

SUNDARAM HOME FINANCE LIMITED

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| *SUNDARAM HOME*



Board of Directors

S. Viji
G.K. Raman
T.T. Srinivasaraghavan
N. Ganga Ram
Srinivas Acharya
Nitin Palany
Chairman
Managing Director

Audit Committee

N. Ganga Ram
G.K. Raman
Srinivas Acharya
Chairman

Executive Committee

G.K. Raman
T.T. Srinivasaraghavan
Nitin Palany
Chairman

Asset Liability Risk
Management
Committee

Nitin Palany
S. Ramabadrans
G. Satish Kumar
Chairman

Company Secretary

S. Ramabadrans
Executive Director & Company Secretary

Auditors

M/s. Brahmayya & Co.,
Chartered Accountants
Chennai

Registered Office

21, Patullos Road, Chennai-600 002.
Tel : 044-28521181
Fax : 044-28520456

Corporate Office

Sundaram Towers, I Floor,
46, Whites Road, Chennai-600 014.
Tel : 044-28515267
Fax : 044-28515269

Website

www.sundaramhome.com

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Notice

Notice is hereby given that the Fifth Annual General Meeting of the Members of the Company will be held on Friday, the 23rd July 2004 at 12.30 p.m at the Registered Office of the Company at No.21, Patullos Road, Chennai 600 002 to transact the following business:

Ordinary Business :

1. To receive and adopt the audited statement of accounts for the year ended 31st March 2004 and to consider the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. G.K. Raman who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. T.T. Srinivasaraghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. The retiring Auditors, M/s. Brahmayya & Co., Chartered Accountants, Chennai are eligible for re-appointment.

Special Business :

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT Mr. Srinivas Acharya be and is hereby appointed as a Director of the Company, liable for retirement by rotation.”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to Section 293 (1)(d) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing moneys for the purposes of the Company, from time to time, notwithstanding that the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, provided however that the aggregate of amounts so borrowed and to be borrowed and outstanding at any time (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) shall not exceed Rs.1,500 Crores (Rupees One Thousand and Five Hundred Crores).”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs.50,00,00,000/- (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores) Equity Shares of Rs.10/- (Rupees Ten only) each to Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- (Rupees Ten only) each and that Clause V of the Memorandum of Association be altered and read as follows :

The Authorised Share Capital of the Company is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- (Rupees Ten only) each.”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by substitution of the existing Article 3 with the following new Article.

The Authorised Share Capital of the Company is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- (Rupees Ten only) each with the power to increase or reduce the capital subject to the provisions of the Act.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT subject to the provisions of Sections 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956 the Company hereby accords its approval and consent for revising the terms of remuneration of Mr. Nitin Palany, Managing Director, with effect from 1st October 2003, as set out hereunder:

- a) Salary: Rs.80,000/- (Rupees Eighty Thousand only) per month.
- b) House Rent Allowance @ 60% of the Basic Salary per month.
- c) Special Allowance of Rs.4,80,000/- (Rupees Four Lakhs and

Eighty Thousand only) payable annually after finalisation of Annual Accounts of the Company.

- d) Perquisites
- i. Medical reimbursement: Expenses incurred for self and family including premium payable for medical insurance in accordance with the rules of the Company.
 - ii. Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
 - iii. Encashment of leave at the end of the tenure.
 - iv. Contribution to Provident Fund, Superannuation Fund and payment of Gratuity as per the rules of the Company.
 - v. Fees for clubs, subject to a maximum of two clubs excluding admission and life membership fees.
 - vi. Provision of car with driver for Company business, the value of which will be evaluated as per Income Tax Rules, 1962.
 - vii. Provision of telephone at the residence.
 - viii. Personal Accident and Life Insurance Cover as per the rules of the Company.
 - ix. Benefits under the loan and other schemes in accordance with the practices, rules and regulations in force in the Company from time to time, subject to the provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT subject to the provisions of Sections 198, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, any benefits or perquisites and amenities as may be provided by the Company to other senior executives from time to time may be extended to the Managing Director, within the overall minimum managerial remuneration as prescribed from time to time. "

Minimum Remuneration: Where in any financial year, during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of Salary and Perquisites not exceeding the limits specified in

Part II Section II 1(A) of Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Government from time to time as minimum remuneration.”

By Order of the Board

S. RAMABADRAN

Executive Director &
Company Secretary

Place : Chennai
Date : 23rd April 2004

Notes:

1. A Member entitled to attend and vote is entitled to appoint a proxy and such a proxy need not be a Member.
2. The proxy form, duly stamped and executed, should be deposited at the Registered Office of the Company at least 48 hours before the time fixed for the commencement of the Meeting.
3. An Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956, in respect of Special Business set out in the Notice is annexed.

**Particulars of the Directors seeking Appointment / Re-appointment
in the forthcoming Annual General Meeting pursuant to Clause 34
of the Listing Agreement**

Item Nos. 2, 3 & 5

Name of the Director	Mr. G.K. Raman	Mr. T.T. Srinivasaraghavan
Date of Birth	09.09.1931	19.01.1955
Expertise in specific functional areas	Has wide experience of over 45 years in Financial Services Sector.	Has wide experience of over 26 years in Banking and Financial Services Sector.
Qualifications	BSc., B.L., PGDBM	BCom., MBA (Finance & Marketing), Gannon University, Pennsylvania, USA.
List of the Companies in which directorship held as on 31st March 2004	<p>Chairman Royal Sundaram Alliance Insurance Co. Ltd.</p> <p>Whole Time Director Sundaram Finance Ltd.</p> <p>Director Lakshmi General Finance Ltd. Turbo Energy Ltd. Brakes India Ltd. Sundaram Finance Trustee Co. Ltd.</p>	<p>Chairman Infreight Technologies India Pvt. Ltd.</p> <p>Managing Director Sundaram Finance Ltd.</p> <p>Director Lakshmi General Finance Ltd. Royal Sundaram Alliance Insurance Co. Ltd. Sundaram Asset Management Co. Ltd.</p>
Chairman/Member of the Committee of the Board of other Companies in which he is Director as on 31st March 2004	<p>Chairman Brakes India Ltd. - Audit Committee - Remuneration Committee</p> <p>Member Lakshmi General Finance Ltd. - Audit Committee</p>	<p>Member Royal Sundaram Alliance Insurance Co. Ltd. - Audit Committee</p> <p>Sundaram Finance Ltd. - Share Transfer & Investors Relations Committee</p>

