% of the matured deposits of ₹866.38 cr. Deposits outstanding at the year-end were at ₹1665.57 cr. as against ₹1476.99 cr. in the previous year. The Net accretion for the financial year was ₹188.58 cr. which is the second highest in the history of your company.

As at 31st March 2014, 3579 deposits amounting to ₹20.18 cr. had matured for payment and were due to be claimed or renewed. After close follow-up, the figures are currently down to 2261 and ₹11.29 cr. respectively. Steps are continuously being taken to arrange for repayment or renewal of these deposits. Investor Relation Services – Deposits continue to enjoy the ISO 9001:2008 certification from Bureau Veritas Certification (India) Private Limited.

b) Term Funding

During the year, your Company raised term funding from Banks, Mutual funds, Insurance companies and others in the form of non-convertible debentures and term loans to the tune of ₹2903 cr. across various tenors.

c) Bank Finance

As part of the overall funding plan, your Company's working capital limits with Consortium banks were retained at ₹1800 cr. During the year, your Company also issued several tranches of commercial paper aggregating to ₹7472 cr. The maximum amount outstanding at any time was ₹3000 cr. and the amount outstanding at the end of the year was ₹1092 cr.

d) Assets Securitised / Assigned

During the year, your Company raised resources to the extent of ₹1974 cr. through securitisation and assignment of hypothecation loan receivables.

CREDIT RATINGS

All the borrowings of the Company are rated. The short term borrowings (including commercial papers) are rated "A1+" (very strong degree of safety). Fixed Deposits are rated "AAA" (Highest Credit Quality). The long term borrowings are rated "AA+" (High Degree of Safety), with a "Stable outlook" and are rated by ICRA, CRISIL and FITCH.

OUTLOOK

The Indian electorate has voted overwhelmingly for stability. For the first time in nearly three decades, a non-coalition government is set to govern the country and expectations on the part of common people and industry alike, are running high. However, it must be borne in mind that the new government will require a few months to take stock of what

is essentially a difficult situation, before it charts its course. While business and investor sentiment could turn positive in the light of the mandate for stability, substantive changes on the ground may only come about in the latter part of the year.

GDP growth in 2014-15 is projected to improve, but is unlikely to exceed 6%, since the macro-economic corrections that India needs are not yet in place. Concerns around the real size of the fiscal deficit remain and inflation is still well above the RBI's 'comfort level'. With interest rates on savings deposits lagging inflation, a nominal rate cut anytime soon would appear very unlikely.

However, there are several steps that the new government can take in short order, to signal its intent. A large number of highway projects are stalled because of disputes over contracts, land acquisitions, or because of cost related issues. It is estimated that 15000 to 18000 kilometres worth of road projects are awaiting bidders, but no contractors are willing to make bids for them. Similarly, in the power sector, fuel shortages and the new gas pricing policy are hampering generation. India has invested heavily in new capacity in recent years, and if the gas pricing and fuel supply issues are streamlined, one of the major bottlenecks facing industry would be removed. Taxation and financial sector reforms are also widely expected to figure at the top of the government's agenda. The first Union Budget which is expected to be presented in July will be eagerly watched as it is likely to provide an insight into policy roadmap of the government.

Commercial vehicle sales are inextricably linked to economic growth and it is therefore unlikely that there will be an immediate turnaround in the fortunes of the CV industry. Sales of passenger cars and utility vehicles have fallen by 10% in April 2014, while M&HCV sales have registered a drop of 17% over the previous year. For long, your company has been highlighting the spectre of irrational buying in the M&HCV

segment, driven largely by discounting and easy availability of finance, leading to excess capacity. It is the cumulative build-up of this phenomenon that has exacerbated an already dismal scenario. The prospects for growth will hinge largely on the policy measures of the new government and speedy implementation of stalled infrastructure projects. Should there be an early revival in economic activity and an upturn in market sentiments, the auto industry could see a return to growth in the second half of 2014-15. Downside risks to growth have increased marginally since January 2014 with predictions of a below normal monsoon in the wake of the El Nino phenomenon. Your Company will continue to focus on writing profitable business and maintaining asset quality, while awaiting the widely expected revival in the fortunes of the Indian economy. Consequently, growth in disbursements, if any, is only likely to be moderate during the year 2014-15.

INTERNAL AUDIT

As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by highly qualified and experienced personnel. As required under the Companies Act, 2013 an internal auditor has been appointed by the Board on the recommendation of the Audit committee. The Internal Auditor reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures.

Additionally, an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and accounting related areas, apart from information security related measures.

RISK MANAGEMENT

Your Company, being in the business of financing of commercial vehicles, cars, other vehicles and equipment in the retail segment, has to manage various risks. These risks include credit risk, liquidity risk, interest rate risk and operational risk. The Risk Management Committee and the Asset Liability Management Committee review and monitor these risks at periodic intervals. The Company manages credit risk through stringent credit norms established through several years of experience in this line of business and continues to follow the time tested practice of personally assessing every borrower, before committing to a credit exposure. This process ensures that the expertise in lending operations acquired by the Company over decades is put to best use and acts to mitigate credit risks. Liquidity risk and interest rate risk arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles. The Company monitors ALM periodically to mitigate the liquidity risk. The Company also measures the interest rate risk by the duration gap method.

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

HUMAN RESOURCES

Your Company believes that its greatest assets are its people and Training is an investment in long term people development, for organisational excellence. During the year under review, your Company has taken several new initiatives to ensure that the knowledge and wisdom gained over decades is handed down to the next generation of employees. A well balanced

mix of domain knowledge and behavioural training was taken up towards talent transformation. These initiatives have paid rich dividends in the form of a strong group of in-house facilitators of domain knowledge and a highly motivated team of employees geared to fulfilling the needs of your Company's valued customers.

Your Company has put in place a policy for Prevention, Prohibition and Redressal against Sexual Harassment of women at the work place, to protect women employees and enable them to report sexual harassment at the workplace. An internal complaints committee headed by a woman employee has also been constituted for this purpose.

CONSOLIDATED FINANCIAL STATEMENTS

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

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

- The annual accounts of all the Subsidiary Companies have been posted on your company's website – www.sundaramfinance.in
- Annual accounts of the Subsidiary Companies and related detailed information will be available for inspection by the members, at the registered office of the Company and will also be made available to the members upon request.

SUBSIDIARIES

• Sundaram BNP Paribas Home Finance Limited

The company approved loans aggregating to ₹2648 cr. as against ₹2847 cr. in the previous year, while disbursements stood at ₹2493 cr. as against ₹2572 cr. in the previous year. The company earned a gross income of ₹888 cr. as against ₹692 cr. in the previous year and reported a 19% growth in profit after tax at ₹151 cr. as against ₹127 cr. in the previous year. The loan portfolio under management as at 31st March 2014 stood at ₹7112 cr. as against ₹5902 cr. in the previous year. The gross and net NPA stood at 1.53% and 0.46% respectively as of 31.03.2014. The company proposed a higher dividend of 40% for the year as against 35% during the previous year.

• Sundaram Asset Management Company Limited

Sundaram Asset Management Company Limited earned a gross income of ₹124.06 cr. as against ₹118.30 cr. in the previous year and reported a profit after tax of ₹15.27 cr. as against ₹16.86 cr. in the previous year. The Average Assets under Management of the Company were ₹15248 cr. for the year 2013-14 as compared to ₹13574 cr. in the previous year. The company recommended a dividend of 30% for the year as in the previous year.

• Sundaram Trustee Company Limited

Sundaram Trustee Company Limited earned a gross income of ₹1.19 cr. as against ₹1.27 cr. in the previous year and reported a profit after tax of ₹0.58 cr. for the year, as against ₹0.40 cr. in the previous year. The company recommended a dividend of 800% for the year as in the previous year.

- **Sundaram Finance Distribution Limited (SFDL)**

During the year, SFDL earned revenue from operations of ₹12.73 cr. as against ₹12.39 cr. in the previous year. The profit after tax for the year was at ₹2.17 cr. as against ₹0.73 cr. in the previous year. The company proposed a higher dividend of 300% for the year as against 100% during the previous year.

- **LGF Services Limited**

During the year, LGF Services Limited earned revenue from operations of ₹7.46 cr. as against ₹6.46 cr. in the previous year. The profit after tax for the year was at ₹1.51 cr. as against ₹0.79 cr. in the previous year. The company proposed a higher dividend of 400% for the year as against 200% during the previous year.

- **Sundaram Infotech Solutions Limited (SISL)**

The company earned total revenue of ₹19.47 cr. as against ₹32.79 cr. in the previous year. The profit after tax for the year was at ₹0.90 cr. as against ₹6.54 cr. in the previous year. The company has made significant progress in sale of the next generation software solutions for Lending Companies, which has received encouraging demand from the market. The company has made deeper inroads into the Australian market and has also set up an office in Sharjah, UAE to tap into the potential of the Middle East market.

- **Sundaram BNP Paribas Fund Services Limited**

Sundaram BNP Paribas Fund Services Limited earned an income of ₹18.54 cr. during the year, which was higher by 27% as against ₹14.57 cr. in the previous year. The company reported a loss of ₹11.89 cr. during the year as against ₹13.78 cr. in the previous year.

During the year, the company has been awarded the International Standards for Assurance Engagements

(ISAE) Type I certification for its high quality operating models and effective controls. The company achieved an overall quality processing level of above 99% which is a benchmark in the industry.

- **Sundaram BPO India Limited**

Sundaram BPO India Limited earned total revenue of ₹21.06 cr. during the year as against ₹11.07 cr. during the period 7th August 2012 to 31st March 2013. The company reported a profit after tax of ₹0.13 cr. during the year, as against ₹0.14 cr. during the period 7th August 2012 to 31st March 2013.

- **Sundaram Business Services Limited (SBSL)**

During the year, SBSL earned revenue of ₹21.36 cr. as compared to ₹25.29 cr. in the previous year. The drop in revenue was a consequence of a business decision to focus only on international business. The domestic business is now serviced by Sundaram BPO India Limited.

The company incurred a loss of ₹2.90 cr. during the year as against loss of ₹0.61 cr. incurred during the previous year. The loss was occasioned by high marketing expenditure that did not yield commensurate results.

JOINT VENTURES

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

Royal Sundaram reported a profit after tax of ₹68.25 cr. during the year, as against ₹54.67 cr. in the previous year. The Gross Written Premium (GWP) was ₹1437 cr. as compared to ₹1560 cr. in the previous year. The reduction in the top line performance had been due to severe competition in the market and the company's focus on achieving profitable growth. The commercial business market continued to witness increased

competition. Market pricing of major risks continued to be aggressive, thereby impacting overall growth and profitability.

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

BNP Paribas Sundaram Global Securities Operations Private Limited earned total revenue of ₹124.79 cr. during the year as against ₹108.28 cr. in the previous year. The company reported a profit after tax of ₹9.78 cr. during the year, as against ₹8.87 cr. in the previous year. The company recommended a dividend of 101% for the year ended 31st March 2014 as against 91% for the previous year.

DIRECTORS

Sri S Ravindran and Sri Harsha Viji retire by rotation and, being eligible, offer themselves for re-election.

Sri N Venkataramani, an Independent Director of your Company retires by rotation. Ms Shobhana Ramachandran and Sri S Mahalingam were co-opted as Independent Directors on 27th January 2014 and 26th May 2014 respectively. They hold office as Additional Directors up to the date of the ensuing Annual General Meeting. The Company has received due notices from some members proposing the appointment of these 3 Independent Directors of the Company.

In the opinion of the Board, the Independent Directors fulfil the conditions specified in the Companies Act, 2013 and rules made thereunder and are independent of the management.

Sri Srinivas Acharya, a Director of your Company since 2003, resigned his directorship effective 31st May 2014. Your directors place on record the significant contribution made by him to the deliberations of the Board for over a decade.

Sri A N Raju, Executive Director, was co-opted as Additional Director with effect from 1st June 2014 and also appointed as Director (Operations) with effect from the said date.

AUDITORS

M/s Brahmayya & Co., Chartered Accountants, Chennai, retire and are eligible for re-appointment. A certificate from the Auditors that they satisfy the conditions prescribed under the Companies Act, 2013 and the Rules made thereunder (including satisfaction of criteria under Section 141 of the Companies Act, 2013), has been received from them.

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

Your Company has no activity relating to conservation of energy or technology absorption. During 2013-14, expenditure in foreign currencies amounted to ₹4.29 lakhs. Foreign Currency earnings amounted to ₹26.18 cr.

PERSONNEL

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

SUNDARAM FINANCE EMPLOYEE STOCK OPTION SCHEME

Based on the recommendations of the Nomination, Compensation and Remuneration Committee, your Board of Directors have granted 18000 stock options to its

eligible employees, on 26.05.2014. The disclosure required under SEBI Guidelines, in this regard, is furnished in the Annexure.

BUSINESS RESPONSIBILITY REPORT

A Business Responsibility Report as required under Clause 55 of the Listing Agreement is enclosed as part of this report.

AWARDS AND RECOGNITION

Your Company was recognised among India's Top 500 companies by Dun & Bradstreet India for 2014.

Your Company won the 12th MMA Award for Managerial Excellence in Services Sector, instituted by Madras Management Association, for the year 2013.

CORPORATE SOCIAL RESPONSIBILITY

Your company along with its subsidiaries and associates has always responded in a responsible manner to the growing needs of the society. A number of enriching and enlivening activities that contribute to the community in the areas of health, education, environment and preservation of the country's rich culture and heritage have been taken up.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed;
2. They have selected such accounting policies and applied them consistently and made judgements and estimates

that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

3. They have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. They have prepared the annual accounts on a going-concern basis.

ACKNOWLEDGEMENT

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

Your directors also place on record their appreciation of the tireless efforts of Team Sundaram, a dedicated and loyal band of people who have displayed unswerving commitment to their work in these challenging times and helped the Company deliver strong results.

For and on behalf of the Board

Chennai 600 002
26th May 2014

S VIJI
Chairman

Report on Corporate Governance

Sundaram Finance Limited has been following robust governance practices since its inception. The strong edifice of the Company, built in 1954, is supported by the pillars of Customer Faith, Investor Trust and Employee Loyalty. Your Company continues to maintain the highest standards of integrity and transparency in operations, excellence in service to all stakeholders and strong Corporate Governance standards.

I. BOARD OF DIRECTORS

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

The composition of the Board as on 31st March 2014 as under is in conformity with the listing requirements:

Promoter Directors:

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

Independent Non-Executive Directors:

Sri N Venkataramani	Sri S Ravindran (Non-Independent from 01.04.2014)
Sri P N Venkatachalam	Sri Aroon Raman
Sri S Prasad	Ms Shobhana Ramachandhran

Non-Executive Director:

Sri Srinivas Acharya

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

II. BOARD MEETINGS

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

During the year under review, 7 meetings of the Board of Directors were held.

27th April 2013	29th July 2013	24th March 2014
13th May 2013	28th October 2013	
29th May 2013	27th January 2014	

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

Name of the Director	DIN	Attendance Particulars		Directorships in other public limited companies		Committees in which Chairman/Member of other public limited companies*	
		Board Meetings	AGM	Chairman	Director	Chairman	Member
Sri S. Viji	00139043	7	Yes	1	7	1	1
Sri S. Ram	00018309	6	Yes	2	6	1	3
Sri N Venkataramani	00001639	4	Yes	4	6	2	4
Sri P N Venkatachalam	00499442	5	Yes	–	6	1	4
Sri S. Prasad	00063667	7	Yes	–	5	3	2
Sri S. Ravindran	00045076	7	Yes	–	5	–	3
Sri Aroon Raman	00201205	3	Yes	–	4	–	1
Ms Shobhana Ramachandhran (from 27.01.2014)	00273837	1	NA	–	7	–	1
Sri Srinivas Acharya	00017412	7	Yes	–	8	2	4
Sri T. T. Srinivasaraghavan	00018247	7	Yes	1	9	5	1
Sri Harsha Viji	00602484	6	Yes	–	4	–	2

* Audit Committee and Shareholders' Grievance Committee considered.

III. AUDIT COMMITTEE

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

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

Name of the Director		No. of Meetings Attended	Meeting dates
Sri S. Prasad	Chairman	8	22nd April 2013, 25th May 2013, 22nd July 2013, 26th August 2013, 25th October 2013, 26th November 2013, 20th January 2014, 6th March 2014
Sri S. Viji	Member	8	
Sri S. Ravindran	Member	8	

The Company Secretary is the Secretary to the Committee.

In April 2014, Ms. Shobhana Ramachandhran was inducted into the Audit Committee as Member in the place of Sri S Viji and the terms of reference of the Committee was also changed to fall in line with Companies Act, 2013.

IV. REMUNERATION OF DIRECTORS

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

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

Name of the Director	Sitting Fee (₹ in lakhs)	Commission (₹ in lakhs)	Number of Shares held individually (as on 31.03.2014)	Relationship with other Directors
Sri S. Viji	1.50	7.50	8,92,480 ^{(1)*}	Brother of Sri S. Ram and Father of Sri Harsha Viji
Sri S. Ram	0.60	5.00	5,02,988 *	Brother of Sri S. Viji
Sri N Venkataramani	0.40	5.00	—	—
Sri P N Venkatachalam	0.90	5.00	—	—
Sri S. Prasad	2.10	7.50	— ⁽²⁾	—
Sri S. Ravindran	2.00	7.50	3,89,920 ⁽³⁾	—
Sri Aroon Raman	0.50	5.00	5,37,896	—
Ms Shobhana Ramachandhran (from 27.01.2014)	0.20	5.00	4,44,720	—
Sri Srinivas Acharya	0.90	5.00	2,400 ^{(4)**}	—

Notes: Number of shares held jointly with others: ⁽¹⁾8,684, ⁽²⁾12,600, ⁽³⁾2,26,720, ⁽⁴⁾62,776.

Number of shares held as Karta of HUF: ⁽¹⁾4,79,912

Includes 12,18,360 shares * and 480 shares ** held as Trustees / Executor respectively

Amount of deposits placed by the Non-Executive Directors in the Company aggregated to ₹ 700.23 lakhs as on March 31, 2014. The interest on these deposits paid / credited during the year 2013-14 amounted to ₹ 73.33 lakhs.

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

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

Nature of Payment	Sri T. T. Srinivasaraghavan Managing Director	Sri Harsha Viji, Director (Strategy & Planning) *
Salary	48.00	31.20
Commission	1,65.00	57.00
Sitting Fees	1.00	0.60
Contributions to Provident, Superannuation and Gratuity Funds	9.07	5.24
Other allowances and perquisites	44.43	61.42

* Son of Sri S. Viji, Chairman

V. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee

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

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

Name of the Director		No. of Meetings Attended	Meeting dates
Sri S. Prasad	Chairman	2	8th July 2013, 26th November 2013
Sri T. T. Srinivasaraghavan	Member	2	
Sri Srinivas Acharya	Member	2	

The Company Secretary is the Secretary to the Committee. No investor complaint was received during the year.

In April 2014, the nomenclature of 'Share Transfer and Investor Relations Committee' was changed to 'Stakeholders Relationship Committee' and the terms of reference of the Committee was also changed to fall in line with Companies Act, 2013.

VI. COMPENSATION & REMUNERATION COMMITTEE

The Compensation & Remuneration Committee was constituted pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the provisions of Schedule XIII to the Companies Act 1956 and Clause 49 of the Listing Agreement. The Terms of Reference of the Committee is as under:

- (a) grants Stock Options to eligible employees;
- (b) determines the remuneration packages of Executive Directors (Wholetime Directors) of the Company and of the Subsidiary Companies;
- (c) determines the company's policy on specific remuneration packages for Executive Directors of the company and its subsidiaries and approves the remuneration / any change therein of the managerial personnel of the company and its subsidiaries; and
- (d) approves the minimum remuneration payable when the profits are inadequate.

Composition of the Compensation & Remuneration Committee and attendance of the members at Committee Meetings are as follows:

Name of the Director		No. of Meetings Attended	Meeting dates
Sri P N Venkatachalam	Chairman	2	29th May 2013, 24th March 2014
Sri S Prasad	Member	2	
Sri S Ravindran	Member	2	
Sri Aroon Raman	Member	1	

The Company Secretary is the Secretary to the Committee.

VII. NOMINATION COMMITTEE

The terms of reference of Nomination Committee constituted during the year 2012-13 as per RBI's Guidelines on Corporate Governance are as under:

- (i) To identify persons who are qualified to become directors;
- (ii) To undertake process of due diligence to determine the suitability of directors, based upon qualification, track record, integrity and other fit and proper criteria;
- (iii) To recommend the director's appointment / continuing to hold appointment as a director on the Board;
- (iv) To ensure that such persons meet the relevant criteria prescribed under applicable laws; and
- (v) To review the said criteria from time to time.

Composition of the Nomination Committee and attendance of the members at Committee Meetings are as follows:

Name of the Director		No. of Meetings Attended	Meeting dates
Sri P N Venkatachalam	Chairman	2	29th May 2013, 22nd January 2014
Sri S Prasad	Member	2	
Sri S Ravindran	Member	2	
Sri Aroon Raman	Member	Nil	

The Company Secretary is the Secretary to the Committee.

In April 2014, both the 'Compensation and Remuneration Committee' and 'Nomination Committee' were combined into 'Nomination, Compensation and Remuneration Committee' and the terms of reference of the Committee was also changed to fall in line with Companies Act, 2013.

VIII. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

On 27th January 2014, a Corporate Social Responsibility Committee was constituted as per Section 135 of the Companies Act, 2013 with the following terms of reference.

- To formulate, having regard to the terms and conditions and purposes to be notified by the Government and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013;
- To recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- To monitor the Corporate Social Responsibility Policy of the company from time to time.

Composition of the Corporate Social Responsibility Committee and attendance of the members at Committee Meeting are as follows:

Name of the Director		No. of Meeting Attended	Meeting dates
Sri Aroon Raman	Chairman	1	24th March 2014
Sri S Ravindran	Member	1	
Ms Shobhana Ramachandran	Member	1	
Sri T T Srinivasaraghavan	Member	1	

As explained in the Directors' Report, your Company continues to contribute towards the following causes of social development.

Healthcare

In the healthcare sector, the Group has established Sundaram Medical Foundation, a non-profit Trust that runs the Dr. Rangarajan Memorial Hospital. The primary objective of this community centric hospital is to deliver affordable, high quality health care services. Within a span of almost two decades, the Sundaram Medical Foundation has established itself as a centre for clinical and academic excellence. It occupies an eminent position in the healthcare sector of India as a model of cost-conscious, affordable, healthcare delivery and corporate involvement in social projects.

For the past 15 years, the Group has been associated with the Hindu Mission Hospital in Tambaram, Chennai that caters to the medical needs of under-served rural communities. It regularly conducts free rural mobile clinics with the help of its 400 medical and paramedical staff.