Name of the Director	Mr. Srinivas Acharya
Date of Birth	08.02.1954
Expertise in specific functional areas	Has nearly 29 years of experience in Banking and Financial Services Sector.
Qualifications	BSc., CAIIB
List of the Companies in which directorship held as on 31st March 2004	Managing Director Lakshmi General Finance Ltd. Director Sundaram Finance Ltd. Royal Sundaram Alliance Insurance Co. Ltd.
Chairman/Member of the Committee of the Board of other Companies in which he is Director as on 31st March 2004.	Member Lakshmi General Finance Ltd. - Audit Committee

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.

Item No.5

Mr. Srinivas Acharya, aged 50 years, was co-opted as a Director of your Company with effect from 26th March 2004. He has served Sundaram Finance Limited and Lakshmi General Finance Limited over the last 22 years, in various capacities. His particulars are annexed to the Notice.

Under Section 260 of the Companies Act, 1956, he holds office as an Additional Director up to the date of the Annual General Meeting. Under Section 257 of the Companies Act, 1956, a Notice along with requisite fee has been received from a Member intimating his intention to propose the appointment of Mr. Srinivas Acharya as a Director at the ensuing Annual General Meeting. The Board of Directors considers that his appointment as a Director will be in the interests of the Company. Accordingly, the Ordinary Resolution as set out in the Notice is submitted for the consideration of the Members. The Board recommends that the Resolution be passed.

Interest of Directors

Except Mr. Srinivas Acharya, no other Director is directly or indirectly concerned or interested in the Resolution.

Item No.6

At the Fourth Annual General Meeting held on 7th August 2003, the Board of Directors was authorised under Section 293 (1)(d) of the Companies Act, 1956, to borrow moneys (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) up to a limit of Rs.1000 Crores. The aggregate borrowings including fixed/cumulative deposits amount to Rs. 598 Crores as at 31st March 2004.

Considering the pace of growth in the volume of business, the demand for funds is expected to increase substantially in the near future and it is considered desirable to raise the present limit of borrowing to Rs.1,500 Crores (Rupees One Thousand and Five Hundred Crores only). Accordingly, the Ordinary Resolution as set out in the Notice is submitted for the consideration of the Members. The Board recommends that the Resolution be passed.

Interest of Directors

None of the Directors of the Company is directly or indirectly concerned or interested in the Resolution.

Item No.7

As per the business plans drawn up, your Company's Annual growth is expected to increase by 50% in the next two years. To sustain this level of operations, infusion of additional Capital will be necessary. Hence, it is proposed to increase the Authorised Capital of the Company from Rs. 50 Crores to Rs. 100 Crores which would enable infusion of additional Capital at an appropriate time in the coming years. The Directors recommend the Resolution for consideration and approval of the Members.

Interest of Directors

None of the Directors of the Company is directly or indirectly concerned or interested in the Resolution.

Item No.8

Consequent to the amendment of Capital Clause in the Memorandum of Association, Article 3 of the Articles of Association needs to be amended to effect the necessary changes. For this purpose, approval of the Members under Section 31 of the Companies Act, 1956, by way of Special Resolution is required. Accordingly, the Directors recommend the Special Resolution for approval of the Members.

Interest of Directors

None of the Directors of the Company is directly or indirectly concerned or interested in the Resolution.

Item No.9

Mr. Nitin Palany was appointed as Managing Director of the Company with effect from 1st October 1999 for a period of 5 years and necessary resolutions for his appointment and remuneration were passed by the Members in the Extraordinary General Meeting held on 10th September 1999.

The Board of Directors at the Meeting held on 20th November 2003 revised the basic salary of the Managing Director from Rs. 70,000/- to Rs. 80,000/- per month and also the perquisites and benefits as set out in the Resolution with effect from 1st October 2003, subject to the approval of the Members.

Necessary notice under Section 302 of the Companies Act, 1956 for the variation in terms of remuneration was sent to the Members on 2nd December 2003. The said terms of remuneration are in conformity with Schedule XIII to the Companies Act, 1956. Accordingly, the Resolution is submitted for the approval of the Members.

Interest of Directors

Except Mr. Nitin Palany, no other Director is directly or indirectly concerned or interested in the Resolution.

By Order of the Board

S. RAMABADRAN

Executive Director &
Company Secretary

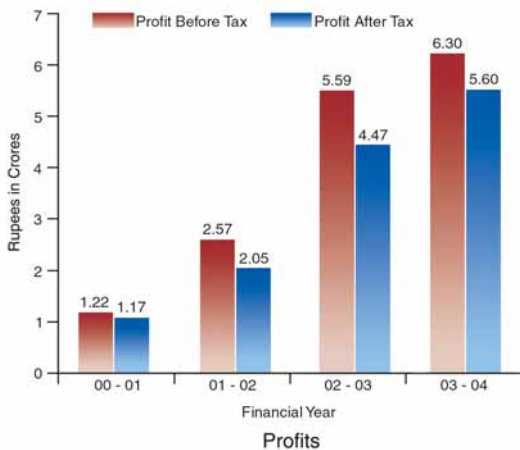
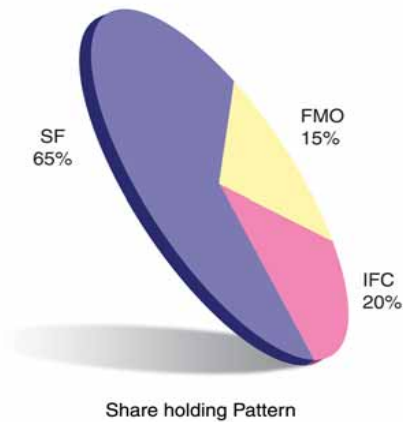
Place : Chennai
Date : 23rd April 2004

Directors' Report

To the Members

Your Directors have pleasure in presenting the Fifth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2004.

The summarised financial results of the Company are given here under :



	For the year ended 31st March 2004	For the year ended 31st March 2003
	Rupees	Rupees
Profit before tax	6,29,91,622	5,59,45,726
Provision for tax (Including deferred tax)	69,92,022	1,12,79,788
Profit after tax	5,59,99,600	4,46,65,938
Balance brought forward from previous year	1,22,54,614	1,16,63,676
Contingency Reserve written back to Profit & Loss Account	—	5,00,000
Amount available for Appropriation	6,82,54,214	5,68,29,614
Appropriations have been made as under :		
1. Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	2,40,00,000	1,45,75,000
2. General Reserve	3,00,00,000	3,00,00,000
3. Surplus carried to Balance Sheet	1,42,54,214	1,22,54,614
Total	6,82,54,214	5,68,29,614

Dividend

The Company's Dividend policy is based on the need to balance the objectives of rewarding shareholders with Dividend and retaining the earned surplus to support future growth and healthy Capital Adequacy Ratio. With a view to conserving resources and building up reserves, your Directors do not recommend Dividend for the year.

Lending Operations

During the year under review, loan approvals amounted to Rs. 476 Crores as compared to Rs. 356 Crores in 2002-03 representing a growth of 34%.

Loan disbursements aggregated Rs. 370 Crores as compared to Rs. 237 Crores in the previous year, representing a growth of 56%.

Cumulative loan approvals and disbursements as at 31st March 2004 were Rs. 1,017 Crores and Rs. 835 Crores respectively. Cumulative Disbursements worked out to 82% of Cumulative Approvals.

Outstanding loan portfolio as of 31st March 2004 stood at Rs. 619 Crores of which 98% comprised individual loans.

Repayments

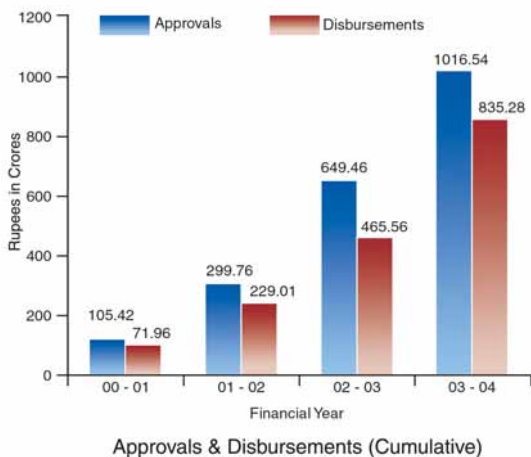
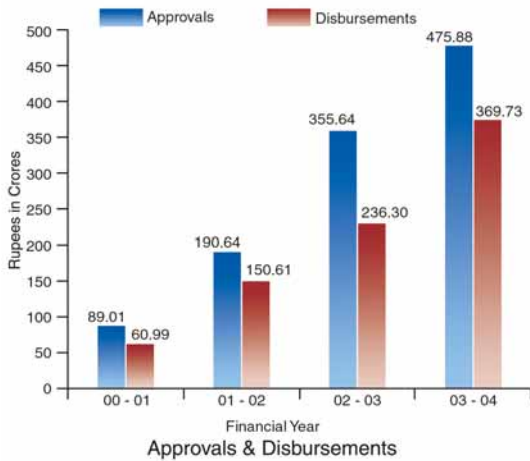
During the year under review, the Company received a total sum of Rs. 100.29 Crores on account of repayment of principal through monthly instalments and prepayment of loans ahead of schedule, as compared to Rs. 82.11 Crores in the previous year.

Non Performing Loans

Gross Non Performing Loans (NPLs) where instalments were outstanding for more than 6 months as on 31st March 2004 amounted to Rs. 10.99 Crores. This is equivalent to 1.78% of the loan portfolio.

As a prudent measure, additional provision for contingencies has been made to the extent of Rs. 75 lakhs.

Net NPLs are equivalent to 1.47% of the loan portfolio.



Resource Mobilisation

Term Loans

During the year, the Company raised loans amounting to Rs. 196.34 Crores from Commercial Banks. The Company also negotiated with Banks for prepayment of high cost loans and this enabled the Company to reduce its cost of borrowing.

NHB Refinance

During the year, the Company availed NHB refinance to the extent of Rs. 115 Crores. NHB upgraded the Company’s rating based on its own internal rating model.

Non Convertible Debentures

During the year, your Company raised funds by way of Non Convertible Debentures (NCDs) amounting to Rs. 75 Crores on private placement basis with Banks and Mutual Funds, out of which Rs. 50 Crores were raised through NCDs rated MAAA (SO) by ICRA backed by a guarantee from Sundaram Finance Limited. This enabled the Company to raise funds at a substantially lower cost.