Cancer, schizophrenia, kidney and ophthalmic care are some of the other health care causes that the Group supports through organisations such as the Cancer Institute, Cancer Relief Society, Schizophrenia Research Foundation, Tanker Foundation and Sankara Nethralaya.

Education

The Group has been supporting the activities of several schools, colleges, Universities and NGOs, such as the Vidya Mandir, Ramakrishna Mission Students Home, Swami Vivekananda Rural Development Society, Laxmi Charities, Kuruvilla Jacob Memorial Educational Trust, Madras School of Economics, Vivekananda College, SASTRA University and the University of Madras.

Culture, Heritage and Children's Development

Your Company is involved in a wide spectrum of activities aimed at encouraging children's participation in art and craft, music and personality development, through year round programmes. The Company is also closely involved with the 'Sundaram Finance Mylapore Festival', a popular annual festival in Chennai that showcases folk art, music and dance, again with emphasis on children.

Environment

Your Company was one of the earliest to adopt a public park, the Nageswara Rao Park in Mylapore, Chennai. The upkeep and maintenance of the park have come in for wide appreciation from the media and local community, alike.

Your Company initiated a Solar Energy Project in 2011 with a view to participate in the development of renewable energy, a pressing need for the country. This initiative has been taken up in several branches across the country, as well as the Head Office at Chennai. The installed capacity of solar energy as at 31st March is 187.42kWp and plans are afoot to add to this in the current year.

In order to nurture the spirit of a Pollution-free Green World, your Company has adopted an e-waste management and disposal process for all its electrical and electronic assets. To date, around 11 tons of e-waste materials have been done away with in the most eco-friendly manner.

IX. GENERAL BODY MEETINGS

Details relating to last three Annual General Meetings:

Year	Date	Time	Location	No. of Special Resolutions Passed
2013	18th July 2013	11.00 AM	The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014	One
2012	16th July 2012	10.25 AM	The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014	Nil
2011	13th July 2011	11.00 AM	The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014	Nil

No special resolution was passed through postal ballot during the last year.

At the Board Meeting held on 26th May 2014, it was decided to seek the consent of the Members by way of Special Resolutions through postal ballot (a) for borrowing in excess of the aggregate of paid-up share capital and free reserves and (b) for private placement of debentures, as per the procedure prescribed under Section 110 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014.

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

X. DISCLOSURES

- There were no materially significant related party transactions having potential conflict with the interests of the company at large.
- All the mandatory requirements specified under Clause 49 have been complied with.
- The Company has a record of unqualified financial statements since inception.
- The Company proposes to adopt other non-mandatory requirements as appropriate, in due course.
- In March 2014, the Company has adopted a Whistle Blower Policy and has established the necessary mechanism for Directors and Employees to report concerns about unethical behavior. No person has been denied access to the Audit Committee.

XI. MEANS OF COMMUNICATION

- A press meet was organised by the Company on 29th May 2013 for dissemination of audited results.
- Quarterly unaudited and annual audited results of the Company were published in “Business Line” (English) and “Makkal Kural” (Tamil).
- The results and press releases were also displayed on the Company’s website at www.sundaramfinance.in.

XII. AWARDS

Your company’s Managing Director was ranked among the (a) Top 50 CEOs of 2013 by Entrepreneur, a monthly business magazine from the CNBC Network 18 group and (b) Top 100 CEOs of 2014 by Business Today and consultancy firm, PWC, India.

XIII. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Date	Time	Venue
23rd July 2014 (Wed)	10.00 AM	The Music Academy, New No.168, Old No.306, TTK Road, Chennai 600 014

- Financial Year – 1st April 2014 to 31st March 2015
- Book Closure dates – 9th July 2014 to 23rd July 2014 (both days inclusive)
- Date of payment of dividend - 24th July 2014 - ₹ 10/- per share (100%)
- The company’s shares are listed on:
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (E), Mumbai 400 051
- The Company has paid the listing fees for the financial years 2013-14 & 2014-15 to the above stock exchange.
- NSE Stock Code: SUNDARMFN
- ISIN: INE660A01013

- Details of outstanding shares in Sundaram Finance Limited Unclaimed Shares Suspense Account.

Particulars	Aggregate Number of shareholders	Outstanding shares lying in Sundaram Finance Limited Unclaimed Shares Suspense Account
Opening Balance	61	16,656
Shareholders approached for transfer / delivery during 2013-14; and Shares transferred / delivered during 2013-14	2	600
Balance as on 31st March 2014	59	16,056

- Following dividends are transferable to the Investor Education and Protection Fund (IEPF) on the respective due dates, as under, in accordance with the provisions of Section 124 (5) of the Companies Act, 2013.

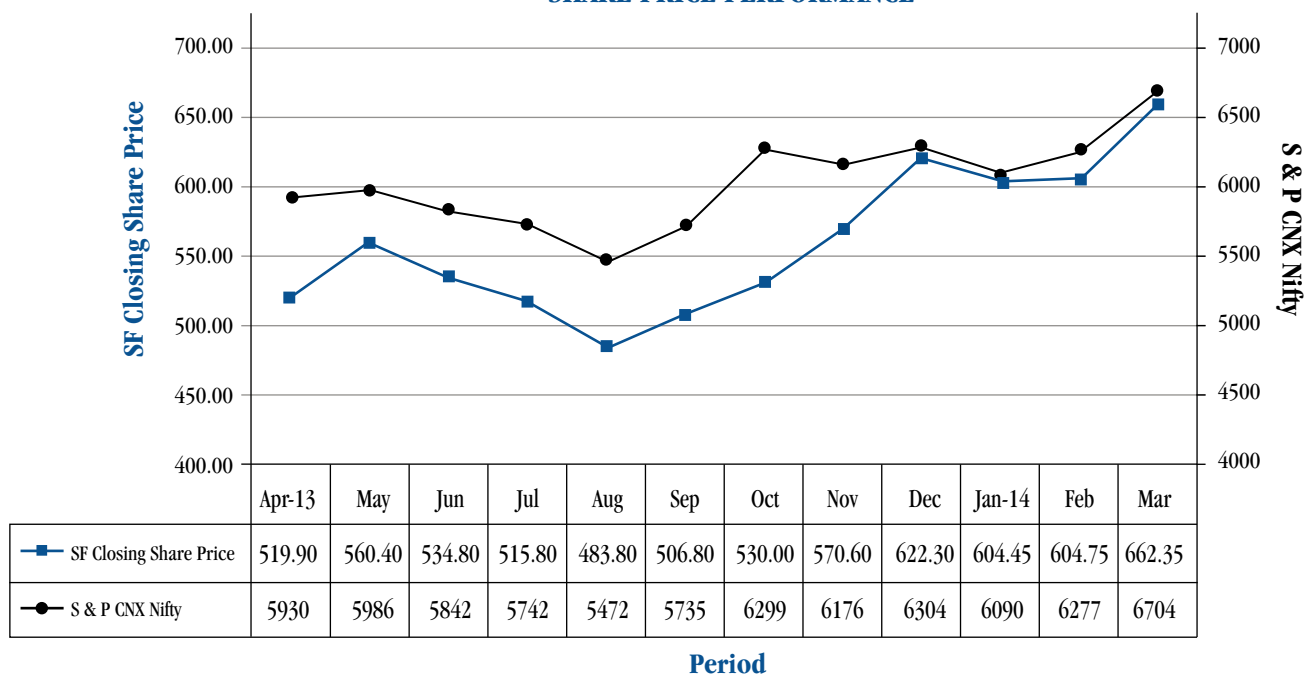
Nature of Dividend	Transferable to IEPF on
Final Dividend 2006-07	24th August 2014
Interim Dividend 2007-08	29th May 2015
Final Dividend 2007-08	23rd August 2015
Interim Dividend 2008-09	29th March 2016
Final Dividend 2008-09	23rd August 2016
Interim Dividend 2009-10	6th March 2017
Final Dividend 2009-10	14th August 2017
Interim Dividend 2010-11	28th February 2018
Final Dividend 2010-11	12th August 2018
Interim Dividend 2011-12	27th February 2019
Final Dividend 2011-12	17th August 2019
Interim Dividend 2012-13	10th March 2020
Final Dividend 2012-13	18th August 2020

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

MARKET PRICE DATA ON THE NATIONAL STOCK EXCHANGE

Month	High	Low	Month	High	Low
Apr - 13	537.20	470.15	Oct	538.00	492.70
May	575.00	519.00	Nov	594.00	526.55
Jun	575.00	514.20	Dec	630.00	569.90
Jul	567.00	500.35	Jan - 14	623.00	486.95
Aug	527.00	470.00	Feb	622.90	595.00
Sep	559.80	462.15	Mar	684.55	600.00

SHARE PRICE PERFORMANCE



- Share transfers were processed and share certificates despatched within 15 days from lodgement in accordance with the stock exchange listing agreement.

Dematerialisation requests have been confirmed within 21 days from the date of request.

Investor Relation Services-Shares continue to enjoy the ISO 9001:2008 certification by Bureau Veritas Certification (India) Private Limited.

- M/s Cameo Corporate Services Ltd, Registrars and Share Transfer Agents of the company have attended to the share transfer formalities regularly. The Registrar and Share Transfer Agents can be contacted by the investors at the following address:

M/s Cameo Corporate Services Ltd.

'Subramanian Building'

No 1 Club House Road

Chennai 600 002

Ph: 044 2846 0390 to 0395 Fax: 044 2846 0129

Email: investor@cameoindia.com

Contact Persons : Mr. R.D. Ramasamy, Director
Mr. D. Narasimhan, Assistant Manager

- Debenture Trustee : Mr. Abhishek Javadekar, Sr. Specialist,
IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400001
Tel: 022 40807007 Fax: 022 66311776 Email: itsl@idbitrustee.com

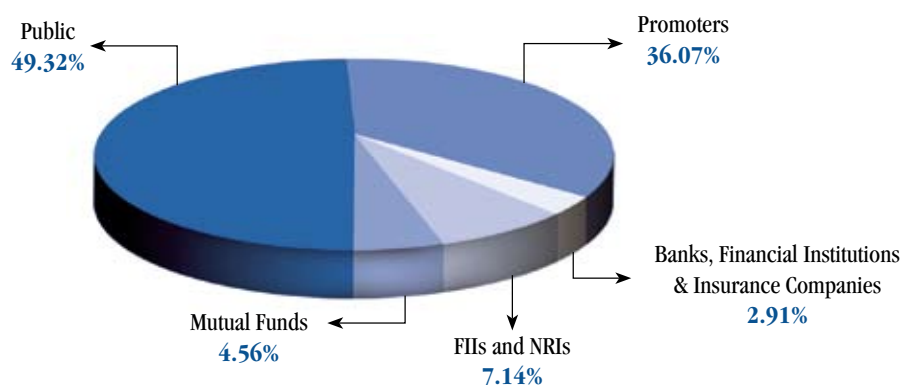
DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2014

No. of Equity Shares Held	Total Shareholders	Total Shares	Total % to Capital
Upto 250	10,406	7,37,601	0.66%
251 to 500	2,406	9,28,016	0.84%
501 to 1,000	1,898	14,60,067	1.31%
1,001 to 5,000	2,456	60,34,824	5.43%
5,001 to 10,000	461	34,57,138	3.11%
10,001 to 50,000	515	1,13,63,323	10.23%
50,001 to 1,00,000	116	85,22,618	7.67%
1,00,001 and above	192	7,86,00,273	70.75%
Total	18,450	11,11,03,860	100.00%

Total shares held in dematerialised form 91.78%

Public shareholding in dematerialised form 87.29%

SHAREHOLDING PATTERN AS ON 31.03.2014



For your queries / grievances / complaints, please contact:

Sri P. Viswanathan
 Secretary & Compliance Officer
 Sundaram Finance Limited
 21 Patullos Road, Chennai 600 002
 Ph : 044-28881207
 Fax : 044-28550290
 Mobile : 9444399168
 E mail : investorservices@sundaramfinance.in

T T Srinivasaraghavan
 Managing Director

Auditor's Certificate on Corporate Governance

We have examined the compliance of the conditions of corporate governance by Sundaram Finance Limited, Chennai for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement entered into by the company with the stock exchange.

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

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

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

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

P. BABU
Partner

Membership No.203358

Place: Chennai
Date: 26th May 2014

Business Responsibility Report for the Financial Year 2013-14

Section A: General Information about the Company

1. Corporate Identity Number (CIN) : L65191TN1954PLC002429
2. Name of the Company : Sundaram Finance Limited
3. Registered address : 21, Patullos Road, Chennai 600 002
4. Website : www.sundaramfinance.in
5. E-mail id : investorservices@sundaramfinance.in
6. Financial Year reported : 2013-14
7. Sector(s) that the Company is engaged in (industrial activity code-wise)
As per National Industrial Classification – 2008:
Section K-Financial and Insurance Activities
Division 64 – Financial service activities, except insurance and pension funding.
8. List three key products / services that the Company manufactures / provides (as in balance sheet)
 - A. Providing finance for purchase of commercial vehicles, cars, multi-utility vehicles, construction equipment, tractors and working capital finance.
 - B. Distribution of full range of financial products like mutual fund, deposits, insurance etc.
9. Total number of locations where business activity is undertaken by the Company
 - i. Number of International Locations (Provide details of major 5)
Nil
 - ii. Number of National Locations
575 locations
10. Markets served by the Company – Local / State / National / International
National

Section B: Financial Details of the Company (as on 31.03.2014)

1. Paid up Capital (INR) : ₹ 111.10 cr.
2. Total Turnover (INR) : ₹ 2313.91 cr.
3. Total profit after taxes (INR) : ₹ 442.51 cr.
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)
The Company's total spending on CSR is 1.29% of the average profit after taxes in the previous three financial years.
5. List of activities in which expenditure in 4 above has been incurred:-
 - A. Health
 - B. Education
 - C. Social Welfare
 - D. Promotion of culture and heritage

Section C: Other Details

1. Does the Company have any Subsidiary Company / Companies?

Yes.

2. Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

Business Responsibility initiatives of the Parent Company are generally followed by the subsidiary companies to the extent possible.

3. Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%]

No.

Section D: BR Information

1. Details of Director / Directors responsible for BR

- a) Details of the Director / Directors responsible for implementation of the BR policy / policies

DIN Number	00018247
Name	Sri T T Srinivasaraghavan
Designation	Managing Director

- b) Details of the BR head

S. No.	Particulars	Details
1.	DIN Number (if applicable)	
2.	Name	Sri P Viswanathan
3.	Designation	Secretary & Compliance Officer
4.	Telephone Number	044 2888 1207
5.	Email id	pv@sundaramfinance.in

2. Principle-wise (as per NVGs) BR Policy / policies (Reply in Y / N)

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

P1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

P2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

P3: Businesses should promote the wellbeing of all employees.

P4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

P5: Businesses should respect and promote human rights.

P6: Business should respect, protect, and make efforts to restore the environment.

P7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

P8: Businesses should support inclusive growth and equitable development.

P9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Sr. No.	Questions	Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / policies for...	Y	N	Y	N	Y	N	N	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	-	Y	-	-	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y	-	Y	-	Y	-	-	Y	Y
4	Has the policy been approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	-	Y	-	Y	-	-	Y	Y
5	Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	-	Y	-	Y	-	-	Y	Y
6	Indicate the link for the policy to be viewed online?	*	-	*	-	*	-	-	*	*
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	-	Y	-	-	Y	Y
8	Does the company have in-house structure to implement the policy / policies.	Y	-	Y	-	Y	-	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	-	Y	-	Y	-	-	Y	Y
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	N	-	N	N	N	-	-	N	N
2a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick upto 2 options)										
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	-	#	-	#	-	#	#	-	-

* http://www.sundaramfinance.in/app_documents/companyinfo/Policies_on_BRR.pdf

Considering the nature of company's business, these Principles have limited applicability. The Company complies with Regulations governing its operations and has taken initiatives to promote inclusive growth and environmental sustainability.

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.
Annually
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?
Yes. http://www.sundaramfinance.in/app_documents/companyinfo/Policies_on_BRR.pdf
Annually

Section E: Principle-wise performance

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

- Does the policy relating to ethics, bribery and corruption cover only the company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?
Yes. The Policy covers the company, group and joint ventures.
- How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

From	Received and Resolved during the year 2013-14
Shareholders	Nil
Depositors	Nil
Customers	37

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

- List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.
Not Applicable
- For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):
 - Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?
 - Reduction during usage by consumers (energy, water) has been achieved since the previous year? Not Applicable
- Does the company have procedures in place for sustainable sourcing (including transportation)?
 - If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.
Not Applicable
- Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?
Yes, wherever possible.
- Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.
Yes, wherever possible.

Principle 3: Businesses should promote the wellbeing of all employees

- Please indicate the Total number of employees.
3,494
- Please indicate the Total number of employees hired on temporary / contractual / casual basis.
2,766
- Please indicate the Number of permanent women employees.
151
- Please indicate the Number of permanent employees with disabilities
The Company does not specifically track the number of disabled employees. The Company gives equal opportunities and treats all employees at par. Based on the income-tax declarations which enable claiming income-tax deduction for self-disability, the Company has 5 employees.
- Do you have an employee association that is recognized by management.
Yes
- What percentage of your permanent employees is members of this recognized employee association?
40%

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Nil

S. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1.	Child labour / forced labour / involuntary labour	Nil	
2.	Sexual harassment		
3.	Discriminatory employment		

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

- A. Permanent Employees
 B. Permanent Women Employees
 C. Casual / Temporary / Contractual Employees
 D. Employees with Disabilities

All employees of the Company (Permanent men, Permanent women and Contractual employees) are covered by skill upgradation training programmes conducted through our “Sundaram Learning Centre”.

All the employees of the Company at Head Office have been given fire and other safety training while first-aid training had been given to selected employees at HO and at branches.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the company mapped its internal and external stakeholders? Yes/No
 No.
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.
 Not Applicable
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.
 Not Applicable

Principle 5: Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?
 This is covered under our Policies on Business Responsibility Report.
 Refer http://www.sundaramfinance.in/app_documents/companyinfo/Policies_on_BRR.pdf
2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
 Refer Serial no.2 of Principle 1.

Principle 6: Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others.
 Not Applicable
2. Does the company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.
 Not Applicable
3. Does the company identify and assess potential environmental risks? Y / N
 Not Applicable
4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?
 Please refer to the para “Corporate Social Responsibility Committee” in the Corporate Governance Report.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y / N. If yes, please give hyperlink for web page etc.
Please refer to the para “Corporate Social Responsibility Committee” in the Corporate Governance Report.
6. Are the Emissions / Waste generated by the company within the permissible limits given by CPCB / SPCB for the financial year being reported?
Not Applicable.
7. Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.
Not Applicable.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:
 - A. Madras Chamber of Commerce & Industry
 - B. Finance Companies’ Association (India)
 - C. Finance Industry Development Council
2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)
Yes. Representations had been submitted to the Government and regulatory authorities on various matters for the improvement of public good.

Principle 8: Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes details thereof.
Not Applicable.
2. Are the programmes / projects undertaken through in-house team / own foundation / external NGO / government structures / any other organization?
Not Applicable.
3. Have you done any impact assessment of your initiative?
Not Applicable.
4. What is your company’s direct contribution to community development projects- Amount in INR and the details of the projects undertaken.
Amount spent ₹582.75 lakhs Please refer to the para “Corporate Social Responsibility Committee” in the Corporate Governance Report for details.
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.
Please refer to the para “Corporate Social Responsibility Committee” in the Corporate Governance Report.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints / consumer cases are pending as on the end of financial year.
Nil.
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks (additional information)
Not Applicable.
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.
No.
4. Did your company carry out any consumer survey / consumer satisfaction trends?
Yes, this is done periodically.

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

S. No	Particulars	Sundaram Finance Employee Stock Option Scheme - 2008
(a)	Options Granted from the introduction of the Scheme	1,13,750
(b)	The pricing formula	₹ 10/- per share (at par)
(c)	Options vested	77,750
(d)	Options exercised	77,750
(e)	The total number of shares arising as a result of exercise of Option.	77,750
(f)	Options lapsed	Nil
(g)	Variation of terms of Options	Not Applicable
(h)	Money realized by exercise of Option	₹ 7,77,500/-
(i)	Total number of Options in force	36,000
(j)	Employee-wise details of Options granted on 29th May 2013 (Grant 5) & 26th May 2014 (Grant 6)	
(i)	Senior Managerial Personnel	
1	Sri. A N Raju	6,000
2	Sri. Paramesh Krishnaier	4,000
3	Sri. K Swaminathan	3,000
4	Sri. M Ramaswamy	5,500
5	Sri. S Ravindran	1,500
6	Sri. P Viswanathan	3,000
7	Sri. S Srinivasan	1,500
8	Sri S Sivakumar	1,000
9	Sri. M J Kulkarni	1,000
10	Sri K Sankarakumar	1,500
11	Sri Rajesh Venkat	500
12	Sri S Sridhar	500
(ii)	Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during that year:	
	Sri Srinivas Acharya, Managing Director, Sundaram BNP Paribas Home Finance Limited	3,000

S. No	Particulars	Sundaram Finance Employee Stock Option Scheme - 2008				
	(iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Not Applicable				
(k)	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	Not Applicable				
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the Options, shall be disclosed.	₹ 0.13 lakhs				
	The impact of this difference on profits and on EPS of the Company shall also be disclosed.	Impact on Profit - would be less by ₹ 0.13 lakhs Impact on EPS - Nil				
(m)	Weighted average exercise prices and weighted average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock.	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5
		₹ 10/- per share (at par) and Fair Value is ₹ 266.51	₹ 10/- per share (at par) and Fair Value is ₹ 385.50	₹ 10/- per share (at par) and Fair Value is ₹ 475.11	₹ 10/- per share (at par) and Fair Value is ₹ 630.98	₹ 10/- per share (at par) and Fair Value is ₹ 562.29
(n)	A description of the method and significant assumptions used during the year to estimate fair values of Options, including following weighted average information:	Black Scholes Model	Black Scholes Model	Black Scholes Model	Black Scholes Model	Black Scholes Model
	(i) risk free interest rate	4.13%	5.07%	8.36%	8.54%	7.14%
	(ii) expected life	368 days	369 days	368 days	368 days	367 days
	(iii) expected volatility	55.92%	38.27%	27.12%	28.14%	29.37%
	(iv) expected dividends and	No dividend rights during the vesting period.	No dividend rights during the vesting period.	No dividend rights during the vesting period.	No dividend rights during the vesting period.	No dividend rights during the vesting period.
	(v) the price of the underlying share in market at the time of Option grant.	₹ 276.10	₹ 395.00	₹ 484.30	₹ 640.15	₹ 571.60

Financial Highlights

(₹ in Cr.)

Year	Paid-up Capital	Reserves	Deposits	Borrowings	Total Receivables	PBDT	PAT	Dividend %	Dividend Amount
1954	0.02		0.10	0.10	0.10				
1972	1.00	0.58	8.35	8.37	9.86	0.73	0.30	16.00	0.16
1976	1.50	0.99	13.57	14.44	19.87	1.78	0.67	16.00	0.24
1978	2.00	1.37	14.65	19.47	27.18	2.01	0.77	18.00	0.36
1982	3.00	3.00	45.20	58.42	76.60	4.28	1.58	20.00	0.60
1986	6.00	6.59	104.10	125.60	184.66	10.35	2.67	16.00	0.96
1990-91	12.00	30.24	201.02	334.29	483.21	34.69	12.01	25.00	3.00
1995-96	24.00	204.31	550.44	1138.69	1637.05	127.50	64.92	35.00	8.40
2004-05	27.78	655.22	740.25	3806.38	4488.30	144.55	75.99	75.00	21.87
2005-06	27.78	783.06	627.98	4474.49	5452.18	227.21	170.59 [@]	135.00 [#]	37.50
2006-07	27.78	850.10	658.47	5736.17	7327.02	165.01	100.47	105.00	29.17
2007-08	27.78	1015.15	756.62	6080.97	8925.05	333.02	212.54 [@]	150.00	41.67
2008-09	55.55	1097.12	940.06	6275.77	9203.53	257.47	150.73	65.00	36.11
2009-10	55.55	1260.57	1094.91	8493.78	10218.80	368.29	226.75 [@]	100.00	55.55
2010-11	55.55	1473.79	1192.03	9995.99	12354.38	484.14	295.23 ^{\$}	140.00	77.77
2011-12	55.55	1732.31	1260.84	10361.47	15540.13	579.23	355.45	155.00	86.11
2012-13	111.10	1974.72	1476.99	11487.36	17644.58	674.11	410.11	90.00	99.99
2013-14	111.10	2292.97	1665.57	11796.47	18157.83	738.91	442.51	100.00	111.10

includes 50% Special Dividend

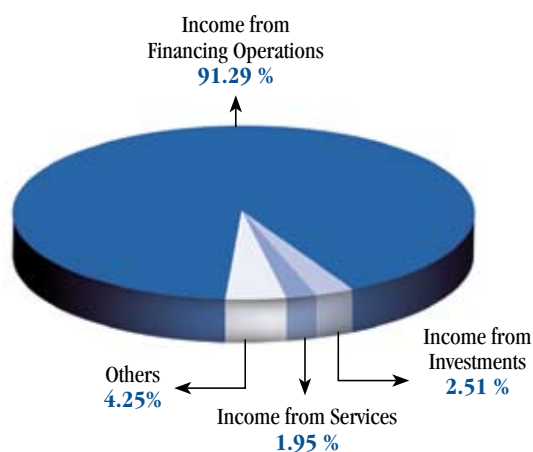
@ includes profit on sale of shares - ₹ 88.13 cr., ₹ 76.82 cr., and ₹ 25.39 cr., respectively.

\$ includes Special Dividend received from a subsidiary company - ₹ 38.85 cr.

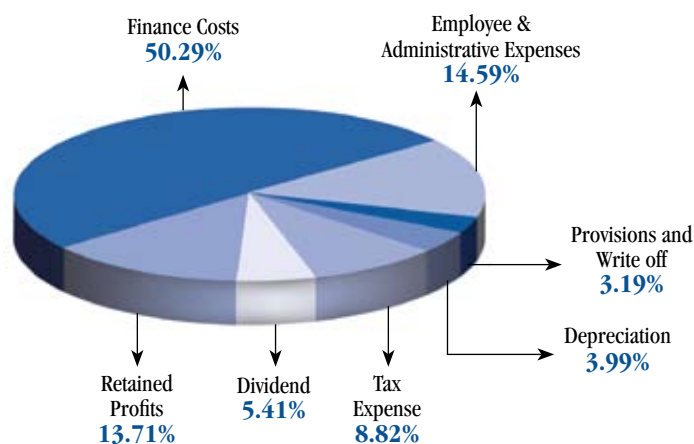
Sources and Distribution of Income (2013-14)

₹ 2313.91 Cr.

SOURCES



DISTRIBUTION



Independent Auditors' Report to the Members of Sundaram Finance Limited

1) Report on the Financial Statements

We have audited the accompanying financial statements of Sundaram Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2) Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and the guidelines issued by Reserve Bank of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3) Auditor's Responsibility

- a) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- b) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- c) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4) Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5) Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227 (3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, 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, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement 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 as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

P. BABU
Partner

Place: Chennai
Date: 26th May 2014

Membership No.203358

Annexure to the Auditors' Report Referred to in Paragraph 5 of our Report of Even Date

1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

was ₹6500.00 lakhs in respect of debentures and ₹552.96 lakhs in respect of commercial paper.
- b) The Company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed off by the Company during the year.
2. a) i) The Company has granted secured loans to five companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was ₹ 10,638.08 lakhs. The balance outstanding at the end of the year was ₹ 9,265.59 lakhs.

ii) The rate of interest and other terms and conditions of the loan are, prima facie, not prejudicial to the interest of the Company.

iii) The payment of interest and the repayment of principal are regular.

iv) There is no amount overdue on the loans.

v) Apart from the above, the Company has not granted loans to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) i) The company has issued debentures and commercial paper to a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was ₹6500.00 lakhs in respect of debentures and ₹552.96 lakhs in respect of commercial paper. The balance outstanding at the end of the year
- ii) The rate of interest and other terms and conditions of the loan are, prima facie, not prejudicial to the interest of the Company.
- iii) The payment of interest is regular.
- iv) There is no amount overdue on the loans.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the above controls and therefore the reporting of the same does not arise.
4. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that Section have been so entered.
- b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.
5. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public.

6. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
8. a) According to the records of the Company and the information and explanations given to us, undisputed statutory dues including provident fund, investor education and protection fund, employee state insurance, income tax, wealth tax, service tax, sales tax, value added tax, customs duty and excise duty were regularly deposited during the year with the appropriate authorities.
- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, excise duty and cess which are outstanding as at 31st March, 2014 for a period of more than six months from the date they became payable.
9. According to the records of the Company and the information and explanations given to us, there are no dues of wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute. Details of disputed sales tax and service tax not deposited are as follows:
- | Nature of dues | Amount (₹ in lakhs) | Period to which the amount relates | Forum where the dispute is pending |
|----------------|---------------------|------------------------------------|------------------------------------|
| Sales Tax | 8,74.49 | 1993-1994 to 2011-2012 | Various appellate authorities |
| Service Tax | 64,84.63 | 2001-2002 to 2011-2012 | Various appellate authorities |
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the current and immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit societies are not applicable to the Company.
14. Based on our examination of records and the information and explanations given to us, the Company does not deal/trade in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company, prima facie, were applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment, pending application.
17. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the Balance Sheet of the Company, funds raised on short term basis, prima facie, have not been used during the year for long term investment.
18. According to the information and explanations given to us, the Company has created securities in respect of secured debentures issued.
19. The Company has not raised money by public issues during the year.
20. To the best of our knowledge and according to the information and explanations given to us, during the year no fraud on or by the Company was noticed or reported during the course of our audit.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for the year.

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

P. BABU
Partner

Place: Chennai
Date: 26th May 2014

Membership No.203358

Balance Sheet

as at 31st March, 2014

(₹ in Lakhs)

Particulars	Note	March 31, 2014	March 31, 2013
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share capital	2	111,10.39	111,10.39
Reserves and surplus	3	2293,81.26	1975,60.13
Money received against share warrants		—	—
		2404,91.65	2086,70.52
Share application money pending allotment		—	—
Non-current liabilities			
Long-term borrowings	4	5607,97.92	5041,54.44
Other Long-term liabilities	5	115,66.41	137,74.50
Long-term provisions	6	76,99.27	63,83.19
		5800,63.60	5243,12.13
Current liabilities			
Short-term borrowings	7	2574,04.78	2400,24.07
Trade Payables	8	33,46.16	43,95.70
Other current liabilities	9	4365,63.11	4714,20.30
Short-term provisions	10	236,23.36	149,36.20
		7209,37.41	7307,76.27
TOTAL EQUITY AND LIABILITIES		<u>15414,92.66</u>	<u>14637,58.92</u>
<u>ASSETS</u>			
Non-current assets			
Fixed assets	11		
Tangible assets		315,56.70	299,75.52
Intangible assets		27,88.49	31,81.37
Intangible assets under development		3,19.69	31.63
		346,64.88	331,88.52
Non-current investments	12	973,83.64	826,35.79
Deferred tax assets (net)	13	109,92.60	90,50.28
Long-term loans and advances	14	6467,28.24	6292,64.84
Other non-current assets	15	11,62.14	10,00.43
		7909,31.50	7551,39.86
Current assets			
Current investments	16	473,43.51	217,93.74
Cash and Bank balances	17	674,75.03	874,36.12
Short-term loans and advances	18	6170,73.28	5831,45.84
Other current assets	19	186,69.34	162,43.36
		7505,61.16	7086,19.06
TOTAL ASSETS		<u>15414,92.66</u>	<u>14637,58.92</u>
Significant accounting policies and Notes to the Accounts	1 to 26		

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S

P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

SUNDARAM FINANCE LIMITED

Statement of Profit and Loss

for the Year Ended 31st March, 2014

(₹ in Lakhs)

Particulars	Note	2013-14	2012-13
REVENUE:			
Revenue from Operations	20	2215,48.19	2063,01.71
Other income	21	98,43.00	68,76.30
Total Revenue	(A)	<u>2313,91.19</u>	<u>2131,78.01</u>
EXPENSES:			
Finance Costs	22	1163,74.41	1082,15.31
Employee benefits	23	181,25.34	161,92.77
Administrative and Other expenses	24	156,29.22	140,69.29
Provisions and Write Off	25	71,81.79	69,43.71
Depreciation		92,27.79	81,50.30
Contingent Provision against Standard Assets		1,89.50	3,45.74
Total expenses	(B)	<u>1667,28.05</u>	<u>1539,17.12</u>
Profit before Tax	(A- B)	646,63.14	592,60.89
Tax expense:			
Current tax		223,54.14	214,45.93
Deferred tax		(19,42.32)	(31,96.10)
		<u>204,11.82</u>	<u>182,49.83</u>
Profit after Tax		<u>442,51.32</u>	<u>410,11.06</u>
Basic and Diluted Earnings Per Share of ₹ 10 each (in ₹)		39.83	36.91
Significant accounting policies and Notes to the Accounts	1 to 26		

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S
P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

NOTES TO THE ACCOUNTS

Note 1: SIGNIFICANT ACCOUNTING POLICIES

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

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

The assets and liabilities have been classified as non-current and current based on a 12 month operating cycle.

- 1.2 Income recognition:

- a) Income from Hypothecation loans and Hire Purchase transactions is accounted on the basis of the Internal Rate of Return method.

On assets securitised / assigned on or after 21 August 2012, income is recognised over the life of the underlying assets based on the method prescribed by RBI.

On assets securitised prior to 21 August 2012, income is recognised over the life of the underlying assets based on the method prescribed by RBI vide their guidelines dated 1st February 2006.

- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into up to 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per Accounting Standard –19 – 'Leases'.
c) Income from other financing activities and services is recognised on accrual basis.

- 1.3 Financial Instruments

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

- 1.4 Fixed Assets and Depreciation / Amortisation:

Fixed Assets and Investment Property are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing ₹ 5,000 or less acquired during the year are fully depreciated.

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

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

Intangible assets represent computer software whose cost is amortised over their expected useful life.

- 1.5 Valuation of Investments:

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

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

NOTES TO THE ACCOUNTS (Contd.)

1.6 Foreign Currency Transactions:

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

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

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

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

1.7 Employee Benefits:

A. Short Term Employee Benefits:

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

B. Post Employment Benefits:

Defined Contribution Plan

i. Provident Fund:

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

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

ii. Superannuation:

The Company contributes to the Superannuation fund, which is administered by trustees and managed by the Life Insurance Corporation of India (LIC). The contributions are charged to the Statement of Profit and Loss.

Defined Benefit Plan

i. Gratuity:

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

ii. Leave Encashment

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

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

NOTES TO THE ACCOUNTS (Contd.)

C. Other Long Term Employee Benefits:

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

D. Employee Stock Options:

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

1.8 Taxation:

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

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

1.9 Impairment of Assets:

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

1.10 Provisions:

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

BALANCE SHEET

Note 2: Share Capital

(₹ in lakhs)

	31.03.2014	31.03.2013
Authorised Capital 25,00,00,000 Equity Shares of ₹ 10/- each	<u>250,00.00</u>	<u>250,00.00</u>
Issued, Subscribed and fully paid-up 11,11,03,860 Equity Shares of ₹ 10/- each	<u>111,10.39</u>	<u>111,10.39</u>

- a) Paid-up share capital includes 10,65,27,475 Equity Shares allotted as fully paid-up by way of bonus shares by Capitalisation of Reserves and Securities Premium and 37,75,965 Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation.
- b) No shareholder of the Company holds more than 5% of the Equity shares.
- c) The Company issued 5,55,51,930 Equity Shares by way of bonus shares during the financial year 2012-13

Reconciliation of number of shares

	31.03.2014	31.03.2013
At the beginning of the year	11,11,03,860	5,55,51,930
Add: Issue of Bonus shares during the year	–	5,55,51,930
At the end of the year	11,11,03,860	11,11,03,860

NOTES TO THE ACCOUNTS (Contd.)

Note 3: Reserves and Surplus

(₹ in lakhs)

	31.03.2014	31.03.2013
a) Capital Reserve	50,79.64	50,79.64
b) Share Options Outstanding Account		
Granted during the previous year	1,05.55	78.26
Less: Shares transferred on exercise of option	5.73	11.29
Less: Transfer to General Reserve	99.82	66.97
Add: Granted during the year	1,01.09	1,05.55
Less: Deferred Employee Compensation Cost	16.85	17.59
At the end of the year	84.24	87.96
c) Statutory Reserve		
(As per Section 45-IC of the Reserve Bank of India Act, 1934)		
At the beginning of the year	515,97.71	433,95.50
Add: Transfer from Surplus in the Statement of Profit and Loss	88,50.26	82,02.21
At the end of the year	60447.97	515,97.71
d) General Reserve		
At the beginning of the year	1300,00.00	1180,00.00
Add: Transfer from Share Options Outstanding account	99.82	66.97
Add: Transfer from Surplus in the Statement of Profit and Loss	199,00.18	174,88.22
Less: Issue of Bonus shares during the year	—	55,55.19
At the end of the year	1500,00.00	1300,00.00
e) Surplus in the Statement of Profit and Loss		
At the beginning of the year	107,94.82	67,56.21
Add: Profit for the year	442,51.32	410,11.06
	550,46.14	477,67.27
Less: Appropriations		
Statutory Reserve	88,50.26	82,02.21
General Reserve	199,00.18	174,88.22
Dividend		
Interim	—	49,99.67
Final (Proposed)	111,10.39	49,99.67
Dividend Tax	14,15.90	12,82.68
	137,69.41	107,94.82
At the end of the year	2293,81.26	1975,60.13

NOTES TO THE ACCOUNTS (Contd.)

Note 4: Long-term Borrowings

(₹ in lakhs)

	31.03.2014	31.03.2013
Secured		
Non-Convertible Debentures	2874,99.18	3234,04.18
Non-Convertible Debentures (from a Joint Venture company)	45,00.00	35,00.00
	2919,99.18	3269,04.18
Term loans from banks	1100,00.00	500,00.00
Unsecured		
Subordinated Non-Convertible Debentures	682,10.00	682,10.00
Subordinated Non-Convertible Debentures (from a Joint Venture company)	5,00.00	5,00.00
	687,10.00	687,10.00
Fixed Deposits	900,88.74	585,40.26
	5607,97.92	5041,54.44

Maturity of Secured Non Convertible Debentures

(₹ in lakhs)

Maturities Implicit Interest Rate %	< 1 year	1 - 3 years	> 3 years	Total
7 to 8	– (158,50.84)	– –	– –	– (158,50.84)
> 8 to 10	1469,53.60 (1230,67.43)	1778,25.68 (2279,79.69)	263,00.00 (50,00.00)	3510,79.28 (3560,47.12)
> 10 to 12	702,81.87 (1183,24.81)	678,73.50 (939,24.48)	200,00.00 –	1581,55.37 (2122,49.29)
Total - Secured	2172,35.47 (2572,43.08)	2456,99.18 (3219,04.17)	463,00.00 (50,00.00)	5092,34.65 (5841,47.25)

Previous year figures are in brackets

(₹ in lakhs)

		31.03.2014	31.03.2013
Long Term Borrowing under Non Current Liabilities	Refer Note No. 4	2919,99.18	3269,04.18
Short Term Borrowing under Current Liabilities	Refer Note No. 7	140,00.00	363,00.00
Long Term Borrowing-maturing within a year under Other Current Liabilities	Refer Note No. 9	2032,35.47	2209,43.07
		5092,34.65	5841,47.25

NOTES TO THE ACCOUNTS (Contd.)

Details of Secured Term Loans from Banks

(₹ in lakhs)

	As on 31.03.2014			As on 31.03.2013		
	< 1 year	1 - 3 years	Total	< 1 year	1 - 3 years	Total
Repayment	999,24.25	1100,00.00	2099,24.25	600,00.00	500,00.00	1100,00.00

(₹ in lakhs)

		31.03.2014	31.03.2013
Long Term Borrowing under Non Current Liabilities	Refer Note No. 4	1100,00.00	500,00.00
Short Term Borrowing under Current Liabilities	Refer Note No. 7	599,24.25	100,00.00
Long Term Borrowing-maturing within a year under Other Current Liabilities	Refer Note No. 9	400,00.00	500,00.00
		2099,24.25	1100,00.00

The Secured Non-Convertible Debentures are secured by mortgage of immovable property ranking pari passu with charges created in favour of the trustees in addition to specific assets covered by charge on Hypothecation Loan receivables / Hire purchase / Lease agreements with a security cover of 100% / 125%, as per the terms of issue.

The Term loans from banks are secured by hypothecation of specific assets covered by a charge on Hypothecation Loan Receivables/ Hire purchase / Lease agreements.

Maturity of Unsecured Subordinated Non Convertible Debentures

(₹ in lakhs)

Maturities Implicit Interest Rate %	< 1 year	1 - 3 years	> 3 years	Total
9 to 10	–	195,00.00	252,10.00	447,10.00
	–	–	(447,10.00)	(447,10.00)
> 10 to 11	–	–	240,00.00	240,00.00
	(10,00.00)	–	(240,00.00)	(250,00.00)
Total-Unsecured	–	195,00.00	492,10.00	687,10.00
	(10,00.00)	–	(687,10.00)	(697,10.00)

Previous year figures are in brackets

(₹ in lakhs)

		31.03.2014	31.03.2013
Long Term Borrowing under Non Current Liabilities	Refer Note No. 4	687,10.00	687,10.00
Long Term Borrowing - maturing within a year under Other Current Liabilities	Refer Note No. 9	–	10,00.00
		687,10.00	697,10.00

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

NOTES TO THE ACCOUNTS (Contd.)

Note 5: Other Long-term liabilities

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Interest accrued but not due on borrowings	36,77.76	60,28.63
Other liabilities	78,88.65	77,45.87
	<u>115,66.41</u>	<u>137,74.50</u>

Note 6: Long-term provisions

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Employee Benefits	4,26.15	5,11.67
Non-performing assets	23,27.49	11,15.39
Contingent provision against Standard Assets (made @ 0.40% of the outstanding Standard Assets)	49,45.63	47,56.13
	<u>76,99.27</u>	<u>63,83.19</u>

Note 7: Short-term borrowings

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Secured		
Working capital demand loans and Cash Credit	1202,54.24	919,06.27
Term Loans from Banks	599,24.25	100,00.00
Non -Convertible Debentures	140,00.00	363,00.00
	<u>1941,78.49</u>	<u>1382,06.27</u>
Unsecured		
Credit facilities from Banks	13,41.64	53,06.35
Loan and advances from subsidiary companies	—	1,89.00
Commercial paper	613,31.69	963,22.45
Commercial Paper (from a Joint venture company)	5,52.96	—
	<u>632,26.29</u>	<u>1018,17.80</u>
	<u>2574,04.78</u>	<u>2400,24.07</u>

Working capital demand loans and cash credit are secured by a charge on Hypothecation Loan Receivables, Hire Purchase / Lease agreements, ranking pari passu, excluding assets which are specifically charged to others.

Face value of commercial paper outstanding as on 31.03.2014 was ₹ 1,09,180.00 lakhs (31.03.2013 – ₹ 1,45,000.00 lakhs). Maximum amount of face value of commercial paper outstanding at any time during the year was ₹ 3,00,000.00 lakhs (2012-13 – ₹ 2,50,000.00 lakhs)

NOTES TO THE ACCOUNTS (Contd.)