Deposits

With the fall in interest rates, the Company reduced its rates of interest on retail deposits downward twice during the year.

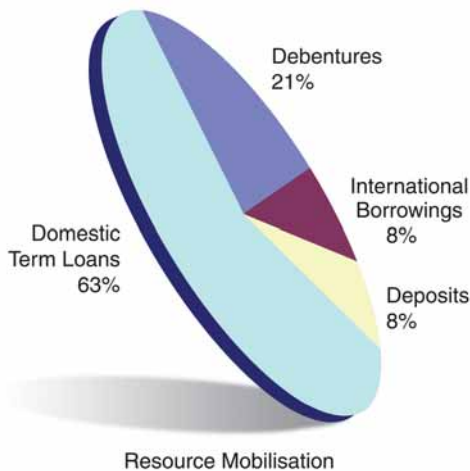
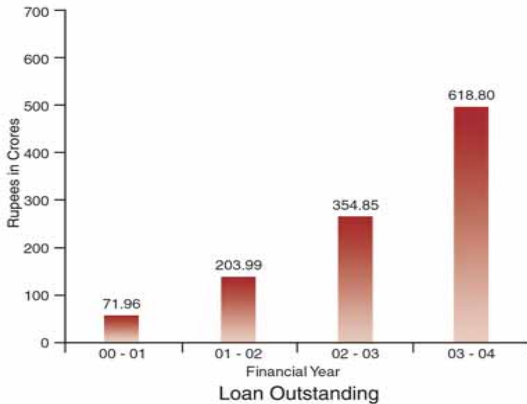
As on 31st March 2004, outstanding deposits stood at Rs. 50.67 Crores.

ICRA reaffirmed ‘MAA-’ rating for the deposit programme. This rating represents high safety.

Unclaimed deposits amounted to Rs. 8.68 lakhs as on 31st March 2004. Steps have been initiated for repayment/renewal of these deposits.

Regulatory Guidelines

The Company has complied with all The Housing Finance Companies (NHB) Directions 2001 prescribed by NHB in respect of prudential norms for asset classification, income recognition, provisioning, capital adequacy and concentration of credit.



The Capital Adequacy Ratio as on 31st March 2004 stands at 17.38% as against the minimum requirement of 12%.

NHB in its circular issued in January 2003 has redefined the Non Performing Loans (NPLs), effective 31st March 2005 as Loans in respect of which instalment has remained overdue for a period of more than 90 days.

Further, NHB has advised HFCs to make additional provisioning for NPLs over a period of three years commencing from the year ending 31st March 2005, with a minimum of 20% of the additional provisioning required to be made each year.

Statutory Compliance

Your Company has complied with all the statutory requirements under the Companies Act, 1956, Income Tax Act, 1961 and other applicable laws.

Personnel

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956.

Information as per Section 217 (1)(e) of the Companies Act, 1956 - Foreign Exchange, Energy and Technology

Your Company has no activity relating to conservation of energy or technology absorption.

During the year 2003-04, the Company used Foreign Exchange to the extent of Rs. 2,68,637/- for payment of charges for Rupee Loan extended by IFC, Foreign Travel and Membership Subscription. There was no earning in Foreign Exchange.

Directors

Mr. G.K. Raman and Mr. T.T. Srinivasaraghavan, Directors of your Company retire by rotation and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment.

Mr. Srinivas Acharya appointed as an Additional Director at the Board Meeting held on 26th March 2004, holds office till the conclusion of the

Fifth Annual General Meeting. The Company has received notice from a Member under Section 257 of the Companies Act, 1956, proposing Mr. Srinivas Acharya as a Director at the Fifth Annual General Meeting.

Directors' Responsibility Statement

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

- That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of Financial Year and of the profit of the Company for that period.
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors had prepared the Annual Accounts on a 'going concern' basis.

Corporate Governance

Your Company has been complying with all the requirements of the code of Corporate Governance, as specified by Securities and Exchange Board of India (SEBI) and the National Stock Exchange of India Ltd. (NSE). A detailed Report of the Directors on Corporate Governance, together with a Certificate from the Statutory Auditors in compliance of Clause 34 of the Listing Agreement, is attached forming part of the Annual Report.

As regards paragraph 4 of the Statutory Auditors' Certificate on Corporate Governance, it is clarified that the Listing Agreement with NSE relates only to NCDs (and not Equity Shares) issued by the Company. These NCDs were listed in the NSE on 21st January 2004 when it was in compliance with all the listing requirements except that the Board had only one Independent Director instead of two and certain additional functions remained to be entrusted to the Audit Committee. These requirements

were also duly and fully complied with within a reasonable time, namely by 26th March 2004.

Auditors

M/s. Brahmayya & Co., Chartered Accountants, Statutory Auditors of the Company retire at the Fifth Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, will be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

Appreciation

Your Directors place on record, the valuable support received from National Housing Bank, Commercial Banks, Depositors and Institutional Investors.

Your Directors express their gratitude for the support and guidance received from Sundaram Finance Limited, International Finance Corporation (Washington) and FMO, Netherlands.

Your Directors place on record their appreciation of the significant contribution made to the growth of the Company by its dedicated and committed team of employees.

For and on behalf of the Board of Directors

Place : Chennai
Date : 23rd April 2004

S. VIJI
Chairman

Management Discussion and Analysis Report

Economic Overview

During the year 2003–04, the Indian economy registered a strong GDP growth led by recovery in agricultural production and buoyancy in the services and other sectors of the economy.

The surge in capital flows continued during the year, reinforced by the revival of investment by Foreign Institutional Investors (FIIs). The country's foreign exchange reserves continued to be comfortable.