Note 8: Trade Payables

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Dealer Balances	16,15.42	24,38.22
Creditors for Expenses	2,84.26	5,35.11
Outstanding Liabilities	14,46.48	14,22.37
	<u>33,46.16</u>	<u>43,95.70</u>

Note 9: Other current liabilities

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Secured		
Non-Convertible Debentures	2017,35.47	2209,43.07
Non-Convertible Debentures (from a Joint Venture company)	15,00.00	-
Unsecured		
Non-Convertible Debentures	-	10,00.00
	<u>2032,35.47</u>	<u>2219,43.07</u>
Term loans from Banks-Secured	400,00.00	500,00.00
Fixed Deposits	744,50.56	871,07.50
Commercial Paper	417,40.45	434,55.13
Interest accrued but not due on borrowings	392,00.75	343,29.73
Unpaid dividends *	1,39.89	1,36.58
Income received in advance	2,76.55	1,53.50
Unpaid matured deposits and interest accrued thereon *	23,01.16	23,22.25
Amount due on assets securitised / assigned	266,41.58	240,63.34
Advance from Customers	47,06.84	44,89.36
Sundry creditors for finance	38,69.86	34,19.84
	<u>4365,63.11</u>	<u>4714,20.30</u>

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

Note 10: Short-term provisions

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Employee Benefits	36,17.11	33,80.82
Non-Performing Assets	74,79.98	60,84.10
Proposed dividend	111,10.38	49,99.67
Provision for dividend tax	14,15.89	4,71.61
	<u>236,23.36</u>	<u>149,36.20</u>

Note 11: Fixed Assets

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			Net Book Value	Balance in Lease Adjustment Account as at 31.03.2014	NET BLOCK		
	As at 31.03.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	Additions			Deductions	As at 31.03.2014	As at 31.03.2013
i) Tangible Assets											
1 Freehold Land and Buildings	32,40.80	70.89	53.21	32,58.48	7,83.41	82.87	2.79	–	23,94.99	24,57.39	
2 Leasehold office / Residential Premises	14,87.68	2.33	–	14,90.01	8,09.53	35.40	–	–	6,45.08	6,78.15	
3 Plant and Machinery and Computers	49,81.70	10,22.35	2,50.86	57,53.19	37,10.39	5,14.27	2,36.03	–	17,64.56	12,71.31	
4 Furniture and Fixtures	22,22.13	2,00.61	1,74.04	22,48.70	17,78.72	1,66.02	1,52.69	–	4,56.65	4,43.41	
5 Vehicles	21,32.30	6,05.53	3,12.98	24,24.85	10,23.42	3,76.59	2,41.37	–	12,66.21	11,08.88	
6 Office Equipment	14,84.19	2,54.49	1,03.34	16,35.34	9,02.50	1,00.39	77.18	–	7,09.63	5,81.69	
	155,48.80	21,56.20	8,94.43	168,10.57	90,07.97	12,75.54	7,10.06	–	72,37.12	65,40.83	
7 Assets on Operating Lease											
a) Plant and Machinery and Computers	52,49.15	31.25	7,80.28	45,00.12	24,37.43	4,10.46	6,33.87	–	22,86.10	28,11.72	
b) Vehicles	339,81.81	104,57.22	69,41.94	374,97.09	133,63.10	65,46.88	44,14.19	–	220,01.30	206,18.71	
	392,30.96	104,88.47	77,22.22	419,97.21	158,00.53	69,57.34	50,48.06	–	242,87.40	234,30.43	
8 Assets on Finance Lease											
a) Plant and Machinery and Computers	40,91.95	–	2,88.20	38,03.75	39,34.02	21.74	2,55.64	(72.32)	31.31	3.54	
b) Vehicles	5,67.28	–	11.64	5,55.64	5,64.31	0.74	11.41	(1.75)	0.25	–	
c) Office Equipment	76.09	–	–	76.09	72.80	0.46	–	(2.21)	0.62	0.72	
	47,35.32	–	2,99.84	44,35.48	45,71.13	22.94	2,67.05	(76.28)	32.18	4.26	
Total	595,15.08	126,44.67	89,16.49	632,43.26	293,79.63	82,55.82	60,25.17	(76.28)	315,56.70	299,75.52	
ii) Intangible Assets											
Computer Software	49,80.79	5,75.06	–	55,55.85	17,99.42	9,67.94	–	–	27,88.49	31,81.37	
iii) Intangible Assets Under Development	31.63	5,61.66	2,73.60	3,19.69	–	–	–	–	3,19.69	31.63	
Grand Total	645,27.50	137,81.39	91,90.09	691,18.80	311,79.05	92,23.76	60,25.17	(76.28)	347,41.16	331,88.52	
Previous Year	569,33.63	179,27.36	103,33.49	645,27.50	273,21.60	82,67.01	44,09.56	(1,59.93)	333,48.45	294,40.08	

Additions/deductions to Land and Buildings in Gross Block include assets transferred to/from Investment Property.

Finance Lease Depreciation of ₹ 22.94 lakhs (31.03.2013 – ₹ 27.53 lakhs) has been netted off against Lease Income.

Additions to Intangible Assets under development in Gross Block include depreciation on assets used for development of Computer software amounting to ₹ 4.79 lakhs.

Building on lease hold land include ₹ 1,193.63 lakhs (31.03.2013 – ₹ 1,193.63 lakhs) being the cost of ownership flats in co-operative societies / associates.

Land and Building include ₹ 842.66 lakhs (31.03.2013 – ₹ 1,246.10 lakhs) representing undivided share of land.

NOTES TO THE ACCOUNTS (Contd.)

Maturity Pattern of the future minimum lease payments is given below:

(₹ in lakhs)

	31.03.2014	31.03.2013
Less than 1 year	103,05.26	95,62.25
Later than 1 year and not later than 5 years	140,93.34	144,32.80
Total	243,98.60	239,95.05

In accordance with Accounting Standard, AS - 26 - Intangible Assets software purchased / developed amounting to ₹ 575.06 lakhs (31.03.2013 – ₹ 3,127.62 lakhs) is amortised over their expected useful life of three to five years based on a technical evaluation.

Note 12: Non-current Investments

(₹ in lakhs)

	31.03.2014	31.03.2013
Investment Property (net of depreciation)	70,05.84	38,77.43
Investment in Equity Instruments	729,52.51	679,72.44
Investment in Preference Shares	5,00.00	5,00.00
Investment in Government securities	212,68.64	146,54.53
Investment in Mutual Funds	1,00.00	2,00.00
Investment in Pass through certificates	7,83.98	8,05.68
Less: Aggregate provision for diminution in value of investments	52,27.33	53,74.29
	973,83.64	826,35.79

(₹ in lakhs)

Particulars	Cost	Market Value
Aggregate amount of Quoted Investments	242,09.23	475,90.95
Aggregate amount of Unquoted Investments	661,68.57	
Investment Property	70,05.84	
Total	973,83.64	

In accordance with the Reserve Bank of India directives, the company has created a floating charge on the statutory liquid assets comprising investment in Government Securities of face value ₹ 21,412.30 lakhs (Cost – ₹ 21,365.39 lakhs) and bank deposits of ₹ 5,500.00 lakhs in favour of trustees representing the deposit holders of the company.

NOTES TO THE ACCOUNTS (Contd.)

Particulars	Face Value (₹)	As at 31.03.2014		As at 31.03.2013	
		Holding (Number)	Cost (₹ in lakhs)	Holding (Number)	Cost (₹ in lakhs)
Investment in Equity Instruments: Fully Paid					
i) Subsidiary Companies:					
Sundaram Asset Management Co. Ltd.	10	1,53,33,229	153,13.84	1,53,33,229	153,13.84
Sundaram BNP Paribas Home Finance Ltd. #	10	5,07,28,473	151,57.10	4,64,18,796	111,49.10
Sundaram BNP Paribas Fund Services Ltd. # (a)/(b)	10	4,20,75,000	42,07.54	3,18,75,000	31,87.54
Sundaram Infotech Solutions Ltd. (b)	10	1,64,00,000	16,40.00	1,64,00,000	16,40.00
Professional Management Consultants Ltd. (b)/(c)	10	–	–	62,20,560	16,37.23
Sundaram Business Services Ltd.	10	1,50,00,000	15,00.00	1,50,00,000	15,00.00
Sundaram BPO India Ltd. (c)	10	75,41,009	11,29.99	30,00,000	3,00.00
Sundaram Trustee Company Ltd.	10	50,000	2,28.62	50,000	2,28.62
Sundaram Finance Distribution Ltd.	10	5,00,000	65.18	5,00,000	65.18
Sundaram Insurance Broking Services Ltd.	10	5,00,000	50.00	5,00,000	50.00
LGF Services Ltd.	10	2,50,000	5.00	2,50,000	5.00
ii) Associate Companies					
The Dunes Oman LLC (FZC) @	1	22,93,725	26,94.86	22,93,725	26,94.86
Flometallic India Ltd.	1,00,000	2,700	27,00.00	2,700	27,00.00
Sundaram Hydraulics Ltd.	10	1,12,50,000	11,25.00	1,12,50,000	11,25.00
Axles India Ltd.	10	98,91,754	10,15.70	98,91,754	10,15.70
Turbo Energy Ltd.	10	25,60,000	1,88.41	25,60,000	1,88.41
Transenergy Ltd.	100	1,20,000	1,87.50	1,20,000	1,87.50
Sundaram Dynacast Private Ltd.	10	11,70,000	1,17.00	11,70,000	1,17.00
iii) Joint Venture Companies					
Royal Sundaram Alliance Insurance Company Ltd.	10	15,71,85,000	189,57.43	15,71,85,000	189,57.43
BNP Paribas Sundaram Global Securities Operations Pvt. Ltd. (a)	10	36,48,050	3,64.92	36,48,050	3,64.92
iv) Other Companies					
– Quoted					
Sundaram Clayton Limited	5	22,73,081	14,28.25	22,73,085	14,28.26
Wheels India Limited	10	13,33,741	8,38.14	13,33,741	8,38.14
Reliance Industries Ltd. (b)	10	40,850	3,47.22	40,850	3,47.22
India Motor Parts & Accessories Ltd.	10	15,40,784	5,77.49	14,70,784	2,79.26
Techtran Polylenses Limited (b)	10	2,50,000	67.50	2,50,000	67.50
– Unquoted					
TVS Commutation Solutions Ltd.	10	79,100	8,77.21	79,100	8,77.21
Equifax Credit Information Services Pvt. Ltd. # (a)	10	1,35,00,000	13,50.00	75,00,000	7,50.00
Experian Credit Information Company of India Pvt. Ltd.	10	42,00,000	4,20.00	42,00,000	4,20.00
Sundaram Investments Limited	5	22,73,085	2,90.88	22,73,085	2,90.88
Credit Information Bureau (India) Ltd. &	10	–	–	6,25,000	1,25.01
Vishnu Forge Industries Ltd.	10	2,97,110	45.93	2,97,110	45.93

NOTES TO THE ACCOUNTS (Contd.)

Particulars	Face Value (₹)	As at 31.03.2014		As at 31.03.2013	
		Holding (Number)	Cost (₹ in lakhs)	Holding (Number)	Cost (₹ in lakhs)
Lucas-TVS Ltd.	100	63,224	27.22	63,224	27.22
Delphi TVS Diesel Systems Ltd.	10	2,52,896	18.15	2,52,896	18.15
Brakes India Ltd.	100	1,59,460	15.33	1,59,460	15.33
NTTF Industries Pvt. Ltd. (b)/&	10	—	—	75,000	15.00
			729,51.41		679,72.44
Investment in Equity Instruments: Partly Paid					
i) Associate Companies					
Flometallic India Ltd. ^ (₹ 100 partly paid up per share)	1,00,000	1100	1.10	—	—
			1.10		—
Investment in Preference Shares: Fully Paid					
Sundaram Hydraulics Ltd. - 9%, Redeemable Cumulative Non-Convertible Preference Shares	100	5,00,000	5,00.00	5,00,000	5,00.00
			5,00.00		5,00.00
Investment in Government Securities:					
— Quoted					
Central Government Loans (Face Value in Lakhs) (b)	9,164		90,10.98		49,10.09
State Government Loans (Face Value in Lakhs) (b)	12,148		122,57.66		97,44.44
			212,68.64		146,54.53
Investment in Mutual Funds:					
Sundaram Energy Opportunities – Growth (b)	10	—	—	20,00,000	2,00.00
HDFC Debt Fund for Cancer Cure 2014	10	10,00,000	1,00.00	—	—
			1,00.00		2,00.00
Investment in Pass Through Certificates:					
— Unquoted					
Shri Trust A 2013	10,00,000	165	1,91.84	165	7,88.37
Shri Trust B 2013	10,00,000	2	1.41	2	8.54
Aeon Trust 2013 Series A2	8,79,892	1	1.63	2	8.77
Shri Trust C 2014	10,00,049	70	3,25.01	—	—
Shri Trust D 2014	10,00,086	53	2,64.09	—	—
			7,83.98		8,05.68

During the year the company has subscribed to the rights equity shares of Sundaram BNP Paribas Home Finance Limited, Sundaram BNP Paribas Fund Services Limited and Equifax Credit Information Services Private Limited.

^ During the year the company has subscribed to the preferential equity shares of Flometallic India Ltd.

& Grouped under current investments

(a) denotes shares are under lock in period

(b) denotes investment where provision for diminution in value has been made

(c) denotes Professional Management Consultants Ltd. has merged with Sundaram BPO India Ltd.

@ face value in omani riyal

NOTES TO THE ACCOUNTS (Contd.)

Note 13: Deferred Tax Assets (Net)

(₹ in lakhs)

	31.03.2014	31.03.2013
Deferred Tax Assets		
Contingent Provisions against Standard Assets	16,81.02	16,16.61
Provisions against Non-performing Assets	44,06.35	29,90.25
Income deferment on Non-performing Assets	5,58.60	4,39.79
Provisions against Investments	1,50.20	1,12.66
Depreciation	28,84.87	22,84.94
Others	23,77.20	17,38.46
	<u>120,58.24</u>	<u>91,82.71</u>
Less: Deferred Tax Liabilities		
Hire Purchase Income	10,42.76	1,09.55
Others	22.88	22.88
	<u>10,65.64</u>	<u>1,32.43</u>
	<u>109,92.60</u>	<u>90,50.28</u>

Note 14: Long-term loans and advances

(₹ in lakhs)

	31.03.2014	31.03.2013
Secured, Considered good		
Hypothecation Loans	5603,73.94	6042,58.69
Net Investment in Stock-on-hire	598,43.39	12,44.02
Net investment in lease	14,13.51	20,39.45
Other loans	13,34.71	21,25.44
	<u>6229,65.55</u>	<u>6096,67.60</u>
Amount retained on Assets securitised / assigned	89,54.96	69,69.75
Unsecured, Considered good		
Capital Advances	1,86.28	10,48.35
Deposits	9,18.77	7,96.56
Other loans	29,89.07	21,56.55
	<u>40,94.12</u>	<u>40,01.46</u>
Other loans and advances		
Advance Income tax and Tax Deducted at Source (net of provision)	106,83.10	86,09.48
Other advances	30.51	16.55
	<u>107,13.61</u>	<u>86,26.03</u>
	<u>6467,28.24</u>	<u>6292,64.84</u>

The Long-term loans and advances includes Non-performing Assets of ₹ 3,575.50 lakhs (31.03.2013 – ₹ 3,064.15 lakhs)

Advance income tax and tax deducted at source (net of provision) comprise:
 Provision for Income Tax ₹ 69,175.12 lakhs (31.03.2013 – ₹ 59,385.27 lakhs)
 Income tax paid under dispute ₹ 6,814.92 lakhs (31.03.2013 – ₹ 5,696.79 lakhs)
 Advance Fringe Benefit Tax ₹ 0.16 lakhs (31.03.2013 – ₹ 0.16 lakhs)
 Provision for Fringe Benefit Tax ₹ 21.10 lakhs (31.03.2013 – ₹ 21.10 lakhs)

NOTES TO THE ACCOUNTS (Contd.)

Note 15: Other Non-Current Assets

	(₹ in lakhs)	
	31.03.2014	31.03.2013
SFL Employees Welfare Trust	3,37.95	3,38.38
Other assets	8,24.19	6,62.05
	<u>11,62.14</u>	<u>10,00.43</u>

Other assets includes Service Tax / Sales Tax paid under dispute of ₹ 800.39 lakhs (31.03.2013 – ₹ 638.25 lakhs)

Note 16: Current Investments

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Investment in Equity Instruments	1,40.01	–
Investment in Government Securities	96.75	2,65.75
Investment in Mutual Funds	460,00.00	207,20.65
Investment in Pass through certificates	11,21.75	8,23.78
	<u>473,58.51</u>	<u>218,10.18</u>
Less: Aggregate provision for diminution in value of investment	15.00	16.44
	<u>473,43.51</u>	<u>217,93.74</u>

(₹ in lakhs)		
Particulars	Cost	Market Value
Aggregate amount of Quoted Investments	96.75	99.94
Aggregate amount of Unquoted Investments	472,46.76	
Total	473,43.51	

NOTES TO THE ACCOUNTS (Contd.)

Particulars	Face Value (₹)	As at 31.03.2014		As at 31.03.2013	
		Holding (Number)	Cost (₹ in lakhs)	Holding (Number)	Cost (₹ in lakhs)
Investment in Equity Instruments: Fully Paid					
– Unquoted					
Credit Information Bureau (India) Ltd.	10	6,25,000	1,25.01	–	–
NTTF Industries Pvt. Ltd. (a)	10	75,000	15.00	–	–
			1,40.01		–
Investment in Government Securities:					
– Quoted					
Central Government Loans (Face Value in Lakhs)	100		96.75		2,65.75
			96.75		2,65.75
Investment in Mutual Funds:					
Sundaram Rural India Fund	10	–	–	34,00,000	3,76.28
Sundaram Select Focus	10	–	–	6,00,000	3,44.37
Sundaram Money Fund	10	7,45,07,320	200,00.00	8,09,92,974	200,00.00
Reliance Liquid Fund	1,000	80,034	25,00.00	–	–
HDFC CM Savings Fund	10	93,39,021	25,00.00	–	–
ICICI Prudential Liquid Fund	100	13,18,147	25,00.00	–	–
Birla Sun Life Cash Plus Fund	1,000	12,16,557	25,00.00	–	–
SBI Premier Liquid Fund	1,000	1,24,076	25,00.00	–	–
UTI Liquid Fund	1,000	1,18,995	25,00.00	–	–
Tata Money Market Fund	1,000	74,292	15,00.00	–	–
IDFC Cash Fund	1,000	96,319	15,00.00	–	–
Kotak Liquid Fund	1,000	57,684	15,00.00	–	–
Religare Invesco Liquid Fund	1,000	85,099	15,00.00	–	–
LIC Nomura Liquid Fund	1,000	64,535	15,00.00	–	–
L&T Liquid Fund	1,000	85,355	15,00.00	–	–
HSBC Cash Fund	1,000	39,108	5,00.00	–	–
DSP BlackRock Liquidity Fund	1,000	27,266	5,00.00	–	–
Templeton India TMA Fund	1,000	26,166	5,00.00	–	–
Canara Robeco Liquid Fund	1,000	32,077	5,00.00	–	–
			460,00.00		207,20.65
Investment in Pass Through Certificates:					
– Unquoted					
Shri Trust A 2013	10,00,000	165	5,18.65	165	8,01.87
Shri Trust B 2013	10,00,000	2	6.25	2	11.46
Aeon Trust 2013 Series A1	11,20,114	1	6.11	2	10.45
Shri Trust C 2014	10,00,049	70	3,24.78	–	–
Shri Trust D 2014	10,00,086	53	2,65.96	–	–
			11,21.75		8,23.78

(a) denotes investment where provision for diminution in value has been made

NOTES TO THE ACCOUNTS (Contd.)

Note 17: Cash and Bank balances

(₹ in lakhs)

	31.03.2014	31.03.2013
Cash and cash equivalents:		
Cash on hand	28,21.36	19,83.74
Balances with Banks in Current Accounts	37,36.59	30,51.50
Cheques, drafts on hand	<u>56,01.73</u>	<u>57,74.70</u>
	121,59.68	108,09.94
Bank Deposits		
More than 3 months and upto 12 months maturity	421,08.22	566,98.43
More than 12 months maturity	<u>130,00.00</u>	<u>197,00.00</u>
	551,08.22	763,98.43
Others		
Stamps and Stamp papers on hand	67.24	91.17
Unpaid dividend account	<u>1,39.89</u>	<u>1,36.58</u>
	2,07.13	2,27.75
	<u>674,75.03</u>	<u>874,36.12</u>

Bank Deposits include ₹ 26,884.70 lakhs (31.03.2013 – ₹ 25,905.20 lakhs) provided as collateral for assets securitised / assigned.

Note 18: Short-term loans and advances

(₹ in lakhs)

	31.03.2014	31.03.2013
Secured, Considered good		
Hypothecation Loans	5335,88.81	5404,40.32
Net Investment in Stock-on-hire	385,35.25	26,40.52
Net Investment in lease	12,92.09	14,04.38
Trade receivables	32,19.23	33,00.90
Other loans	<u>9,74.51</u>	<u>10,81.73</u>
	5776,09.89	5488,67.85
Amount retained on Assets securitised / assigned	142,03.83	94,41.73
Unsecured, Considered good		
Advance for business assets	230,84.90	223,20.94
Loans and advances to related parties		
Subsidiary companies	15.41	50.88
Joint Venture Company	5,14.45	5,16.65
Associate Company	2.46	3.12
Trade bills purchased	5,43.66	5,56.83
Other advances	<u>10,98.68</u>	<u>13,87.84</u>
	252,59.56	248,36.26
	<u>6170,73.28</u>	<u>5831,45.84</u>

Short-term loans and advances include Non-Performing assets of ₹ 11,865.78 lakhs (31.03.2013 – ₹ 9,458.56 lakhs).

In accordance with Accounting Standard (AS-19) – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on 31.03.2014 is as follows:

(₹ in lakhs)

	31.03.2014	31.03.2013
Gross Investment in lease	1208,10.53	82,70.86
Less: Unearned Finance Charges	<u>197,26.29</u>	<u>9,42.53</u>
	<u>1010,84.24</u>	<u>73,28.33</u>

NOTES TO THE ACCOUNTS (Contd.)

Maturity Pattern of the Gross investment in lease / Present Value of MLP receivables: (₹ in lakhs)

	31.03.2014		31.03.2013	
	Gross Investment in Lease	MLP Receivables	Gross Investment in Lease	MLP Receivables
Less than 1 year	509,66.78	398,32.67	49,34.13	40,44.86
Later than 1 year and not later than 5 years	698,43.75	612,51.57	33,36.73	32,83.47
Total	1208,10.53	1010,84.24	82,70.86	73,28.33

Note 19: Other current assets

(₹ in lakhs)

	31.03.2014	31.03.2013
Interest accrued on investments	3,94.68	3,03.91
Income Receivable	151,52.44	136,06.27
SFL Shares Trust	5,94.30	5,94.30
SFL Employees Welfare Trust	6.16	11.46
Repossessed assets (at realisable value)	25,21.76	17,27.42
	186,69.34	162,43.36

STATEMENT OF PROFIT AND LOSS

Note 20: Revenue from Operations

(₹ in lakhs)

	2013-14	2012-13
Income from Financing Operations		
Hypothecation Loans / Hire Purchase	1877,70.62	1730,54.70
Assets securitised / assigned	94,25.61	108,75.55
Lease	119,53.75	107,37.40
Others	5,62.30	5,86.21
Recovery of bad debts	15,15.01	16,05.47
	2112,27.29	1968,59.33
Income from Investments		
Interest on Bank Deposits	36,36.08	38,73.22
Interest on Government Securities	12,72.59	6,62.82
Interest - Others	78.10	21.55
Profit on sale of Long-term Investments	16.67	49.45
Profit on sale of Current Investments	8,07.49	9,50.95
	58,10.93	55,57.99
Income from other Financial Services	34,40.14	30,25.52
Income from other Services	10,69.83	8,58.87
	2215,48.19	2063,01.71

Income from Hypothecation Loans / Hire Purchase is net of business origination cost of ₹ 4,611.38 lakhs (2012-13 – ₹ 3,905.82 lakhs).

Income from Lease is net of depreciation / lease equalization account of ₹ (29.07) lakhs (2012-13 – ₹ 15.76 lakhs)

Income from other Services include exchange difference amounting to ₹ 0.31 lakhs-net gain (2012-13 – ₹ 0.42 lakhs- net loss) arising on account of foreign currency transactions.

NOTES TO THE ACCOUNTS (Contd.)

Note 21: Other Income

	(₹ in lakhs)	
	2013-14	2012-13
Interest Receipts	4,46.87	3,45.87
Dividend Income		
Subsidiary companies	22,24.65	16,00.57
Others	46,45.94	34,91.08
	<u>68,70.59</u>	<u>50,91.65</u>
Profit on sale of Equity investments in Mutual Fund	3,12.28	—
Rent Receipts	8,09.32	8,62.34
Profit on sale of assets	8,23.63	1,33.72
Other non-operating income	5,80.31	4,42.72
	<u>98,43.00</u>	<u>68,76.30</u>

Note 22: Finance Costs

	(₹ in lakhs)	
	2013-14	2012-13
Interest expense		
Non convertible debentures	618,00.15	565,52.83
Term loans	176,52.37	207,19.52
Fixed deposits	159,90.64	134,37.68
Commercial paper	193,35.61	158,86.69
Other interest	13,27.80	9,71.89
	<u>1161,06.57</u>	<u>1075,68.61</u>
Other borrowing costs	2,67.84	6,46.70
	<u>1163,74.41</u>	<u>1082,15.31</u>

Note 23: Employee Benefits

	(₹ in lakhs)	
	2013-14	2012-13
Salaries, bonus and commission	164,62.02	147,14.53
Contribution to Provident and other funds	9,61.89	9,38.17
Employees Share Options expense	1,01.83	1,01.00
Staff welfare expenses	5,99.60	4,39.07
	<u>181,25.34</u>	<u>161,92.77</u>

NOTES TO THE ACCOUNTS (Contd.)

Defined Benefit Plans

(₹ in lakhs)

Description of Benefit Plans	Funded Gratuity	
	31.03.2014	31.03.2013
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Opening Balance: Present value of obligation	17,52.47	14,64.53
Current service cost	1,66.24	66.35
Interest cost	1,40.20	47.69
Transfer of funds from Subsidiary companies / transfer within funds	–	6.34
Benefits paid	(1,00.40)	(1,16.68)
Actuarial (gain) / loss on obligations	1,04.50	2,84.24
Closing Balance: Present value of obligation	20,63.01	17,52.47
B) Reconciliation of opening and closing balances of the fair value of plan assets		
Opening Balance: Fair value of plan assets	17,32.23	13,84.13
Expected return on plan assets	1,50.90	1,13.83
Contributions made	2,70.13	3,44.61
Transfer of funds from Subsidiary companies	–	6.34
Benefits paid	(1,00.40)	(1,16.68)
Actuarial gain / (loss) on plan assets	–	–
Closing Balance: Fair value of plan assets	20,52.86	17,32.23
C) Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities recognised in the Balance sheet		
Closing Balance: Present value of obligation	20,63.01	17,52.47
Closing Balance: Fair value of plan assets	20,52.86	17,32.23
Unrecognised past service cost	–	–
Net Asset / (Liability) recognised in Balance Sheet (included under short term loans and advances in Note18)	(10.15)	(20.24)
D) Expenses recognised in the Statement of Profit and Loss		
Current service cost	1,66.24	66.35
Interest cost	1,40.20	47.69
Expected return on plan assets	1,50.90	1,13.83
Net actuarial (gain) / loss recognized	1,04.50	2,84.24
Total Expenses (included under Employee benefits in Note 23)	2,60.04	2,84.45
E) Actual return on plan assets		
Expected return on plan assets	1,50.90	1,13.83
Actuarial gain / (loss) on plan assets	–	–
Actual return on plan assets	1,50.90	1,13.83
F) Actuarial assumptions*		
Discount rate	8%	8%
Expected rate of return on plan assets	8%	8%
Rate of increase in compensation levels	7%	7%
Attrition rate	1-3%	1-3%

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

NOTES TO THE ACCOUNTS (Contd.)

Amount for the current and previous four years is as follows:

(₹ in lakhs)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligation	20,63.01	17,52.47	14,64.54	10,90.07	9,83.51
Plan Assets	20,52.86	17,32.23	13,84.12	11,65.70	10,50.83
Surplus / (deficit)	(10.15)	(20.24)	(80.42)	75.63	67.32
Experience adjustments on plan liabilities	1,04.50	2,84.24	3,00.89	(47.70)	11.17
Experience adjustments on plan assets	—	—	7.02	4.64	5.91

Defined Benefit Plans

(₹ in lakhs)

Funded Compensation Absences	31.03.2014	31.03.2013
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Opening Balance: Present value of obligation	5,40.26	4,82.27
Current service cost	73.34	58.46
Interest cost	46.93	36.37
Benefits paid	(56.97)	(55.28)
Actuarial (gain) / loss on obligations	79.14	18.44
Closing Balance: Present value of obligation	6,82.70	5,40.26
B) Reconciliation of opening and closing balances of the fair value of plan assets		
Opening Balance: Fair value of plan assets	6,08.87	5,40.26
Expected return on plan assets	58.44	48.54
Contributions made	—	78.74
Benefits paid	(56.97)	(55.28)
Actuarial gain / (loss) on plan assets	(7.38)	(3.39)
Closing Balance: Fair value of plan assets	6,02.96	6,08.87
C) Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities recognised in the Balance sheet		
Closing Balance: Present value of obligation	6,82.70	5,40.26
Closing Balance: Fair value of plan assets	6,02.96	6,08.87
Unrecognised past service cost	—	—
Net Asset / (Liability) recognised in Balance Sheet (included under short term loans and advances in Note 18)	(79.74)	68.61

NOTES TO THE ACCOUNTS (Contd.)

(₹ in lakhs)

Funded Compensation Absences	31.03.2014	31.03.2013
D) Expenses recognised in the Statement of Profit and Loss		
Current service cost	73.34	58.46
Interest cost	46.93	36.37
Expected return on plan assets	58.44	48.54
Net actuarial (gain) / loss recognized	86.52	21.83
Total Expenses (included under Employee benefits in Note 23)	1,48.35	68.12
E) Actual return on plan assets		
Expected return on plan assets	58.44	48.54
Actuarial gain / (loss) on plan assets	(7.38)	(3.39)
Actual return on plan assets	51.06	45.15
F) Actuarial assumptions		
Discount rate	9.17%	8%
Expected rate of return on plan assets	9.17%	8%
Rate of increase in compensation levels	6%	6%

The actuarial value of sick leave entitlement as on 31.03.2014 is ₹ 93.79 lakhs (31.03.2013 – ₹ 81.84 lakhs) and is provided for in the books of accounts.

Other Long Term Benefits

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

(₹ in lakhs)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Employee assured bonus scheme	14,48.85	11,45.15	8,30.23	6,11.84	12,03.30
Staff Medical Scheme	2,14.74	1,95.36	1,60.12	1,02.50	78.60
Retired Employee Medical Scheme	1,08.44	1,16.67	1,15.97	1,29.35	1,32.53

NOTES TO THE ACCOUNTS (Contd.)

Employee Stock Option Scheme-SFESOS

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

Particulars	Grant 5	Grant 4
Board Meeting Date	29.05.2013	28.05.2012
Options Granted	18,000	16,750
Exercise Price	₹10/- per share	
Grant Date	29.05.2013	28.05.2012
Vesting Date	31.05.2014	31.05.2013
Vesting Period	12 months	12 months
Exercise Period	01.06.2014 to 31.08.2014	01.06.2013 to 31.08.2013
Market Price on a date immediately prior to Grant Date	571.60	640.15
Intrinsic Value	561.60	630.15
Expenses recognised for 2013-14 (₹ in lakhs)	84.24	17.59

The Company has followed Intrinsic Value for accounting SFESOS. Had compensation cost for the stock options granted under the Scheme been determined based on fair value approach, the Company's Profit after tax and Earnings per share would have been as per the amounts indicated below:

	(₹ in lakhs)	
	2013-14	2012-13
Profit after Tax (as reported)	442,51.32	410,11.06
Add: SFESOS compensation expense included in net profit	1,01.83	1,01.00
Less: SFESOS compensation expense determined under fair value based method	1,01.96	1,01.14
Profit after Tax (adjusted)	442,51.19	410,10.92
Basic Earnings per Share of ₹ 10 each (as reported) (₹)	39.83	36.91
Basic Earnings per Share of ₹ 10 each (adjusted) (₹)	39.83	36.91

The key assumptions used for calculating in Black scholes model are:

Date of Grant	29.05.2013	28.05.2012
Risk Free Interest Rate (%)	7.14	8.54
Exercise Price (₹)	10	10
Life of the option	367 days	368 days
Expected Volatility	29.37%	28.14%
Price of the underlying share in market at the time of the Option grant (₹)	571.60	640.15
Fair Value of the Option (₹)	562.29	630.98
No dividend rights during the vesting period		

NOTES TO THE ACCOUNTS (Contd.)

Note 24: Administrative and Other Expenses

	(₹ in lakhs)	
	2013-14	2012-13
Rent	11,12.48	9,68.04
Rates and taxes	14,16.75	10,33.06
Communication expenses	9,75.89	8,79.75
Electricity expenses	5,91.29	5,51.75
Travelling and conveyance	15,67.05	12,61.46
Outsourcing cost	39,50.23	29,00.61
Insurance	1,32.53	95.10
Donations	5,66.30	4,73.30
Repairs		
– Buildings	41.26	56.99
– Others	13,06.33	16,01.76
	13,47.59	16,58.75
Stamp Paper & Fees	9,11.24	4,96.24
Miscellaneous expenses	30,57.87	37,51.23
	<u>156,29.22</u>	<u>140,69.29</u>

Miscellaneous expenses include payment to Auditors towards:

	(₹ in lakhs)	
	2013-14	2012-13
Statutory Audit	40.00	40.00
Tax Audit	10.00	10.00
Certification	26.72	20.50
Reimbursement of Expenses	1.74	3.05

Note 25: Provisions and Write Off

	(₹ in lakhs)	
	2013-14	2012-13
Provision against non-performing assets (net)	26,07.98	22,85.83
Provision against Repossessed assets	4,01.57	1,91.98
Provision / (Reversal) on loan to subsidiary companies	–	(5,95.00)
Provision against Investments (net)		
– Subsidiary	6,06.42	26,62.90
– Others	52.42	16.15
Bad Debts		
– Subsidiary	–	5,28.00
– Others	11,72.16	15,47.00
Loss on assets sold/written off	23,41.24	3,06.85
	<u>71,81.79</u>	<u>69,43.71</u>

NOTES TO THE ACCOUNTS (Contd.)

26 General

26.1 Segment Reporting

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

26.2 (a) The details of securitised assets outstanding as on 31st March 2014 as per books of the Special Purpose Vehicles (SPV) sponsored by the Company are given below

(₹ in Lakhs)

No. of SPV sponsored by the Company	8
Total amount of securitised assets as per books of the SPV's sponsored by the Company	1215,22.82
Total amount of exposure retained by the Company to comply with Minimum Retention Requirement	
On balance sheet exposures	
– First loss	141,00.11
– Investment in Pass Through Certificates	19,05.73
Credit enhancement outstanding in respect of previous year transactions.	46,12.50

(b) During the year, the Company assigned a part of its Hypothecation Loan receivables at premium' representing the gross receivables, the details of which are given below

Book value of assets assigned	1164,49.23
Sale consideration received on assignment	1185,86.06
Minimum Retention Requirement outstanding as on 31/03/2014	169,31.52

26.3 RELATED PARTIES DISCLOSURES:

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

RELATED PARTIES:

Subsidiary Companies:

Sundaram BNP Paribas Home Finance Ltd.
 Sundaram Asset Management Company Ltd.
 Sundaram Asset Management Singapore Pte Ltd.
 Sundaram Trustee Company Ltd.
 Sundaram Business Services Ltd.
 Sundaram BPO India Ltd.
 Caltec Servicez Private Ltd. (Till 15th May 2013)

Associates:

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

NOTES TO THE ACCOUNTS (Contd.)

RELATED PARTIES (Contd.)

Subsidiary Companies (Contd.)

Professional Management Consultants Ltd. (Till 15th May 2013)

Sundaram Insurance Broking Services Ltd.

Sundaram Finance Distribution Ltd.

LGF Services Ltd.

Sundaram BNP Paribas Fund Services Ltd.

Sundaram Infotech Solutions Ltd.

Infreight Logistics Solutions Ltd.

Sundaram Parekh Warehousing Services Ltd.

Joint Ventures:

Royal Sundaram Alliance Insurance Company Ltd.

BNP Paribas Sundaram Global Securities Operations Private Ltd. (BNP Paribas Sundaram GSO)

Key Management Personnel:

Mr. T. T. Srinivasaraghavan, Managing Director

Mr. Harsha Viji, Director (Strategy & Planning)

Relatives of Key Management Personnel:

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

Enterprises over which Key Management Personnel (KMP) and his relatives can exercise significant influence:

Mr. Harsha Viji M/s. Athreya Harsha Holdings Private Ltd.

Mrs. Chitra Viji & Mr. Sriram Viji M/s. Uthirattadhi Sriram Holdings Private Ltd.

NOTES TO THE ACCOUNTS (Contd.)

RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31ST MARCH 2014

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

Particulars	Subsidiary Companies	Associates / Joint Venture	Key Management Personnel and Relatives	Enterprises over which KMP and his relatives is exercising significant influence	2013-14	2012-13
INCOME						
Income from Financing Operations	19.70	2,28.07			2,47.77	2,25.61
Income from Services	23,93.51	8,01.34			31,94.85	31,26.97
Dividend	22,24.65	34,91.32			57,15.97	36,43.50
Rent Receipts	4,68.68	2,36.64			7,05.32	7,61.45
Other non-operating income	1,14.44	35.52			1,49.97	1,60.02
EXPENDITURE						
Interest	8.84	6,11.10	72.34		6,92.28	5,51.82
Remuneration			4,28.37		4,28.37	4,07.29
Support Services	3,57.75				3,57.75	3,37.88
Software Expenses	1,91.10				1,91.10	5,86.43
Rent Paid	4.08				4.08	4.76
Insurance Premium		92.83			92.83	82.90
Bad debts written-off						5,28.00
Provisions / (Reversal of Provision) against Inter-corporate loan						(5,95.00)
DIVIDEND			331.24	103.81	4,35.05	8,10.65
ASSETS						
Purchase of Tangible Assets	5.07				5.07	90.38
Purchases of Software & Licenses	1,17.17				1,17.17	8,20.29
Advance towards Software & Licenses	1,01.57				1,01.57	41.84
Sale of Fixed Assets / Software licenses	1.06				1.06	9.94
Investments	50,28.00	1.10			50,29.10	89,16.00
Loans and Advances Disbursed		40,00.00			40,00.00	15,00.00
Repayment of Loans and Advances	6.00	41,92.53			41,98.53	17,37.01
Insurance Premium paid in advance		1,03.92			103.92	51.85
LIABILITIES						
Issue of Non Convertible Debentures		10,00.00			10,00.00	20,00.00
Redemption of Non Convertible Debentures		5,00.00			5,00.00	20,00.00
Inter-corporate deposit accepted	2,85.00				2,85.00	53,90.50
Inter-corporate deposit repaid	4,74.00				4,74.00	61,80.50

NOTES TO THE ACCOUNTS (Contd.)

Disclosure of Material Transactions with Related Parties

(₹ in Lakhs)

Particulars	Related Parties	2013-14	2012-13
INCOME			
Income from Financing Operations	BNP Paribas Sundaram GSO Private Ltd.	99.00	82.71
	Turbo Energy Ltd.	61.83	59.85
	Royal Sundaram Alliance Insurance Co. Ltd.	56.89	54.57
	Sundaram Asset Management Company Ltd.	14.54	16.64
Income from Services	Sundaram BNP Paribas Home Finance Ltd.	11,17.15	12,28.15
	Royal Sundaram Alliance Insurance Co. Ltd.	7,26.13	7,05.72
	Sundaram Finance Distribution Ltd.	4,26.78	4,18.54
	Sundaram BNP Paribas Fund Services Ltd.	4,33.35	3,87.02
	Turbo Energy Ltd.	75.21	65.91
Dividend	The Dunes Oman LLC (FZC)	25,61.89	12,93.30
	Sundaram BNP Paribas Home Finance Ltd.	16,24.66	10,03.91
	Turbo Energy Ltd.	5,12.00	3,84.00
	BNP Paribas Sundaram GSO Private Ltd.	3,31.97	3,24.68
	Sundaram Asset Management Company Ltd.	4,60.00	3,06.66
Rent Receipts	Royal Sundaram Alliance Insurance Co. Ltd.	1,95.84	2,13.50
	Sundaram Business Services Ltd.	1,70.47	1,95.78
	Sundaram Asset Management Company Ltd.	92.33	1,10.82
	Sundaram BNP Paribas Home Finance Ltd.	1,13.70	1,01.30
Other non-operating income	Sundaram BNP Paribas Home Finance Ltd.	76.59	68.71
	Royal Sundaram Alliance Insurance Company Ltd.	24.36	33.41
	Sundaram BNP Paribas Fund Services Ltd.	14.96	19.58
	Sundaram Asset Management Company Ltd.	12.40	17.92
EXPENDITURE			
Interest	Royal Sundaram Alliance Insurance Co. Ltd.	6,11.10	3,33.78
	Sundaram Finance Distribution Ltd.	6.78	67.08
Remuneration	Mr. T. T. Srinivasaraghavan	2,70.46	2,65.20
	Mr. Harsha Viji	1,57.91	1,42.08
Support Services	Sundaram BPO India Ltd.	3,57.75	1,59.24
	Sundaram Business Services Ltd.		1,73.86
Software Expenses	Sundaram Infotech Solutions Ltd.	1,91.10	5,86.43
Rent Paid	Sundaram BNP Paribas Home Finance Ltd.	4.08	4.76
Insurance Premium	Royal Sundaram Alliance Insurance Co. Ltd.	92.83	82.90
Bad debts written-off	Infreight Logistics Solutions Ltd.		5,28.00
Provisions / (Reversal of Provision) against Inter-corporate loan	Infreight Logistics Solutions Ltd.		(5,95.00)

NOTES TO THE ACCOUNTS (Contd.)

Disclosure of Material Transactions with Related Parties

(₹ in Lakhs)

Particulars	Related Parties	2013-14	2012-13
ASSETS			
Purchase of Tangible Assets	Sundaram Infotech Solutions Ltd.	1.61	90.38
	Sundaram Business Services Ltd.	3.46	
Purchase of Software & Licenses	Sundaram Infotech Solutions Ltd.	1,12.81	8,20.29
Advance towards Software & Licenses	Sundaram Infotech Solutions Ltd.	1,01.57	41.84
Sale of Fixed Assets / Software Licenses	Royal Sundaram Alliance Insurance Co Ltd.		7.39
	Sundaram BNP Paribas Fund Services Ltd.		2.22
	Sundaram Infotech Solutions Ltd.	1.06	
Investments	Sundaram BNP Paribas Home Finance Ltd.	40,08.00	50,10.00
	Royal Sundaram Alliance Insurance Co Ltd.		19,96.00
	Flometallic India Ltd.	1.10	11,00.00
	Sundaram BNP Paribas Fund Services Ltd.	10,20.00	5,10.00
	Sundaram BPO India Ltd.		3,00.00
Loans and Advances Disbursed	BNP Paribas Sundaram GSO Private Ltd.	40,00.00	15,00.00
Repayment of Loans and Advances	BNP Paribas Sundaram GSO Private Ltd.	41,92.53	16,70.01
	Infreight Logistics Solutions Ltd.	6.00	67.00
Insurance Premium paid in advance	Royal Sundaram Alliance Insurance Co Ltd.	1,03.92	51.85
LIABILITIES			
Issue of Non Convertible Debentures	Royal Sundaram Alliance Insurance Co Ltd.	10,00.00	20,00.00
Redemption of Non Convertible Debentures	Royal Sundaram Alliance Insurance Co Ltd.	5,00.00	20,00.00
Inter-corporate deposit accepted	Sundaram Finance Distribution Ltd.	2,00.00	19,42.00
	Sundaram Business Services Ltd.		19,48.50
	LGF Services Ltd.	85.00	5,31.00
	Sundaram BPO India Ltd.		9,19.00
Inter-corporate deposit repaid	Sundaram Business Services Ltd.		20,98.50
	Sundaram Finance Distribution Ltd.	2,95.00	24,73.00
	LGF Services Ltd.	1,79.00	5,90.00
	Sundaram BPO India Ltd.		9,19.00

NOTES TO THE ACCOUNTS (Contd.)

Balances with Related Parties as at 31st March 2014

(₹ in Lakhs)

BALANCES OUTSTANDING	Subsidiary Companies	Associates / Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP and his relatives is exercising significant influence	31.03.2014	31.03.2013
ASSETS							
Investments	392,97.27	278,51.92				671,49.19	629,27.33
Loans and Advances	26.27	5,00.00				5,26.27	7,24.05
Other Assets	3,82.35	1,13.43				4,95.78	6,83.75
LIABILITIES							
Equity Holdings			1,57.38	5,81.67	2,30.69	9,69.74	9,64.37
Non Convertible Debentures		65,00.00				65,00.00	44,68.60
Commercial Paper		5,52.96				5,52.96	
Deposits			43.00	6,52.67		6,95.67	6,48.06
Inter-corporate deposits						–	1,89.00
Interest on deposits			8.08	51.45		59.53	52.85
Interest accrued		3,81.56				3,81.56	2,05.28
Other Liabilities	3,13.53	74.93				3,88.46	1,61.70

NOTES TO THE ACCOUNTS (Contd.)

Disclosure of Material Balances with Related Parties as at 31st March 2014

(₹ in Lakhs)

BALANCES OUTSTANDING	Subsidiary Companies	Associates / Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP and his relatives is exercising significant influence	31.03.2014	31.03.2013
ASSETS							
Investments							
a) Investments in Equity Shares							
Royal Sundaram Alliance Insurance Co. Ltd.		189,57.43				189,57.43	189,57.43
Sundaram Asset Management Company Ltd.	153,13.84					153,13.84	153,13.84
Sundaram BNP Paribas Home Finance Ltd.	151,57.10					151,57.10	111,49.10
Sundaram BNP Paribas Fund Services Ltd.	42,07.54					42,07.54	31,87.54
The Dunes Oman LLC (FZC)		26,94.86				26,94.86	26,94.86
Sundaram Infotech Solutions Ltd.	16,40.00					16,40.00	16,40.00
Professional Management Consultants Ltd.	–					–	16,37.23
Flometallic India Ltd.		27,01.10				27,01.10	27,00.00
Axles India Ltd.		10,15.70				10,15.70	10,15.70
Sundaram Hydraulics Ltd.		11,25.00				11,25.00	11,25.00
Sundaram Business Services Ltd.	15,00.00					15,00.00	15,00.00
BNP Paribas Sundaram GSO Private Ltd.		3,64.92				3,64.92	3,64.92
Sundaram BPO India Ltd.	11,29.99					11,29.99	3,00.00
Sundaram Trustee Company Ltd.	2,28.62					2,28.62	2,28.62
Turbo Energy Ltd.		1,88.41				1,88.41	1,88.41
Transenergy Ltd.		1,87.50				1,87.50	1,87.50
Sundaram Dynacast Private Ltd.		1,17.00				1,17.00	1,17.00
Sundaram Finance Distribution Ltd.	65.18					65.18	65.18
Sundaram Insurance Broking Services Ltd.	50.00					50.00	50.00
LGF Services Ltd.	5.00					5.00	5.00
Total	392,97.27	273,51.92				666,49.19	624,27.33
b) Investments in Preference Shares							
Sundaram Hydraulics Ltd.		5,00.00				5,00.00	5,00.00

NOTES TO THE ACCOUNTS (Contd.)