The money market continued to be flush with liquidity during the third quarter September–December 2003, with considerable softening of interest rates. Abundance of liquidity was also evident from the movement of the Call Money Rate (CMR).

The Cash Reserve Ratio (CRR) was reduced by 350 basis points over the period from March 2001 to December 2003. Similarly, the Repo rate under the LAF also recorded a steady decline of 250 basis points during the same period, while the call money rate also dipped, with some fluctuations from time to time. As of now, it is observed that there has been a convergence of all the rates towards the level of 4.5%, with the CMR falling below the Repo rate occasionally.

The Rupee recorded the highest gains on the back of sustained robust trade and capital inflows, helped largely by a weakening dollar vis-à-vis major global currencies mainly the Euro. Sound economic fundamentals, large accumulation of foreign exchange reserves, contained inflation, a good monsoon and a favourable outlook on GDP reinforced the Rupee's upward movement.

Housing Finance Sector

In the last 3–4 years, retail housing finance disbursements are estimated to have increased at a CAGR of 33%. The growth may be attributed to

- Fiscal benefits announced in the Union Budgets, in terms of which, while the interest deduction on purchase or construction of a house property continues, the stipulation that it should be completed within three years has been dropped.
- Low interest rates and realistic property prices which have made the purchase of property more affordable. In addition, there has been no postponement of the purchase decisions by prospective buyers, in the expectation of a further decline in the interest rates due to the availability of variable rate loan options.

- An increase in the disposable income levels as a result of a rise in income and a decline in marginal Income Tax rates.
- An estimated decline in the cost of house to annual income ratio on an all India basis, to around 4–5 in 2001–02 (closer to the international standards), from around 12–15 in 1994–95.
- Increase in the rate of household formation due to a shift from joint family system to nuclear family and higher urbanization. (According to NHB, in the medium to long term, urban population is expected to grow at a CAGR of over 3%).
- Aggressive lending by banks due to lower credit off-take by the corporate sector, attractive spread and historical lower level of non performing assets.
- Multiple Loan options, all-time low lending rates, fiscal sops, insurance benefits, freebies and improved level of service from established players and new entrants.

Looking at extremely low mortgage penetration, mortgage market in India may be expected to grow at 25%–30% CAGR in the coming years.

Cement and Steel contribute significantly to the total cost of house construction. The prices of Cement and Steel which are now on the rise will push up the cost of construction and, in turn, the demand for funds for housing.

During the year under review, the Securitisation & Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) was extended to cover HFCs, which is expected to lead to effective delinquency management.

Regulatory Guidelines

During the year under review, the following Regulatory measures have been introduced by the National Housing Bank (NHB) :

- HFCs have been directed to submit Mandatory Reports on Asset Liability Management (ALM) in the format prescribed by NHB from September 2003.
- The new 90 days norm for Non Performing Loans (NPLs) is required to be adopted from the year ending 31st March 2005. In order to spread, over a period of time, the burden of higher provisioning consequent to moving from 180 days to 90 days regime, NHB has permitted HFCs to phase out the provisioning over a period of three years commencing from the Financial Year 2004–05.

SHFL Operations and Financial Performance

During the year under review, the Company's approvals rose 34% from Rs. 356 Crores to Rs. 476 Crores. Disbursements grew at 56% from Rs. 237 Crores to Rs. 370 Crores.

The growth in the approvals during the year was more or less uniform across all the Southern States, with disbursements in Tamil Nadu growing by 53%, Andhra Pradesh by 67%, Karnataka by 61% and Kerala by 51%.

Golden Jubilee Rural Housing Refinance Scheme

During the year, Rs. 35 Crores were disbursed under the Golden Jubilee Rural Housing Refinance Scheme of the Government of India.

Profitability

Gross interest income for the year at Rs. 47.41 Crores grew by 41% from Rs. 33.60 Crores in the previous year whereas Financial Expenses at Rs. 36.04 Crores increased by 38% from Rs. 26.15 Crores in the previous year.

Gross NPLs where instalments remained outstanding for more than 6 months as on 31st March 2004 amounted to Rs. 10.99 Crores, constituting 1.78% of the loan portfolio. The Company has as a prudent measure made an additional provision of Rs. 0.75 Crore during the year. The total provision for NPLs stands at Rs. 1.87 Crores.

Net NPLs worked out 1.47% of the Loan Portfolio.

Profit Before Tax at Rs. 6.30 Crores rose by 13% from Rs. 5.59 Crores in the previous year. The Company's Networth stood at Rs. 63.63 Crores as on 31st March 2004.

Resources

During the year under review, the Company commenced drawing refinance from NHB, the total amount drawn as on 31st March 2004 being Rs. 115 Crores.

NHB reduced the refinance rates to HFCs during the year and also restructured the rates for refinance of housing loans up to Rs. 10 lakhs claimed under the Golden Jubilee Rural Housing Refinance Scheme of the Government of India.

NHB also introduced a short-term financial facility for HFCs for meeting their short-term liquidity requirements for operations.

The Company raised Rs. 75 Crores through privately placed Non Convertible Debentures (NCDs) by issuing Series III and Series IV. NCDs under Series III were at a fixed rate of interest, which was swapped to a variable rate basis. Series IV was issued on a variable rate basis.

The Company also took a Foreign Currency Loan of Rs. 42 Crores from a Bank. This Loan is renewable every six months and benchmarked against 6-month LIBOR.

Internal Audit and Compliance

The Company has put in place a mechanism to minimise operational risk by way of effective internal control systems, systems review and on-going internal audit programme. The Internal Auditors of the Company undertake a comprehensive audit of functional areas and operations at all branches of the Company. The Internal Audit Team reports directly to the Audit Committee of the Board.