Disclosure of Material Balances with Related Parties as at 31st March 2014

(₹ in Lakhs)

BALANCES OUTSTANDING	Subsidiary Companies	Associates / Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP and his relatives is exercising significant influence	31.03.2014	31.03.2013
Loans and Advances							
a) Hypothecation Loans BNP Paribas Sundaram GSO Private Ltd.							1,92.53
b) Inter-corporate Loans BNP Paribas Sundaram GSO Private Ltd.		5,00.00				5,00.00	5,00.00
c) Lease Receivables Sundaram Infotech Solutions Ltd. Axles India Ltd.	26.24					26.24	31.52 26.12
Total	26.24					26.24	57.64
Other Assets							
Sundaram Hydraulics Ltd.		13.24				13.24	2,07.72
Sundaram BNP Paribas Fund Services Ltd.	1,22.46					1,22.46	2,17.24
Sundaram BNP Paribas Home Finance Ltd.	51.53					51.53	84.29
Total	1,73.99	13.24				1,87.23	5,09.25
LIABILITIES							
Equity Holdings			1,57.38	5,81.67	2,30.69	9,69.74	9,64.37
Non Convertible Debentures							
Royal Sundaram Alliance Insurance Co. Ltd.		65,00.00				65,00.00	44,68.60
Commercial Paper							
Royal Sundaram Alliance Insurance Co Ltd.		5,52.96				5,52.96	
Deposits			43.00	652.67		6,95.67	6,48.06
Inter-corporate Deposits							
Sundaram Finance Distribution Ltd.							95.00
LGF Services Ltd.							94.00
Total							1,89.00
Interest on deposits			8.08	51.45		59.53	52.85
Interest accrued							
Royal Sundaram Alliance Insurance Co. Ltd.		3,81.56				3,81.56	2,05.19
Other Liabilities							
Sundaram BNP Paribas Home Finance Ltd.	2,33.44					2,33.44	–
Royal Sundaram Alliance Insurance Co. Ltd.		74.93				74.93	74.93
Sundaram Asset Management Company Ltd.	26.95					26.95	26.95
Sundaram BPO India Ltd.	38.92					38.92	59.82
Total	2,99.31	74.93				3,74.24	1,61.70

NOTES TO THE ACCOUNTS (Contd.)

26.4 Movement of Provisions during the year

(a) Provision against Business Assets

(₹ in lakhs)

Particulars	Opening Balance as on 01.04.2013	Additional Provision created	Reversal of Provision	Closing Balance as on 31.03.2014
Provision for Non Performing Assets	71,99.49	56,29.90	30,21.92	98,07.47
Contingent provision against Standard Assets	47,56.13	1,89.50	–	49,45.63
Total	119,55.62	58,19.40	30,21.92	147,53.10

(b) Provision against Investments

(₹ in lakhs)

Sl No	Particulars	Opening Balance as on 01.04.2013	Provision made during the year	Provision reversed during the year	Closing Balance as on 31.03.2014
1	Central Government Securities	33.54	1,62.01	55.11	1,40.44
2	State Government Securities	1,07.58	13.20	–	1,20.78
3	Equity Shares				
	Sundaram Infotech Solutions Limited	16,40.00	–	–	16,40.00
	Professional Management Consultants Ltd.	8,07.24	–	–	–#
	Reliance Industries Ltd	31.16	–	–	31.16
	Techtran Polylenses Ltd.	25.63	–	–	25.63
	Sundaram BNP Paribas Fund Services Ltd.	26,62.90	606.42	–	32,69.32
	NTTF Industries Pvt. Ltd.	15.00	–	–	15.00*
4	Mutual funds				
	Sundaram Energy Opportunities – Growth	67.68	2.77	70.45	–
		53,90.73	7,84.40	1,25.56	52,42.33

During the year, provision made against investments in Professional Management Consultants Ltd., adjusted against Cost of Investments in Sundaram BPO India Ltd on account of merger.

* Grouped under provision for diminution in value of Current Investments

NOTES TO THE ACCOUNTS (Contd.)

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

(₹ in lakhs)

Particulars	Royal Sundaram Alliance Insurance Company Limited		BNP Paribas Sundaram Global Securities Operations Pvt. Ltd.	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Share Holding %	49.90	49.90	49.00	49.00
Assets	1258,05.68	1178,13.78	26,52.93	23,11.76
Liabilities	995,69.38	949,82.46	17,30.43	14,73.65
Income	754,50.50	704,57.42	61,14.72	52,98.43
Expenditure	704,19.02	673,00.54	54,00.32	46,48.39
Capital Commitment	2,44.77	1,74.09	4.83	15.91
Contingent Liability	81,99.78	70,47.97	12.42	10.91

26.6 Earnings per share (Basic and diluted)

		2013-14	2012-13
A	Profit for the year after taxation (₹ in lakhs)	442,51.32	410,11.06
B	Number of equity shares of ₹ 10 each	11,11,03,860	11,11,03,860
C	Basic and diluted earnings per share of ₹ 10 each (in ₹)	39.83	36.91
D	Amount of Dividend (₹ in lakhs)		
	Interim (paid)	–	49,99.67
	Final (proposed)	111,10.39	49,99.67
E	Amount of Dividend per share of ₹ 10 each (in ₹)		
	Interim (paid)	–	4.50
	Final (proposed)	10.00	4.50

26.7 The Company preferred an appeal against the demand raised by the Commissioner of Customs, Tuticorin, in respect of a lease transaction. The Customs Excise and Service Tax Appellate Tribunal (CESTAT) in its Order, remanded the appeal to the adjudicating Commissioner for re-quantifying the duty. The Commissioner of Customs, Tuticorin vide order dated 19.12.2012, re-quantified the duty at ₹ 43.79 lakhs. The company filed an appeal against the order and remitted the duty under protest.

The Hon'ble High Court of Madras granted an interim stay against the collection of penalty of ₹ 10 lakhs imposed by CESTAT.

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

26.8 Estimated amount of contracts remaining to be executed on capital account – ₹ 508.63 lakhs (net of advances of ₹ 346.56 lakhs) (31.03.2013 – ₹ 1949.34 lakhs, net of advances of ₹ 101.54 lakhs)

Investment in Partly paid-up Equity shares ₹ 1098.90 lakhs (31.03.2013 – Nil).

NOTES TO THE ACCOUNTS (Contd.)

26.9 There are no amounts due to Small Scale Industries in terms of “The Micro, Small and Medium Enterprises Development Act, 2006”.

26.10 Contingent liabilities in respect of (₹ in lakhs)

	31.03.2014	31.03.2013
a) Liability –		
To Banks – on Cheques discounted	6,97.09	16,46.19
on Letters of Credit	7,57.91	3,94.67
b) Claims against the company not acknowledged as debts:		
Hire Purchase/Lease transactions	–	31.07
Service Tax	64,84.63	61,04.70
Others	16,37.83	14,13.47

	31.03.2014	31.03.2013
26.11 Derivative contracts outstanding:		
Hedging interest rate risk	50,00.00	–
26.12 Expenditure in foreign currency (on payment basis):		
Interest	–	4,48.56
On other matters	4.29	4.97
26.13 Earnings in foreign currency		
Dividend from an Associate Company	25,61.89	12,93.30
Income from other services (IT support services)	56.34	38.04

26.14 Previous year's figures have been regrouped /reclassified wherever necessary to conform to the current year's presentation.

Signatures to Notes 1 to 26

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S
P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

Cash Flow Statement

(₹ in Lakhs)

	2013-14		2012-13	
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit	442,51.32		410,11.06	
Add: Lease Equalisation Account	(52.01)		(11.76)	
Provision for Taxation	204,11.82		182,49.83	
	646,11.13		592,49.13	
Add: Financial Cost	1163,74.41	1809,85.54	1082,15.31	1674,64.44
Depreciation		92,50.73		81,77.82
Provision against Investments (net)		6,58.83		26,79.05
Provision against Non-Performing assets (net)		30,09.55		18,82.81
Contingent Provisions against Standard Assets		1,89.50		3,45.74
Employee Stock Option Compensation Expenses		1,01.83		1,01.00
(Profit) loss on sale of assets		(6,22.89)		(43.59)
(Profit) loss on sale of Investments		(9,34.80)		(5,42.71)
Interest / Dividend Income		(68,70.60)		(50,91.65)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		1857,67.69		1749,72.91
(Increase) Decrease in Leased assets-net of sales		(80,13.91)		(88,68.38)
(Increase) Decrease in Long Term Loans and Advances		(190,00.85)		(626,03.27)
(Increase) Decrease in Other Non-Current Assets		(1,62.14)		(1,17.98)
(Increase) Decrease in Bank deposits		192,96.91		(414,31.41)
(Increase) Decrease in Short Term Loans and Advances		(339,27.44)		(249,36.39)
(Increase) Decrease in Other Current Assets		(28,32.85)		(39,84.00)
(Increase) Decrease in SLR Investments (net)		(46,40.07)		(17,55.09)
Increase (Decrease) in Other Long-Term Provisions		(85.53)		85.97
Increase (Decrease) in Other Short-Term Provisions		2,36.29		3,10.08
Increase (Decrease) in Other Long-Term Liabilities		1,42.78		28,44.87
Increase (Decrease) in Trade Payables		(10,49.54)		(68.68)
Increase (Decrease) in Other Current Liabilities		33,72.10	(466,64.25)	91,20.57
Cash generated from Operations		1391,03.44		435,69.20
Financial Cost		(1138,41.74)		(948,75.03)
Direct Taxes Paid		(211,00.00)	(1349,41.74)	(191,50.00)
NET CASH FROM OPERATING ACTIVITIES (A)		41,61.70		(704,55.83)

Cash Flow Statement (Contd.)

(₹ in Lakhs)

	2013-14	2012-13
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(26,87.16)	(48,97.54)
Sale of Fixed Assets	2,35.51	2,83.87
Purchase / Sale of Investments in Subsidiaries / Joint Venture / Associates	(50,29.08)	(89,16.00)
Purchase/Sale of current investments	(240,59.56)	(188,78.62)
Purchase of non-current Investments	(36,06.27)	(18,24.25)
Dividend Received	68,70.60	50,91.65
NET CASH FROM INVESTING ACTIVITIES (B)	(282,75.96)	(291,40.89)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase (Decrease) in Long Term Borrowings	70,29.44	614,28.49
Increase (Decrease) in Short Term Borrowings	238,81.91	511,60.73
Dividend paid (including Corporate Dividend Tax)	(54,71.29)	(107,16.20)
NET CASH FROM FINANCING ACTIVITIES (C)	254,40.06	1018,73.02
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)	13,25.80	22,76.30
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	109,01.12	86,24.82
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	122,26.92	109,01.12
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	37,36.59	30,51.50
Cash, Cheques, drafts on hand, Stamps and Stamp papers on hand	84,90.33	78,49.62
	122,26.92	109,01.12

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

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S
P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

SCHEDULE

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

(₹ in Lakhs)

	Particulars	Amount Outstanding	Amount Overdue
	Liabilities side:		
(1)	Loans and advances availed by the NBFCs @		
a	Debtures : Secured	5092,34.65	—
	: Unsecured	687,10.00	—
	(other than falling within the meaning of public deposits)		
b	Deferred Credits	—	—
c	Term Loans	1500,00.00	—
d	Inter-corporate loans and borrowings	—	—
e	Commercial paper	1036,25.10	—
f	Public Deposits	1658,73.51	20,18.02 #
g	Other loans		
	- Bank Borrowing	1815,20.12	—
	- Deposits from Corporates	6,83.80	—
(2)	Break-up of 1 (f) above (Outstanding public deposits) @		
a	In the form of Unsecured debtures	—	—
b	In the form of partly secured debtures i.e. debtures where there is a shortfall in the value of security	—	—
c	Other public deposits	1658,73.51	20,18.02 #

@ Interest accrued but not paid - Nil

Represents unclaimed deposits

(₹ in Lakhs)

	Particulars	Amount Outstanding
	Assets side:	
(3)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	
a	Secured	—
b	Unsecured (including Advance for Business Assets)	277,51.75
(4)	Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL / HP activities:	
(i)	Lease assets including lease rentals under sundry debtors	
a	Financial Lease	32.18
b	Operating Lease	237,14.61
(ii)	Net Stock on hire including hire charges under sundry debtors	
a	Assets on hire	1004,53.82
b	Repossessed Assets	79.14
(iii)	Hypothecation loans counting towards EL / HP activities	
a	Loans where assets have been repossessed	24,42.62
b	Loans other than (a) above	11221,73.58

(₹ in Lakhs)

	Particulars	Amount Outstanding	Market Value *
(5)	Break-up of Investments:		
	Current Investments:		
1.	Quoted: - Government Securities	96.75	99.94
2.	Unquoted:		
(i)	Equity Shares	1,40.01	4,75.50
(ii)	Units of mutual funds	460,00.00	462,01.79
(iii)	Others	11,21.75	11,21.75
	Long Term Investments:		
1.	Quoted:		
(i)	Equity Shares	32,58.60	271,14.73
(ii)	Government Securities	212,68.64	204,76.22
2.	Unquoted:		
(i)	Shares		
a	Equity	696,93.91	1248,91.66
b	Preference	5,00.00	5,00.00
(ii)	Units of mutual funds	1,00.00	1,00.63
(iii)	Others	7,83.98	7,83.98
	Total	1429,63.64	2217,66.20

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

(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances	(₹ in Lakhs)		
	Category	Amount net of provisions		
		Secured	Unsecured	Total
1.	Related Parties**			
a	Subsidiaries	26.67	15.41	42.08
b	Companies in the same group	—	—	—
c	Other related parties	17.38	5,30.23	5,47.61
2.	Other than related parties	12391,13.68	271,36.86	12662,50.54
	Total	12391,57.73	276,82.50	12668,40.23

(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):	(₹ in Lakhs)	
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties**		
a	Subsidiaries	493,38.86	343,87.95
b	Companies in the same group	—	—
c	Other related parties	653,33.19	278,51.92
2.	Other than related parties	1070,94.15	754,81.44
	Total	2217,66.20	1377,21.31

** As per Accounting Standard

(8)	Other Information	(₹ in Lakhs)
	Particulars	Amount
(i)	Gross Non-Performing Assets	
a	Related Parties	—
b	Other than related parties	154,41.28
(ii)	Net Non-Performing Assets	
a	Related Parties	—
b	Other than related parties	56,33.81
(iii)	Assets acquired in satisfaction of debt (during the year)	25,68.15

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

Name of the Subsidiary Company	Financial year of the Subsidiary ended on	Holding Company's interest in the Subsidiary	Net aggregate amount of the profits of the subsidiary, not dealt with in the Holding Company's accounts		Net aggregate amount of the profits of the subsidiary dealt with in the Holding Company's accounts by way of dividends on the shares held in Subsidiary Company	
			a) For the financial year of the Subsidiary Company	b) For the previous financial years, since it became a Subsidiary Company	a) For the financial year of the Subsidiary Company	b) For the previous financial years, since it became a Subsidiary Company
Sundaram BNP Paribas Home Finance Ltd.	31.03.2014	5,07,28,473 Equity Shares of ₹ 10/- each (50.10%)	75,51.91	902,07.32	Nil	40,34.04
Sundaram Asset Management Company Ltd.	31.03.2014	1,53,33,229 Equity Shares of ₹ 10/- each (100%)	15,27.10	58,72.36	Nil	22,25.46
Sundaram Asset Management Singapore Pte Ltd.	31.03.2014	31,75,001 Equity Shares of ₹ 10/- each (100%)	(5,31.51)	(5,57.73)	Nil	Nil
Sundaram Trustee Company Ltd.	31.03.2014	50,000 Equity Shares of ₹ 10/- each (100%)	58.42	32.17	Nil	1,57.57
Sundaram Business Services Ltd.	31.03.2014	1,50,00,000 Equity Shares of ₹ 10/- each (100%)	(2,90.12)	(3,76.52)	Nil	Nil
Sundaram BPO India Ltd.	31.03.2014	89,51,259 Equity Shares of ₹ 10/- each (100%)	12.61	14.51	Nil	Nil
Sundaram Insurance Broking Services Ltd.	31.03.2014	5,00,000 Equity Shares of ₹ 10/- each (100%)	2.92	5.30	Nil	Nil
Sundaram Finance Distribution Ltd.	31.03.2014	5,00,000 Equity Shares of ₹ 10/- each (100%)	2,17.30	13,43.06	Nil	44,55.00
IGF Services Ltd.	31.03.2014	2,50,000 Equity Shares of ₹ 10/- each (100%)	1,50.76	3,11.18	Nil	7,67.50
Sundaram BNP Paribas Fund Services Ltd. *	31.03.2014	4,20,75,000 Equity Shares of ₹ 10/- each (51%)	(6,06.38)	(26,62.90)	Nil	Nil
Sundaram Infotech Solutions Ltd. *	31.03.2014	1,64,00,000 Equity Shares of ₹ 10/- each (100%)	90.30	(6,24.58)	Nil	Nil
Infreight Logistics Solutions Ltd.	31.03.2014	56,11,200 Equity Shares of ₹ 10/- each (100%)	(4.81)	(10,54.89)	Nil	Nil
Sundaram Parekh Warehousing Services Ltd.	31.03.2014	1,00,000 Equity Shares of ₹ 10/- each (100%)	(1.50)	2.82	Nil	Nil

* Company has made a Provision of ₹ 49,54.14 lakhs towards diminution in value of investments

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

Chennai,
Dated: 26th May, 2014

Consolidated

Financial

Statements

Consolidated Balance Sheet

as at 31st March, 2014

(₹ in Lakhs)

Particulars	Note	March 31, 2014	March 31, 2013
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share capital	2	111,10.39	111,10.39
Reserves and surplus	3	2969,12.78	2503,18.34
Money received against share warrants		—	—
		3080,23.17	2614,28.73
Share application money pending allotment		—	—
Minority Interest		377,47.45	278,04.20
Non-current liabilities			
Long-term borrowings	4	9046,10.52	8079,68.73
Other Long-term liabilities	5	494,17.25	461,85.78
Long-term provisions	6	172,43.34	120,38.13
		9712,71.11	8661,92.64
Current liabilities			
Short-term borrowings	7	2866,16.50	2846,55.08
Trade Payables	8	358,68.44	359,14.98
Other current liabilities	9	7261,54.02	7119,59.54
Short-term provisions	10	257,92.89	166,60.39
		10744,31.85	1049,189.99
TOTAL EQUITY AND LIABILITIES		<u>23914,73.58</u>	<u>22046,15.56</u>
<u>ASSETS</u>			
Non-current assets			
Fixed assets			
Tangible assets	11	375,31.95	351,92.16
Intangible assets		183,40.38	188,87.72
Intangible assets under development		2,79.79	23.08
		561,52.12	541,02.96
Non-current investments	12	1444,09.25	1231,43.32
Deferred tax assets (net)	13	148,76.47	115,77.80
Long-term loans and advances	14	12523,66.35	11580,42.51
Other non-current assets	15	32,52.72	27,73.97
		14710,56.91	13496,40.56
Current assets			
Current investments	16	1005,53.28	731,25.34
Cash and Bank balances	17	1282,54.12	1337,68.88
Short-term loans and advances	18	6637,64.57	6232,51.32
Other current assets	19	278,44.70	248,29.46
		9204,16.67	8549,75.00
TOTAL ASSETS		<u>23914,73.58</u>	<u>22046,15.56</u>
Significant accounting policies and Notes to the Accounts	1 to 26		

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S

P. Babu
Partner
Membership No.203358
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Dated: 26th May, 2014

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Secretary & Compliance Officer

SUNDARAM FINANCE LIMITED

Consolidated Statement of Profit and Loss

for the Year Ended 31st March, 2014

(₹ in Lakhs)

Particulars	Note	2013-14	2012-13
REVENUE:			
Revenue from Operations	20	4086,79.89	3684,01.71
Other income	21	38,16.74	26,19.69
Total Revenue	(A)	4124,96.63	3710,21.40
EXPENSES:			
Finance Costs	22	1724,27.41	1515,51.40
Insurance claims incurred (net)		501,08.87	461,28.73
Employee benefits	23	364,45.55	333,04.07
Administrative and Other expenses	24	434,66.11	415,00.82
Provisions and Write Off	25	107,50.77	69,95.29
Depreciation		111,95.52	100,56.88
Contingent Provision against Standard Assets		4,72.22	8,21.44
Total expenses	(B)	3248,66.45	2903,58.63
Profit before Tax	(A-B)	876,30.18	806,62.77
Tax expense:			
Current tax		328,79.58	299,14.82
Deferred tax		(32,98.68)	(51,97.52)
		295,80.90	247,17.30
Net Profit (before adjustment for minority interest)		580,49.28	559,45.47
Less: Minority Interest		69,38.62	56,26.03
		511,10.66	503,19.44
Add: Share of Profit in Associates		69,94.93	60,77.47
Profit after Tax		581,05.59	563,96.91
Basic and Diluted Earnings Per Share of ₹ 10 each (in ₹)		52.30	50.76
Significant accounting policies and Notes to the Accounts	1 to 26		

As per our report of even date attached
For **Brahmayya & Co.**,
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Registration No.000511S

P. Babu
Partner
Membership No.203358
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Notes to the Consolidated Financial Statements

Note 1: SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the subsidiary, Sundaram Asset Management Singapore Pte. Ltd. have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial reporting Standards (FRS). For the purpose of consolidation for the year ended 31st March 2013, the financial statements have been considered for the period 19th May 2011 to 31st March 2013.

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

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

The assets and liabilities have been classified as non-current and current based on a 12 month operating cycle.

1.2 Income Recognition:

- a) Income from Hypothecation loans, Hire Purchase and Housing Finance loan transactions is accounted on the basis of the Internal Rate of Return method.

On assets securitised / assigned on or after 21 August 2012, income is recognised over the life of the underlying assets based on the method prescribed by RBI.

On assets securitised prior to 21 August 2012, income is recognised over the life of the underlying assets based on the method prescribed by RBI vide their guidelines dated 1st February 2006.

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

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

Revenue from other services is recognised as income on completion.

1.3 Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

1.4 Fixed Assets and Depreciation / Amortisation:

Fixed assets and Investment Property are stated at historical cost less accumulated depreciation. Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing ₹ 5000 or less acquired during the year are fully depreciated.

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

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

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

1.5 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, has been considered wherever necessary. Current investments are valued at lower of cost and market value / net asset value.

1.6 Foreign Currency Transactions:

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

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

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

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

For the purpose of consolidation, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such change is accumulated under Foreign Currency Translation Reserve.

1.7 Employee Benefits:

A. Short Term Employee Benefits:

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

B. Post employment benefits:

Defined Contribution Plan

i. Provident Fund

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

ii. Superannuation

The Company contributes to the Superannuation fund, which is administered by trustees and managed by an Insurance Company. The contributions are charged to the Statement of Profit and Loss.

Defined Benefit Plan

i. Gratuity

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

ii. Leave Encashment

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

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

C. Other Long Term Employee Benefits:

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

D. Employee Stock Options:

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

1.8 Taxation:

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

1.9 Impairment of Assets:

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

1.10 Provisions:

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

1.11 Basis of Presentation:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

1.12 Basis of Consolidation:

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

Name of the Subsidiary	Country of Incorporation	Proportion of ownership interest (%)
Sundaram BNP Paribas Home Finance Limited	India	50.10
Sundaram Asset Management Company Limited	India	100.00
Sundaram Asset Management Singapore Pte. Ltd.	Singapore	100.00
Sundaram Trustee Company Limited	India	100.00
Sundaram Business Services Limited	India	100.00
Sundaram BPO India Limited	India	100.00
Sundaram Insurance Broking Services Limited	India	100.00
Sundaram Finance Distribution Limited	India	100.00
LGF Services Limited	India	100.00
Sundaram BNP Paribas Fund Services Limited	India	51.00
Sundaram Infotech Solutions Limited	India	100.00
Infreight Logistics Solutions Limited	India	100.00
Sundaram Parekh Warehousing Services Limited	India	100.00

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

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

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

Name of the Associates	Country of Incorporation	Proportion of ownership interest (%)
Axles India Limited *	India	38.81
Turbo Energy Limited *	India	32.00
Transenergy Limited *	India	42.31
Sundaram Dynacast Private Limited	India	26.00
Sundaram Hydraulics Limited *	India	37.50
Flometallic India Limited *	India	41.54
Dunes Oman LLC (FZC) *	Sultanate of Oman	43.69

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

- d) The Consolidated Financial Statements have been prepared on the following basis.

The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line- by- line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra - group balances and intra - group transactions resulting in unrealised profits or losses.

The Consolidated Financial Statements have been prepared by adopting Uniform Accounting Policies except for the following Companies.

Sundaram Asset Management Singapore Pte Ltd.

- (i) Depreciation is based on the cost of an asset less its residual value and is recognised as an expense in Profit or Loss on a straight line basis over the estimated useful life of the asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.
- (ii) The company recognises Non-derivative financial assets i.e. Loan and receivables / Non-derivative financial liabilities at fair value plus any directly attributable transaction costs. Subsequent to this initial recognition, loans and receivables are measured at amortised cost using the effective interest method. (Impairment losses are reduced for Loan and receivables).

Royal Sundaram Alliance Insurance Company Limited depreciates vehicles, improvements to leased premises and office equipments using straight-line method of depreciation.

The associate, Sundaram Dynacast Private Limited's reporting date was 31.12.2013 and the Financial statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.

BALANCE SHEET

Note 2: Share Capital

(₹ in lakhs)

	31.03.2014	31.03.2013
Authorised Capital		
25,00,00,000 Equity Shares of ₹ 10/- each	<u>250,00.00</u>	<u>250,00.00</u>
Issued, Subscribed and fully paid-up		
11,11,03,860 Equity Shares of ₹ 10/- each	<u>111,10.39</u>	<u>111,10.39</u>

- a) Paid-up share capital includes 10,65,27,475 Equity Shares allotted as fully paid-up by way of bonus shares by Capitalisation of Reserves and Securities Premium and 37,75,965 Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation.

	31.03.2014	31.03.2013
Reconciliation of number of shares		
At the beginning of the year	11,11,03,860	5,55,51,930
Add: Issue of Bonus shares during the year	–	5,55,51,930
At the end of the year	11,11,03,860	11,11,03,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 3: Reserves and Surplus

	(₹ in lakhs)	
	31.03.2014	31.03.2013
a) Capital Reserve (on Consolidation)		
At the beginning of the year	3,75.39	3,32.50
Add: Change in the value of holdings in Subsidiaries / Associates	1,53.66	42.89
At the end of the year	5,29.05	3,75.39
b) Capital Reserve	50,79.64	50,79.64
c) Securities Premium Account	19,52.77	19,52.77
d) Share Options Outstanding Account		
Granted during the previous year	1,05.55	78.26
Less: Shares transferred on exercise of option	5.73	11.29
Less: Transfer to General Reserve	99.82	66.97
Add: Granted during the year	1,01.09	1,05.55
Less: Deferred Employee Compensation Cost	16.85	17.59
At the end of the year	84.24	87.96
e) Statutory Reserve		
At the beginning of the year	517,64.04	433,95.50
Add: Transfer from Surplus in the Statement of Profit and Loss	89,57.98	83,68.54
At the end of the year	607,22.02	517,64.04
f) Special Reserve		
At the beginning of the year	38,74.07	27,71.87
Add: Transfer from Surplus in the Statement of Profit and Loss	14,02.80	11,02.20
At the end of the year	52,76.87	38,74.07
g) General Reserve		
At the beginning of the year	1406,19.34	1264,84.11
Add: Transfer from Share Options Outstanding account	99.82	66.97
Add: Transfer from Surplus in the Statement of Profit and Loss	232,49.64	196,23.45
Less: Issue of Bonus shares during the year	—	55,55.19
At the end of the year	1639,68.80	1406,19.34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(₹ in lakhs)

	31.03.2014	31.03.2013
h) Foreign Currency Translation Reserve		
At the beginning of the year	6,85.72	3,29.89
Add: Increase during the year	8,78.92	3,55.83
At the end of the year	15,64.64	6,85.72
i) Surplus in the Statement of Profit and Loss		
At the beginning of the year	458,79.41	304,92.31
Add: Change in the value of holdings in Associates	4,21.39	(1,99.11)
Add: Profit for the year	581,05.59	563,96.91
	1044,06.39	866,90.11
Less: Appropriation		
Statutory Reserve	89,57.98	83,68.54
Special Reserve	14,02.80	11,02.20
General Reserve	232,49.64	196,23.44
Dividend		
Interim	—	49,99.67
Final (Proposed)	111,10.39	49,99.67
Dividend Tax	19,50.83	17,17.18
	577,34.75	458,79.41
At the end of the year	2969,12.78	2503,18.34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 4: Long-Term Borrowings

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Secured		
Non-Convertible Debentures	4015,04.68	4085,17.90
Term loans from banks	2805,66.14	2045,03.88
Unsecured		
Subordinated Non-Convertible Debentures	924,62.50	929,61.50
Debentures Application money- Subordinated	—	115,50.00
	<u>924,62.50</u>	<u>1045,11.50</u>
Fixed Deposits	1300,77.20	904,35.45
	<u>9046,10.52</u>	<u>8079,68.73</u>

Note 5: Other Long-term liabilities

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Interest accrued but not due on borrowings	67,70.88	93,50.05
Other liabilities	426,46.37	368,35.73
	<u>494,17.25</u>	<u>461,85.78</u>

Note 6: Long-term provisions

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Employee Benefits	6,94.30	7,28.14
Non-performing assets	87,09.49	39,42.66
Contingent provision against Standard Assets	78,39.55	73,67.33
	<u>172,43.34</u>	<u>120,38.13</u>

Note 7: Short-term borrowings

	(₹ in lakhs)	
	31.03.2014	31.03.2013
Secured		
Working capital demand loans and Cash Credit	1297,25.35	1014,16.10
Term Loans from Banks	619,24.25	100,00.00
Non-Convertible Debentures	140,00.00	363,00.00
	<u>2056,49.60</u>	<u>1477,16.10</u>
Unsecured		
Credit facilities from Banks	14,75.82	53,06.35
Commercial paper	788,28.89	1312,86.68
Other loans and advances	6,62.19	3,45.95
	<u>809,66.90</u>	<u>1369,38.98</u>
	<u>2866,16.50</u>	<u>2846,55.08</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 8: Trade Payables

(₹ in lakhs)

	31.03.2014	31.03.2013
Dealer Balances	16,15.42	24,38.22
Creditors for Expenses	310,24.66	301,05.09
Outstanding Liabilities	32,28.36	33,71.67
	<u>358,68.44</u>	<u>359,14.98</u>

Note 9: Other current liabilities

(₹ in lakhs)

	31.03.2014	31.03.2013
Non-Convertible debentures		
– Secured	2887,74.05	3188,24.02
– Unsecured	–	10,00.00
	2887,74.05	3198,24.02
Term loans from Banks - Secured	1272,18.41	977,95.48
Fixed Deposits	1013,29.62	1101,74.06
Commercial Paper	742,98.12	591,19.30
Interest accrued but not due on borrowings	579,12.02	500,88.18
Unpaid dividends	1,39.89	1,36.58
Income received in advance	11,75.46	12,83.70
Unpaid matured deposits and interest accrued thereon	28,03.41	27,80.10
Amount due on assets securitised / assigned	294,06.76	257,04.99
Advance from Customers	47,10.56	45,01.73
Sundry creditors for finance	48,59.79	45,69.06
Sundry Creditors for Unexpired Insurance Risk	335,25.93	358,74.26
Other liabilities	–	1,08.08
	<u>7261,54.02</u>	<u>7119,59.54</u>

Note 10: Short-term provisions

(₹ in lakhs)

	31.03.2014	31.03.2013
Employee Benefits	44,99.22	42,42.77
Non-Performing Assets	78,88.98	62,36.83
Proposed dividend	111,10.38	49,99.67
Provision for dividend tax	22,94.31	11,81.12
	<u>257,92.89</u>	<u>166,60.39</u>

(₹ in lakhs)

Note: 11 Fixed Assets

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			Net Book Value	Balance in Lease Adjustment Account as at 31.03.2014	NET BLOCK				
	As at 31.03.2013	Additions	Deductions	Translation Exchange Difference	As at 31.03.2014	Upto 31.03.2013			Additions*	Deductions	Translation Exchange Difference	Upto 31.03.2014	As at 31.03.2014
(i) Tangible Assets													
1. Freehold Land and Buildings	61,02.22	37.78	-	-	61,40.00	13,12.52	1,11.71	-	-	14,24.23	47,15.77	-	47,89.70
2. Leasehold office/ Residential Premises	14,92.37	-	-	-	14,92.37	8,12.44	33.95	-	-	8,46.39	6,45.98	-	6,79.93
3. Plant and Machinery and Computers	101,30.24	17,68.66	5,51.34	0.28	113,47.84	75,38.63	12,18.85	5,09.43	0.15	82,48.20	30,99.64	-	25,91.61
4. Furniture and Fixtures	45,50.57	9,59.11	4,04.51	2.28	51,07.45	33,35.14	4,29.74	3,59.29	1.48	34,07.07	17,00.38	-	12,15.43
5. Vehicles	27,97.61	7,63.98	3,67.04	-	31,94.55	12,76.98	4,68.16	2,77.22	-	14,67.92	17,26.63	-	15,20.63
6. Office Equipment	26,50.87	6,18.82	1,63.58	0.24	31,06.35	15,32.60	2,19.33	1,27.80	0.13	16,24.26	14,82.09	-	11,18.27
	277,23.88	41,48.35	14,86.47	2.80	303,88.56	158,08.31	24,81.74	12,73.74	1.76	170,18.07	133,70.49	-	119,15.57
7. Operating Lease													
a) Plant and Machinery and Computers	52,49.17	31.25	7,80.30	-	45,00.12	24,37.44	4,10.46	6,33.88	-	22,14.02	22,86.10	-	28,11.73
b) Vehicles	337,38.34	104,57.22	69,41.94	-	372,33.62	132,77.76	65,46.88	44,14.20	-	154,10.44	218,43.18	-	204,60.58
	389,87.51	104,88.47	77,22.24	-	417,53.74	157,15.20	69,57.34	50,48.08	-	176,24.46	241,29.28	-	232,72.31
8. Assets on Finance Lease													
a) Plant and Machinery and Computers	40,91.95	-	2,88.20	-	38,03.75	39,34.02	21.74	2,55.64	-	37,00.12	1,03.63	(72.32)	3.55
b) Vehicles	5,67.28	-	11.64	-	5,55.64	5,64.30	0.74	11.40	-	5,53.64	2.00	(1.75)	0.01
c) Office Equipment	76.09	-	-	-	76.09	72.80	0.46	-	-	73.26	2.83	(2.21)	0.72
	47,35.32	-	2,99.84	-	44,35.48	45,71.12	22.94	2,67.04	-	43,27.02	1,08.46	(76.28)	4.28
Total	714,46.71	146,36.82	95,08.55	2.80	765,77.78	360,94.63	94,62.02	65,88.86	1.76	389,69.55	376,08.23	(76.28)	351,92.16
(ii) Intangible Assets													
Goodwill (on Consolidation)	149,89.35	-	-	-	149,89.35	-	-	-	-	-	149,89.35	-	149,89.35
Computer Software	86,44.24	12,19.01	67.83	-	97,95.42	47,45.87	17,56.86	58.34	-	64,44.39	33,51.03	-	38,98.37
(iii) Intangible Assets Under Development	23.08	5,30.31	2,73.60	-	2,79.79	-	-	-	-	-	2,79.79	-	23.08
Grand Total	951,03.38	163,86.14	98,49.98	2.80	1016,42.34	408,40.50	112,18.88	66,47.20	1.76	454,13.94	562,28.40	(76.28)	541,02.96
Previous Year	866,99.06	186,82.42	102,78.10	-	951,03.38	354,23.96	100,60.90	46,44.36	-	408,40.50	542,62.88	(1,59.92)	511,03.15

*Finance Lease Depreciation of ₹ 22.94 lakhs (Previous Year - ₹ 27.53 lakhs) has been netted off against Lease Income. Additions to Intangible Assets under development in Gross Block include depreciation on assets used for development of Computer software amounting to ₹ 4.79 lakhs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 12: Non-current Investments

(₹ in lakhs)

	31.03.2014	31.03.2013
Investment Property (net of depreciation)	46,86.16	15,45.30
Investment in Equity Instruments	437,22.91	377,89.25
Investment in Preference Shares	5,00.00	5,00.00
Investment in Government securities	525,73.26	441,47.68
Investment in Debentures or Bonds	412,06.21	377,77.77
Investment in Mutual Funds	8,70.00	8,25.00
Investment in Subordinate Tranche Securities	—	23.99
Investment in Pass through certificates	12,95.79	9,01.04
	<u>1448,54.33</u>	<u>1235,10.03</u>
Less: Aggregate provision for diminution in value of investments	4,45.08	3,66.71
	<u>1444,09.25</u>	<u>1231,43.32</u>

Carrying amount of associates includes Capital Reserve on acquisition of shares ₹ 271.93 lakhs (31.03.13- ₹119.09 lakhs)

(₹ in lakhs)

Particulars	Cost	Market Value
Aggregate amount of Quoted Investments	1022,90.65	1247,11.48
Aggregate amount of Unquoted Investments	374,32.44	
Investment Property	46,86.16	
Total	<u>1444,09.25</u>	

Note 13: Deferred Tax Assets (Net)

(₹ in lakhs)

	31.03.2014	31.03.2013
Deferred Tax Assets		
Contingent Provisions against Standard Assets	26,64.67	25,04.16
Provisions against Non-performing Assets	67,14.61	40,03.15
Income deferment on Non-performing Assets	5,58.60	4,39.79
Provisions against Investments	8,28.30	1,14.52
Depreciation	29,70.93	23,58.36
Others	26,21.21	28,22.99
	<u>163,58.32</u>	<u>122,42.97</u>
Less: Deferred Tax Liabilities		
Hire Purchase Income	10,42.76	1,09.55
Others	4,39.09	5,55.62
	<u>14,81.85</u>	<u>6,65.17</u>
	<u>148,76.47</u>	<u>115,77.80</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 14: Long-term loans and advances

(₹ in lakhs)

	31.03.2014	31.03.2013
Secured, Considered good		
Hypothecation Loans	5603,73.94	6042,58.71
Mortgage Loans	5937,53.49	5214,13.50
Net Investment in Stock-on-hire	598,43.39	12,44.02
Net investment in lease	13,95.94	20,17.53
Other loans	2,42.03	2,42.54
	<u>12156,08.79</u>	<u>11291,76.30</u>
Amount retained on Assets securitised/assigned	121,21.78	69,69.75
Unsecured, Considered good		
Capital Advances	2,99.70	12,39.84
Deposits	21,09.47	18,31.09
Other loans	51,25.34	38,83.78
	<u>75,34.51</u>	<u>69,54.71</u>
Other loans and advances		
Advance Income tax and Tax Deducted at Source (net of provision)	170,52.59	148,58.76
Other advances	48.68	82.99
	<u>12523,66.35</u>	<u>11580,42.51</u>

Note 15: Other Non-Current Assets

(₹ in lakhs)

	31.03.2014	31.03.2013
SFL Employees Welfare Trust	3,37.95	3,38.38
Other assets	29,14.77	24,35.59
	<u>32,52.72</u>	<u>27,73.97</u>

Note 16: Current Investments

(₹ in lakhs)

	31.03.2014	31.03.2013
Investment in Equity Instruments	1,40.01	0.50
Investment in Government Securities	89,09.94	61,79.02
Investment in Debentures / Bonds / Commercial paper	246,78.32	221,83.11
Investment in Mutual Funds	641,24.80	417,14.42
Investment in Pass through certificates	12,00.26	8,23.76
Investment in Subordinate Tranche Securities	23.99	69.20
Other Current Investments	14,96.59	22,02.31
	<u>1005,73.91</u>	<u>731,72.32</u>
Less: Aggregate provision for diminution in value of investment in Government Securities	20.63	46.98
	<u>1005,53.28</u>	<u>731,25.34</u>

(₹ in lakhs)

Particulars	Cost	Market Value
Aggregate amount of Quoted Investments	335,88.27	330,37.63
Aggregate amount of Unquoted Investments	669,65.01	
Total	<u>1005,53.28</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 17: Cash and Bank balances

(₹ in lakhs)

	31.03.2014	31.03.2013
Cash and cash equivalents:		
Cash on hand	35,07.29	25,18.84
Balances with Banks in Current Accounts	66,96.56	61,29.76
Bank Deposits (upto 3 months maturity)	485,68.76	309,82.05
Cheques, drafts on hand	<u>56,01.73</u>	<u>57,74.70</u>
	608,67.05	428,86.51
Bank Deposits		
More than 3 months and upto 12 months maturity	503,54.47	661,08.09
More than 12 months maturity	<u>133,18.18</u>	<u>220,27.68</u>
	636,72.65	881,35.77
Others		
Stamps and Stamp papers on hand	67.24	91.18
Unpaid dividend account	<u>1,39.89</u>	<u>1,36.58</u>
	2,07.13	2,27.76
	<u>1282,54.12</u>	<u>1337,68.88</u>

Note 18: Short-term loans and advances

(₹ in lakhs)

	31.03.2014	31.03.2013
Secured, Considered good		
Hypothecation Loans	5335,88.81	5403,45.98
Mortgage Loans	421,60.99	362,86.11
Net Investment in Stock-on-hire	385,35.25	26,40.52
Net Investment in lease	12,83.42	13,90.02
Trade receivables	32,19.23	33,00.90
Other loans	<u>3,56.49</u>	<u>5,01.88</u>
	6191,44.19	5844,65.41
Amount retained on Assets securitised / assigned	145,00.69	94,41.73
Unsecured, Considered good		
Advance for business assets	230,84.90	223,20.94
Trade bills purchased	5,43.66	5,56.83
Other advances	<u>64,91.13</u>	<u>64,66.41</u>
	301,19.69	293,44.18
	<u>6637,64.57</u>	<u>6232,51.32</u>

Note 19: Other current assets

(₹ in lakhs)

	31.03.2014	31.03.2013
Interest accrued on investments	15,01.23	11,30.18
Income Receivable	232,21.25	213,66.10
SFL Shares Trust	5,94.30	5,94.30
SFL Employees Welfare Trust	6.16	11.46
Repossessed assets (at realisable value)	<u>25,21.76</u>	<u>17,27.42</u>
	<u>278,44.70</u>	<u>248,29.46</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

STATEMENT OF PROFIT AND LOSS

Note 20: Revenue from Operations

	(₹ in lakhs)	
	2013-14	2012-13
Income from Financing Operations		
Hypothecation Loans / Hire Purchase	1877,64.79	1730,37.75
Mortgage Loans	814,24.17	630,38.62
Assets securitised / assigned	111,69.73	121,77.12
Lease	119,05.66	106,88.85
Others	1,48.51	1,19.02
Recovery of bad debts	15,10.22	16,07.54
	2939,23.08	2606,68.90
Insurance Premium earned (Net)	655,86.85	618,49.39
Income from Investments		
Interest on Bank Deposits	48,34.49	54,82.31
Interest on Government Securities	50,21.57	38,36.90
Interest on Debentures	55,57.62	47,91.27
Profit on sale of Long-term Investments	52.16	67.51
Profit on sale of Current Investments	33,90.73	25,72.53
Interest - Others	2,27.22	21.55
	190,83.79	167,72.07
Investment Management and Advisory fee	119,65.12	117,63.18
Income from other Financial Services	35,03.49	28,82.10
Income from other Services	115,34.17	108,99.23
Loan processing & other fees	30,07.57	33,10.98
Sale of products	75.82	2,55.86
	4086,79.89	3684,01.71

Note 21: Other Income

	(₹ in lakhs)	
	2013-14	2012-13
Interest Receipts	5,04.15	4,05.69
Dividend Income	11,64.08	14,57.25
Rent Receipts	2,51.24	4,03.30
Profit on sale of assets	8,07.11	1,26.99
Profit on sale of Equity investments in Mutual Fund	3,12.28	—
Other non-operating income	7,77.88	2,26.46
	38,16.74	26,19.69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 22: Finance Costs

(₹ in lakhs)

	2013-14	2012-13
Interest expense		
Non convertible debentures	826,89.38	744,88.21
Term loans	401,96.85	365,54.59
Fixed deposits	224,45.89	184,21.90
Commercial paper	247,37.32	199,94.35
Other interest	14,36.53	10,35.42
	1715,05.97	1504,94.47
Other borrowing costs	9,00.59	10,54.72
Less:- Net gain/(loss) on foreign currency transaction	(20.85)	(2.21)
	9,21.44	10,56.93
	1724,27.41	1515,51.40

Note 23: Employee benefits

(₹ in lakhs)

	2013-14	2012-13
Salaries, bonus and commission	326,09.74	297,21.00
Contribution to Provident and other funds	18,97.72	17,97.60
Employees Share Options expense	1,01.83	1,01.00
Staff welfare expenses	18,36.26	16,84.47
	364,45.55	333,04.07

Note 24: Administrative and other expenses

(₹ in lakhs)

	2013-14	2012-13
Rent	33,57.37	31,36.84
Rates and taxes	17,01.82	12,90.54
Communication expenses	18,22.56	17,20.57
Electricity expenses	12,53.03	11,94.24
Travelling and conveyance	28,91.21	24,55.20
Outsourcing cost	124,21.09	138,17.19
Insurance	3,44.86	3,12.10
Donations	7,19.33	6,09.67
Repairs		
– Buildings	2,94.35	1,61.06
– Others	35,83.97	29,08.15
	38,78.32	30,69.21
Marketing and related expenses	82,38.47	68,17.04
Miscellaneous expenses	68,38.05	70,78.22
	434,66.11	415,00.82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)**Note 25: Provisions and Write Off**

	(₹ in lakhs)	
	2013-14	2012-13
Provision against non-performing assets (net)	64,18.98	43,15.82
Provision against Repossessed assets	4,01.57	1,91.98
Provision against Investments (net)	2,96.24	(0.74)
Bad Debts	12,37.62	21,78.08
Loss on assets sold / written off	23,43.87	3,10.15
Loss on sale of long term investments	52.49	—
	<u>107,50.77</u>	<u>69,95.29</u>

Note 26: General

26.1 On 18th December 2012, the Board of Directors of Sundaram BPO India Limited approved a Scheme of Amalgamation ('Scheme') of Caltec Servicez Private Limited ('Caltec') and Professional Management Consultants Limited ('PMCL') ('Transferor Companies') with the Company ('Transferee Company') under Sections 391 and 394 of the Companies Act, 1956. The Court approved the Scheme vide its Order dated 26th April 2013 with the appointed date as 1 October 2012. The certified true copy of the scheme was filed with the Registrar of Companies on 15th May 2013 and accordingly the effective date was 15th May 2013.