The Company has internalized its Legal and Technical appraisal functions to ensure optimum control over these functions. The Company has a multi-level authorisation structure to ensure that higher levels of exposure are duly authorised by personnel and committees with requisite experience and authority. Training programmes and guidelines are provided with the object of implementing appropriate links between the policy goals and the operational level.

Risk Management

The management of Interest Rate Risk and Liquidity Risk are part of the critical component of risk management. The Company has developed an Asset-Liability Management model to measure and manage interest rate and liquidity risk. Management of interest rate risk aims at capturing the risk arising from maturity and re-pricing mismatches and is measured from the earning perspective. It involves constant monitoring of the Net Economic Value of the Company and analyzing the impact of changes in the Net Interest Income in the near term due to change in the interest rate. Cash flows are monitored continuously and appropriate steps are taken to set right mismatches if any, to address the liquidity risk. Liabilities are contracted and structured based on the behavioural pattern of the assets in terms of its maturity and re-pricing structure. The Asset Liability Risk Management

Committee (ALCO) reviews these processes regularly. The Company has also implemented the ALM Guidelines as prescribed by NHB and submits necessary returns to it periodically.

New Offices

During the year, the Company opened new offices at Pondicherry, Villupuram, Erode, Dindigul, Karaikudi, Thrissoor, Kannur, Vizag and Rajahmundry with a view to expanding its operations in the four Southern States. The Company has been expanding its operations on the backbone of a robust Information Systems Network through which all the main branches are connected on a real time basis to a central server. This has helped in reducing turn around time significantly and improving the quality of customer service.

Other Matters

Property Insurance

Right from inception, the Company had made property insurance compulsory for borrowers in their own interests. The process of property insurance has been made easy under an arrangement with Royal Sundaram Alliance Insurance Company Limited.

Optional Life Cover

The Company offers optional loan cover term assurance plan under an arrangement with SBI Life Insurance Co. Ltd., with the one-time payment of specially negotiated low premium. If a borrower wishes, the one-time premium can be included in the loan amount. This value addition has been appreciated by customers since it enables them to provide protection to their dependents in case of unfortunate demise.

Home Contents Insurance

The Company, under an arrangement with Royal Sundaram also offers Home Contents Insurance called, "Homeshield." This enables customers to protect the valuable contents of their home for a very low premium.

Property Portal

During the year, your Company launched a property portal christened 'sundaramhomefind' www.sundaramhomefind.com

This is in keeping with Sundaram Home's credo of going closer to customers and providing value added services and products.

The Portal which is an online property search offers to prospective home buyers credible information on current residential projects in Chennai, Bangalore, Hyderabad, Kochi, Trichy, Madurai and Coimbatore. Currently, about 425 projects have been listed on the Portal.

The Portal features latest residential projects regionwise. This enables the prospective home buyers to assess several options based on their requirement in terms of city, location and budget thereby making the home buying process hassle-free and easier.

Human Resource Management

The Company is committed to providing a rewarding and challenging work environment for all its employees. The focus of the Company's HR Policy is on creating a strong performance based culture. To this end, employees at all levels are exposed to training programmes, both internal and external.

During the year, the Company carried out an Employee Satisfaction Survey with the help of an external agency. The Company has taken a close look at some areas of improvement which were highlighted through the Survey and is in the process of implementing a series of steps to address these issues.

Outlook

The overall outlook for the Housing Finance Sector is encouraging, given the continuing demand supply lag. The changing income and demographic profiles of the country's population are likely to sustain the growth of this sector in the medium term. On the other hand, the entry of the large public and private sector Banks into the Housing Finance market has heightened the competition resulting in a significant narrowing of margins. The challenge for HFCs will therefore be, one of profitable growth. While the potential is significant, HFCs will have to contend with narrow margins, maturity mismatches and most importantly, maintaining asset quality. Sundaram Home is well placed to meet these challenges through a combination of targeted customer acquisition, superior customer service standards and increasing emphasis on credit and risk management.

Report of the Directors on Corporate Governance

Sundaram Home, since its inception has adopted good practices for Corporate Governance, disclosure standards and enhancing the shareholder value which have been consistently followed by its promoter Company, Sundaram Finance Limited (SF) for the last five decades.

The Company has imbibed the SF Group philosophy of observing Corporate Governance based on the principles of dedicated customer service, ethical business practices with transparency and accountability, efficient, safe and trusted financial policies.

The Directors present below the Company's policies and practices on Corporate Governance.

Board of Directors

Size and Composition of the Board

With a view to complying with the Listing Agreement with The National Stock Exchange of India Ltd. in respect of listing the Non Convertible Debentures issued by the Company, the Board of Directors inducted Mr. Srinivas Acharya as an Independent Director at the meeting held on 26th March 2004.

As per the Articles of Association of the Company, the maximum number of Directors on the Board can be 12. At present, the Board consists of 6 Directors with Mr. S. Viji as Non-Executive Chairman. Mr. Nitin Palany is the Managing Director of the Company. Mr. G.K. Raman, Mr. T.T. Srinivasaraghavan, Mr. N. Ganga Ram and Mr. Srinivas Acharya are the other Non-Executive Directors. Mr. Ganga Ram and Mr. Srinivas Acharya are Independent Directors on the Board.

The Company has no Nominee Director.

The Managing Director is appointed by the shareholders for periods up to 5 years but can be re-appointed on completion of term, if eligible.

Membership Term

As per the Articles of Association of the Company, at least two-thirds of the Board of Directors should be retiring Directors. One-third of the Directors are required to retire every year by rotation and if eligible, the retiring Directors qualify for re-appointment.

Membership of Other Boards

None of the Directors of the Company is a member of more than 10 Committees or is acting as Chairman of more than 5 Committees across all

Public Limited Companies in which he is a Director. Similarly, the Independent Directors on the Board are not on the Board of any competing Company.

Details of Directorships held by the Directors of the Company in other Public Limited Companies are given below :

S No.	Name of the Director	Other Directorships (other than Sundaram Home Finance Limited)		Committees in which Chairman/Member (other than Sundaram Home Finance Limited)	
		Chairman	Director	Chairman	Member
1.	Mr. S. Viji	1	9	-	5
2.	Mr. G.K. Raman	1	5	2	1
3.	Mr. T.T. Srinivasaraghavan	1	4	-	2
4.	Mr. N. Ganga Ram	-	5	2	2
5.	Mr. Srinivas Acharya	-	3	-	1
6.	Mr. Nitin Palany	-	-	-	-

Responsibilities

The Board formulates and implements Company policies, reviews Corporate Performance, ensures regulatory compliance and safeguards the interest of shareholders in optimizing long-term value of their stake in the Company. The Board provides strategic directions and guidance to the Executive Management which functions under its overall control and supervision.

Board Meetings

The Board Meetings are normally held at the Company's Registered Office in Chennai. The Board meets atleast once in a quarter. The Meetings are scheduled well in advance and the Notice of each Board Meeting is given in writing to all the Directors.

The Agenda for the Board Meeting is circulated to the Directors in advance.

During the year 2003-04 (April-March) under review, the Board met 11 times on the dates given below :

2003		2004
25th April	30th September	28th January
29th April	18th October	20th February
07th August	20th November	03rd March
16th September		26th March

The Board Meetings were attended as shown below :

S No.	Name of the Director	No. of Meetings Attended
1.	Mr. S. Viji	11
2.	Mr. G.K. Raman	09
3.	Mr. T.T. Srinivasaraghavan	11
4.	Mr. N. Ganga Ram	08
5.	Mr. Nitin Palany	11
6.	Mr. Srinivas Acharya	Nil

The day-to-day operations of the Company are looked after by the Managing Director under the overall superintendence, guidance and control of the Board.

Board Committees

The Board has constituted Committees consisting of Executive and Non-Executive Directors to focus on certain functions of the Company.

Executive Committee

The Executive Committee comprises two Non-Executive Directors viz., Mr. G.K. Raman, Chairman and Mr. T.T. Srinivasaraghavan, Member and Mr. Nitin Palany, Member.

The Committee has been delegated powers to approve loans, borrow monies and make investments up to the limits specified by the Board.

The Committee reviews conduct of business and operations, considers new products and parameters and suggests business reorientation.

The Executive Committee met 50 times during the year.

Audit Committee

The Audit Committee was reconstituted by the Board at its Meeting held on 26th March 2004.

The Audit Committee presently consists of three Non-Executive Directors of which two are Independent. The Members of the Committee are qualified and experienced in the fields of Finance/Accounts/ Law. The quorum for the meetings of the Committee is two Members. The Company Secretary is the Secretary of the Committee.

The Members of the Audit Committee are Mr. N. Ganga Ram—Chairman, Mr. Srinivas Acharya and Mr. G.K. Raman.

The Chairman of the Audit Committee remains present at the Annual General Meeting.

The external and internal auditors of the Company are invited to the Meetings of the Audit Committee.

The Managing Director and senior executives are also invited to the Meetings of the Committee.

The Audit Committee met five times during the year under review. The Committee also met prior to the finalisation of accounts for the year ended 31st March 2004. The details of sitting fees paid to the Members are as follows :

S No.	Member	No. of Meetings	Sitting Fees paid
1.	Mr. G.K. Raman	4	Nil
2.	Mr. T.T. Srinivasaraghavan	5	Nil
3.	Mr. N. Ganga Ram	4	Rs.35,000/-

The role of the Audit Committee, *inter alia*, includes :

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing the unaudited quarterly financial statements and make recommendation to the Board to take the same on record.
- Reviewing the effectiveness and adequacy of internal control systems and ensure compliance with the regulatory guidelines.
- Reviewing the Audit plans, nature and scope of Audit (both internal and external) and post-audit discussion to ascertain any area of concern.
- Fixing the Audit Fees and also approving payment for any other services.

Remuneration of Directors

Independent Directors are being remunerated by way of sitting fees.

Mr. N. Ganga Ram, Director was paid Rs.1,00,000/- during the Financial Year 2003–04 as Sitting Fees for attending Board/Committee Meetings.

The Managing Director has been appointed on a contractual basis with the approval of the shareholders. The remuneration package comprises salary and allowances and perquisites. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

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

As on 31st March 2004, the amount of Deposits placed by the Directors in the Company aggregated to Rs. 26,60,000/-. The interest on these Deposits paid/credited during the year 2003-04 amounted to Rs. 2,76,758/-

Related Party Transactions

There are no materially significant transactions with related parties i.e. its promoters, Directors and their relatives conflicting with the Company's interest.

Share Transfer/Investors Grievances Committee

The Promoters, Sundaram Finance Limited and other Institutional Investors. viz., International Finance Corporation (Washington) and FMO, Netherlands hold Equity Shares of the Company.

As the Company's Equity Shares are not listed, the requirement to form a Share Transfer/Investors Grievance Committee is not applicable.

The Debentures of the Company have been issued by way of private placement and are listed on the Wholesale Debt Market Segment of the National Stock Exchange of India Ltd.

Mr. S.N. Madhavan, Assistant Company Secretary is the Compliance Officer.

General Body Meetings

Time and venue of the last three Annual General Meetings :

Year	Date	Time	Venue
2002-03	07.08.2003	02.30 pm	Registered Office
2001-02	24.06.2002	04.00 pm	Registered Office
2000-01	24.08.2001	12.30 pm	Registered Office

No Special Resolutions were put through postal ballot in the year under review.