Accordingly, 14,10,250 equity shares of ₹ 10 each and 45,41,009 equity shares of ₹ 10 each fully paid up, aggregating to 59,51,259 equity shares of ₹ 10 each were issued to the share holders of erstwhile Caltec and PMCL respectively under this amalgamation in financial year 2013-14.

26.2 In accordance with the directions of IRDA, Royal Sundaram Alliance Insurance Company Limited, together with other non-life insurance companies, participates in the Indian Motor Third Party Declined Risk Insurance Pool [DR Pool], a multilateral reinsurance arrangement in respect of specified commercial vehicles and where the policy issuing member insurer cede the insurance premium to the DR pool (based on underwriting policy approved by IRDA). The DR Pool is administered by General Insurance Corporation of India ('GIC').

In terms of the DR Pool agreement, the company shall underwrite, net of reinsurance, a minimum percentage of "Act only" premium of specified commercial vehicles which is in proportion to the sum of fifty percent of the company's percentage share in total gross premium and fifty percent of the total motor premium of the industry for the financial year. 70% of the premium written by the member insurer is to be ceded to the DR Pool. The fulfillment or shortfall of the mandatory obligations shall be determined based on actual premium written (net of reinsurance) by the Company and premium retained with respect to the business ceded to the DR Pool. The DR Pool shall be extinguished at the end of every financial year on a clean cut basis, based on the statement of accounts drawn by the Pool Administrator.

Accordingly, based on the statements received for the period ended December 31, 2013 the Company combines its proportionate share of the premium, claims and pool administrator fees with similar items in its financial statements, on a line-by-line basis. For the calendar quarter ended 31st March 2014, the premium, claims and pool administrator fees have been considered based on the management estimate. The difference, if any, between the estimates and the actual for the said quarter shall be recognized in the calendar quarter in which the Pool Administrator makes available the audited statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

26.3 Pursuant to IRDA circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013, Royal Sundaram Alliance Insurance Company Ltd has changed the accounting policy in relation to the following:

- (a) recognition of Enrollment Fee of RSBY scheme as premium & claims as compared to previous year's method of routing it through TPA fee receivable & payable control accounts. Consequent to the change, the profit of the year & receivable from reinsurers is higher by ₹ 6.61 lakhs.
- (b) allocation of indirect management expenses to the respective revenue accounts in proportion to their Net Written Premium - Direct as against Gross Written Premium followed up to the previous year and therefore previous year figures are not comparable.
- (c) The method of calculating UPR at 1/365 method for Fire & Miscellaneous segments subject to minimum of 50% of Net Written Premium of Unexpired Policies as compared to previous year's method of calculating UPR at 1/365 method subject to minimum of 50% of Net Written Premium. Consequent to the change, the profit of the year is higher and reserve for unexpired risks is lower by ₹ 808.74 lakhs.

26.4 **Indian Motor Third Party Pool**

In accordance with Insurance Regulatory and Development Authority (IRDA) guidelines, all general insurance companies participated in the Indian Motor Third Party Insurance Pool (IMTPIP) administered by the General Insurance Corporation of India from 1st Apr 2007, to collectively service Commercial Vehicle Third Party Insurance business.

- a) IRDA had vide its Orders IRDA/NL/ORD/MPL/277/12/2011 dated 23rd December 2011 and IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012 directed dismantling of the IMTPIP with effect from March 31, 2012. The dismantling of the pooling arrangement of IMTPIP implied that the insurers liability on motor third party insurance on commercial vehicles got restated from industry market share basis to actual policy issued basis.
- b) Based on Actual statements from the Pool received for the period from April 2007 to March 2012, Royal Sundaram Alliance Insurance Company Ltd. has recognized an amount of ₹ 9,057.26 lakhs (including interest thereon amounting to ₹ 279.15 lakhs) as Due to Members of the Pool with a corresponding reduction in the outstanding claims. Of which, the Company has effected the settlement for the underwritten years 2007-08 and 2008-09 amounting to ₹ 6,687.10 lakhs (including interest of ₹ 74.99 lakhs) in Financial year 2012-13 and settlement for the underwritten year 2009-10 amounting to ₹ 2,351.31 lakhs (including interest of ₹ 38.43 lakhs) in Financial Year 2013-14
- c) IRDA, vide Order No IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012, amongst other things, had provided an option to insurers for a deferred absorption of the differential liability subject to certain conditions listed in the said Order. The Company, having exercised the option, has recognized
 - i) ₹ 3,814.35 lakhs in its Miscellaneous Revenue Account for the year ended March 31, 2014 representing the current year's share and Final Instalment of actuarially estimated liability as of 31st March, 2012 relating to the underwriting year 2011-12.

(₹ in Lakhs)

26.5 Segment Reporting

Business Segments	Asset Financing		Insurance		Other Operations		Eliminations		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE										
Segment Revenue	3064,47.97	2724,11.01	748,85.40	701,06.88	273,46.53	258,83.81	-	-	-	-
Inter segment sales	1,02.59	89.09	5,62.06	3,35.27	108,40.48	102,64.46	115,05.14	106,88.81	-	-
Total Revenue	3065,50.56	2725,00.10	754,47.46	704,42.15	381,87.01	361,48.27	115,05.14	106,88.81	4086,79.89	3684,01.71
RESULT										
Segment Result	764,35.66	718,30.74	50,28.44	31,41.60	27,45.74	37,94.33	6,04.52	4,87.37	848,14.36	792,54.04
Unallocated income (net of expense)	-	-	-	-	-	-	-	-	28,15.82	14,08.73
Profit before tax	-	-	-	-	-	-	-	-	876,30.18	806,62.77
Less: Income tax	-	-	-	-	-	-	-	-	295,80.90	247,17.30
Add: Share of Profit in Associates	-	-	-	-	-	-	-	-	69,94.93	60,77.47
Less: Minority Interest	-	-	-	-	-	-	-	-	69,38.62	56,26.03
Profit after Tax	-	-	-	-	-	-	-	-	581,05.59	563,96.91
OTHER INFORMATION										
Segment Assets	22278,80.26	20542,37.37	1242,46.57	1159,05.54	205,72.67	190,25.95	193,47.80	171,14.13	23533,51.70	21720,54.73
Unallocated Assets	-	-	-	-	-	-	-	-	381,21.88	325,60.83
Total Assets	-	-	-	-	-	-	-	-	23914,73.58	22046,15.56
Segment Liabilities	19346,04.77	18135,16.49	995,69.36	949,82.46	56,92.38	59,34.53	75,68.25	52,31.65	20322,98.26	19092,01.83
Unallocated Liabilities	-	-	-	-	-	-	-	-	134,04.70	61,80.80
Total Liabilities	-	-	-	-	-	-	-	-	20457,02.96	19153,82.63
Capital Expenditure	169,27.72	178,80.32	15,09.43	4,73.97	10,04.39	8,71.07	-	-	194,41.54	192,25.36
Depreciation	92,16.12	82,65.58	4,89.00	3,41.87	14,90.40	14,49.43	-	-	111,95.52	100,56.88
Non-cash expenses other than depreciation	111,16.83	72,13.08	52.49	5,59.60	53.67	39.32	-	-	112,22.99	78,12.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)**Related Party Transactions for the Year Ended 31st March 2014**

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

Particulars	Associates	Key Management Personnel and Relatives	Enterprises over which KMP and his relatives are exercising significant influence	2013-14	2012-13
INCOME					
Income from Financing Operations	72.18			72.18	67.00
Income from Services	75.21			75.21	65.91
Dividend	31,59.35			31,59.35	17,18.25
Rent Receipts	40.80			40.80	31.88
Other non-operating income	3.16			3.16	
EXPENDITURE					
Interest		72.34		72.34	1,14.06
Remuneration		4,28.37		4,28.37	4,07.29
DIVIDEND		3,31.24	1,03.81	4,35.05	8,10.65
ASSETS					
Investments	1.10			1.10	11,00.00

Disclosure of Material Transactions with Related Parties

(₹ in Lakhs)

Particulars	Related Parties	2013-14	2012-13
INCOME			
Income from Financing Operations	Turbo Energy Ltd.	61.83	59.85
Income from Services	Turbo Energy Ltd.	75.21	65.91
Dividend	The Dunes Oman LLC (FZC)	25,61.89	12,93.30
	Turbo Energy Ltd.	5,12.00	3,84.00
Rent Receipts	Turbo Energy Ltd.	40.80	31.88
Other non-operating income	Turbo Energy Ltd.	3.16	
ASSETS			
Investments	Flometallic India Ltd.	1.10	11,00.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Balances with Related Parties as at 31st March 2014

(₹ in Lakhs)

BALANCES OUTSTANDING	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP and his relatives is exercising significant influence	31.03.2014	31.03.2013
ASSETS						
Investments	85,29.57				85,29.57	85,28.47
Other Assets	21.13				21.13	2,07.72
LIABILITIES						
Equity Holdings		1,57.38	5,81.67	2,30.69	9,69.74	9,64.37
Deposits		43.00	6,52.67		6,95.66	6,48.06
Interest on deposits		8.08	51.45		59.53	52.85

Disclosure of Material Balances with Related Parties as at 31st March 2014

(₹ in Lakhs)

BALANCES OUTSTANDING	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP and his relatives is exercising significant influence	31.03.2014	31.03.2013
ASSETS						
Investments						
a) Investments in Equity Shares						
The Dunes Oman LLC (FZC)	26,94.86				26,94.86	26,94.86
Flometallic India Ltd.	27,01.10				27,01.10	27,00.00
Axles India Ltd.	10,15.70				10,15.70	10,15.70
Sundaram Hydraulics Ltd.	11,25.00				11,25.00	11,25.00
Turbo Energy Ltd.	1,88.41				1,88.41	1,88.41
Transenergy Ltd.	1,87.50				1,87.50	1,87.50
Sundaram Dynacast Private Ltd.	1,17.00				1,17.00	1,17.00
Total	80,29.57				80,29.57	80,28.47
b) Investments in Preference Shares						
Sundaram Hydraulics Ltd.	5,00.00				5,00.00	5,00.00
Other assets						
Sundaram Hydraulics Ltd.	13.24				13.24	2,07.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

26.7 Earnings per share (Basic and diluted)

		2013-14	2012-13
A	Profit for the year after taxation (₹ in lakhs)	581,05.59	563,96.91
B	Number of equity shares of ₹ 10 each	11,11,03,860	11,11,03,860
C	Basic and diluted earnings per share of ₹ 10 each (in ₹)	52.30	50.76
D	Amount of Dividend (₹ in lakhs)		
	Interim (paid)	–	49,99.67
	Final (proposed)	111,10.39	49,99.67
E	Amount of Dividend per share of ₹ 10 each (in ₹)		
	Interim (paid)	–	4.50
	Final (proposed)	10.00	4.50

26.8 Contingent liabilities in respect of

(₹ in lakhs)

		2013-14	2012-13
A	Liability –		
	To Banks – on Cheques discounted	6,97.09	16,46.19
	on Letters of Credit	7,57.91	3,94.67
B	Claims against the Company not acknowledged as debts	169,75.62	153,44.57

26.9 Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's presentation.

Signatures to Notes 1 to 26

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S
P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman

T. T. Srinivasaraghavan
Managing Director

M. Ramaswamy
Chief Financial Officer

S. Prasad
Director

Harsha Viji
Director (Strategy & Planning)

P. Viswanathan
Secretary & Compliance Officer

Consolidated Cash Flow Statement

(₹ in Lakhs)

	2013-14		2012-13	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit	581,05.59		563,96.91	
Add: Lease Equalisation Account	(52.01)		(11.76)	
Provision for Taxation	295,80.90		247,17.30	
	876,34.48		811,02.45	
Add: Financial Cost	1724,27.41	2600,61.89	1515,51.40	2326,53.85
Dividend received from Subsidiaries / Associates / JVs		57,15.98		36,43.50
Depreciation		112,18.46		100,84.40
Profit attributable to Minority Interests		69,38.62		56,26.03
Provision against Investments (net)		2,96.24		(0.74)
Provision against Non-Performing assets (net)		68,20.55		45,07.80
Contingent Provisions against Standard Assets		4,72.22		8,21.44
Employee Stock Option Compensation Expenses		1,01.83		1,01.00
(Profit) loss on sale of assets		(5,84.16)		(36.43)
(Profit) loss on sale of Investments		(28,93.05)		(10,71.95)
Interest / Dividend Income		(178,57.11)		(148,12.78)
Exchange difference on translation of foreign currency		(6.53)		(45.10)
Effect of Foreign Exchange rates on Cash and Cash Equivalents, net		(0.68)		0.83
Share of Profits from Associates		(69,94.93)		(60,77.47)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		2632,89.33		2353,94.38
(Increase) Decrease in Leased assets-net of sales	(80,13.91)		(88,68.38)	
(Increase) Decrease in Long Term Loans and Advances	(967,91.77)		(2307,53.92)	
(Increase) Decrease in Other Non-Current Assets	(4,79.17)		(4,27.76)	
(Increase) Decrease in Bank deposits	263,49.81		(336,04.65)	
(Increase) Decrease in Short Term Loans and Advances	(405,13.24)		(379,68.13)	
(Increase) Decrease in Other Current Assets	(34,22.11)		(60,69.48)	
(Increase) Decrease in SLR Investments (net)	(66,01.38)		(52,30.09)	
Increase (Decrease) in Other Long-Term Provisions	(33.84)		1,53.33	
Increase (Decrease) in Other Short-Term Provisions	2,56.45		4,78.60	
Increase (Decrease) in Other Long-Term Liabilities	58,10.63		74,40.51	
Increase (Decrease) in Trade Payables-Current	(46.55)		47,12.22	
Increase (Decrease) in Other Current Liabilities	17,48.07	(1217,37.01)	109,03.63	(2992,34.12)
Cash generated from Operations		1415,52.32		(638,39.74)
Financial Cost	(1671,70.21)		(1302,67.16)	
Direct Taxes Paid	(306,63.56)	(1978,33.77)	(269,25.23)	(1571,92.39)
NET CASH FROM OPERATING ACTIVITIES (A)		(562,81.45)		(2210,32.13)

Consolidated Cash Flow Statement (Contd.)

(₹ in Lakhs)

	2013-14	2012-13
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(53,38.61)	(61,63.15)
Sale of Fixed Assets	2,65.76	3,51.18
Purchase / Sale of Investments in Associates	(1.10)	(11,00.00)
Purchase / Sale of non-current Investments	(88,13.21)	(198,57.19)
Purchase / Sale of current investments	(232,28.44)	(340,76.78)
Interest Received	98,43.39	93,28.00
Dividend Received	44,97.75	32,19.65
NET CASH FROM INVESTING ACTIVITIES (B)	(227,74.46)	(482,98.29)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase (Decrease) in Long Term Borrowings	947,06.24	2101,23.77
Increase (Decrease) in Short Term Borrowings	85,07.03	678,40.15
Dividend paid (including Corporate Dividend Tax)	(77,98.97)	(121,90.63)
Increase in Share capital / premium	49,72.00	54,80.00
NET CASH FROM FINANCING ACTIVITIES (C)	1003,86.30	2712,53.29
D) Effect of Foreign Exchange rates on Cash and Cash Equivalents, net (D)	0.68	(0.83)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)+(D)	213,31.07	19,22.04
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	409,93.51	390,71.47
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	623,24.58	409,93.51
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	66,96.56	61,29.76
Cash, Cheques, drafts on hand, Stamps and Stamp papers on hand	91,76.26	83,84.72
Short Term Deposit	464,51.76	264,79.03

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

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S
P. Babu
Partner
Membership No.203358
Chennai,
Dated: 26th May, 2014

S. Viji
Chairman
T. T. Srinivasaraghavan
Managing Director
M. Ramaswamy
Chief Financial Officer

S. Prasad
Director
Harsha Viji
Director (Strategy & Planning)
P. Viswanathan
Secretary & Compliance Officer

Independent Auditors' Report to the Board of Directors of Sundaram Finance Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sundaram Finance Limited (“the Company”) and its subsidiaries and associate companies which comprise the Consolidated Balance Sheet as at 31st March 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date and a summary of the significant accounting policies and other explanatory information annexed hereto which we have signed under reference to this report.

The consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard –

AS 21 – Consolidated Financial Statements

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

AS 27 – Financial reporting of Interest in Joint Ventures

as notified by the Companies (Accounting Standards) Rules, 2006.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and

maintenance of internal controls relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- a) the Consolidated Balance Sheet gives a true and fair view of the Consolidated State of Affairs of Sundaram Finance Limited, its subsidiaries, joint venture and associate companies as at 31st March, 2014,
- b) the Consolidated Statement of Profit and Loss gives a true and fair view of the consolidated results of operations of Sundaram Finance Limited, its subsidiaries, joint venture and associate companies for the year ended 31st March, 2014 and
- c) the Consolidated cash flow statement gives a true and fair view of the consolidated cash flows of Sundaram Finance Limited, its subsidiaries and joint venture companies for the year ended 31st March, 2014.

Other Matters

The financial statements of three subsidiary companies and two joint venture companies reflecting total assets of ₹ 2,58,040.91 lakhs as

at 31st March, 2014, total revenue of ₹ 1,63,752.31 lakhs and net cash outflows amounting to ₹ 72.47 lakhs for the year ended on that date have been audited by other auditors, whose reports have been furnished to us. We have relied upon these reports for the purpose of the amounts included in respect of the above companies in the consolidated financial statements.

The financial statements of five associate companies reflecting total assets of ₹ 66,453.35 lakhs as on 31st March, 2014 and total revenue of ₹ 82,699.73 lakhs for the year ended on that date are based on their unaudited financial statements as on 31st March, 2014. In respect of one associate company the total assets of ₹ 70,823.45 lakhs as at 31st March, 2014 and total revenue of ₹ 78,188.76 lakhs for the year ended on that date are based on the unaudited financial details.

The financial statements of one associate company reflecting total assets of ₹ 2153.45 lakhs as at 31st December 2013 and total revenues of ₹ 4203.64 lakhs for the year ended as on that date are based on the audited financial statements as on 31st December 2013.

Our opinion is not qualified in respect of these matters.

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

P. BABU

Partner

Place: Chennai

Date: 26th May 2014

Membership No.203358

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31.03.2014

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

(₹ in Lakhs)

Description	Sundaram BNP Paribas Home Finance Limited	Sundaram Asset Management Company Limited	Sundaram Asset Management Singapore Pte Limited	Sundaram Trustee Company Limited	Sundaram Business Services Limited	Sundaram BPO India Limited	Sundaram Insurance Broking Services Limited	Sundaram Finance Distribution Limited	LCF Services Limited	Sundaram BNP Paribas Fund Services Limited	Sundaram Infotech Solutions Limited	Infreight Logistics Solutions Limited	Sundaram Parekh Warehousing Services Limited
Share Capital	101,25.44	15,33.32	14,71.84	5.00	15,00.00	8,95.13	50.00	50.00	25.00	82,50.00	16,40.00	5,61.12	10.00
Reserves	596,64.26	72,74.85	(10,95.76)*	43.79	(6,66.64)*	27.13	8.22	13,84.85	3,44.93	(64,10.35)*	(5,34.28)*	(10,59.69)*	1.32
Total Assets	720,77.63	111,99.98	4,27.08	99.45	12,91.17	10,94.35	58.47	16,55.39	4,97.12	27,06.23	14,07.38	26.08	11.53
Total Liabilities	650,87.93	23,91.80	51.00	50.66	4,57.82	1,72.10	0.25	2,20.54	1,27.19	8,66.58	3,01.66	5,24.65	0.22
Investment	220,11.94	38,93.66	-	80.80	-	1,07.67	56.24	7,90.46	1,58.52	10,00.00	4,25.89	10.00	-
Turnover	887,77.38	124,06.17	-	1,18.53	21,36.19	21,05.85	3.40	13,03.62	7,52.99	18,53.58	19,46.89	-	0.32
Profit / (Loss) Before Taxation	215,12.70	22,62.90	(5,31.51)	82.68	(2,95.36)	14.80	2.92	3,21.49	2,21.46	(12,53.47)	91.04	(4.81)	(1.50)
Provision for Taxation	64,39.03	7,35.80	-	24.26	(5.24)	2.19	-	1,04.19	70.70	(64.49)	0.74	-	-
Profit / (Loss) After Taxation	150,73.67	15,27.10	(5,31.51)	58.42	(2,90.12)	12.61	2.92	2,17.30	1,50.76	(11,88.97)	90.30	(4.81)	(1.50)
Dividend	40,50.17	4,60.00	-	40.00	-	-	-	1,50.00	1,00.00	-	-	-	-

* Represents Debit balance in P&L account

Reserves of Sundaram Asset Management Singapore Pte Limited includes Foreign Currency Translation Reserve of ₹ 51.63 lakhs

Sundaram Finance Branch Network – 575 Branches