Listed Debentures

The Company issued three series of Non Convertible Debentures (NCDs) for Rs. 25 Crores each aggregating Rs. 75 Crores and these have been listed on the Wholesale Debt Market Segment of the National Stock Exchange of India Ltd. (NSE) on and from 21st January 2004. They are being compulsorily traded in dematerialized form. The listing details are as under :

NSE Stock Code : Security Type - DB
Security - SHF07, SHF07, SHF 08.

The Company has duly paid the Listing Fees for the Financial Year 2003–04 to NSE.

Cameo Corporate Services Ltd. have been appointed as the Registrar and Transfer Agents of the Company. The Registrar and Transfer Agents can be contacted by the investors at the following address:

Cameo Corporate Services Ltd.
' Subramaniam Building '
No.1, Club House Road, Chennai 600 002.
Ph : 044–28460390
Fax : 044–28460129
Email : Cameo@Cameoindia.com
Contact Person : Mr. R.D. Ramaswamy, General Manager

Means of Communication

In accordance with Clause 28 of the Listing Agreement with NSE, the quarterly/half-yearly Financial results will be forwarded to NSE periodically. Further, the same will also be published in the Newspapers as per the provisions of the said Clause and will be displayed on the Company's Website, viz. www.sundaramhome.com

Address for correspondence and any assistance / clarification :

Mr. S.N. Madhvan
Compliance Officer
Sundaram Home Finance Limited
Sundaram Towers, First Floor
46, Whites Road
Chennai 600 014.
E-mail: madhavan@sundaramhome.com

Management Discussion and Analysis Report

This Report forms part of the Annual Report.

General Shareholder Information

Fifth Annual General Meeting

Date	Time	Venue
23rd July 2004	12.30 pm	No.21, Patullos Road, Chennai 600 002

Financial Calendar

The financial calendar giving the dates on which the Company's Board will consider Unaudited/Audited results are as under :

Financial Year-1st April 2003 to 31st March 2004 Annual Accounts	23rd April 2004
Unaudited results for the quarter ending 30th June 2004	End of July 2004
Unaudited results for quarter / half Year ending 30th September 2004	End of October 2004
Unaudited results for the quarter ending 31st December 2004	End of January 2005

Share Price Performance

Not applicable.

Distribution of Shareholding as on 31st March 2004

No. of Equity Shares Held	No. of Share Holders	Total No. of Shares	% to Capital
100001 and above	7	5,00,00,000	100 %
Total	7	5,00,00,000	100 %

All the Shares are held in physical mode.

Auditors' Certificate on Corporate Governance

1. We have examined the compliance of conditions of corporate governance by Sundaram Home Finance Limited (the Company) for the year ended on 31st March, 2004 as stipulated in Clause 34 of the Listing Agreement entered into by the Company with a stock exchange.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. The debentures of the company were listed on the National Stock Exchange of India Ltd. (NSE) on 21st January, 2004.
 - (a) The appointment of independent Directors of the company as stipulated by the Listing Agreement with NSE has been complied with by the company on 26th March, 2004.
 - (b) The requirement of the Listing Agreement with NSE that
 - i) a majority of the members of the Audit Committee of the company need to be independent Directors has been complied with on 26th March, 2004.
 - ii) the Chairman of the Audit Committee should be an independent director has been complied with on 26th March, 2004.
 - iii) the quorum for the meeting of the Audit Committee should comprise of a minimum of two independent Directors has not been complied with for the meeting of the Audit Committee held on 12th March, 2004.
 - iv) the Audit committee be vested with the functions and duties specified in the Listing Agreement has been complied with from 26th March, 2004.
4. In our opinion and to the best of our information and according to the explanations given to us and taking into account the delays and the aspects mentioned in 3(a) and 3(b) above, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

5. We have been informed by the Company that the shares of the Company have not been listed and therefore, the Company has not constituted a shareholders/investors grievance committee.
6. The registrar and share transfer agents of the company have certified that there were no investor complaints relating to debentures, pending as on 31st March, 2004.
7. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 23rd April 2004

Membership No.25929

**Auditors' Report
to the Members
of Sundaram
Home Finance
Ltd.**

1. We have audited the attached balance sheet of Sundaram Home Finance Limited, as at 31st March 2004, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.

- (v) On the basis of written representations received from the Directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004;
- (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 23rd April 2004

Membership No.25929

**Annexure to the
Auditors' Report
Referred to in
Paragraph 3 of our
report of even date**

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account. Fixed Assets disposed off during the year were not substantial.
2. In our opinion and according to the information and explanations given to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The company had granted a housing loan of Rs. 5,00,000/- to the Managing Director of the company in an earlier year and a loan of Rs. 50,000/- during the year, which has been repaid during the year. The Company granted a housing loan of Rs. 24,85,605/- to a Director of the Company, prior to his appointment as a Director. The rate of interest and other terms and conditions of the loans are prima facie, not prejudicial to the interest of the company. The payment of interest and the repayment of principal are regular. There are no amounts 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. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that need to be entered into the register, have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under

Section 301 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to 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 the National Housing Bank and the provisions of Section 58A and Section 58AA of the Companies Act, 1956, 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 Companies Act, 1956.
8.
 - a) According to the records of the company, Provident Fund, Income Tax, Sales Tax 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, Sales Tax and Excise Duty which are outstanding as at 31st March, 2004 for a period of more than six months from the date they become payable.
9. According to the records of the company and the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Wealth Tax, Excise Duty, Cess which have not been deposited on account of any dispute.
10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the current and immediately preceding financial years.
11. Based on our audit procedures and 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 company is not a chit fund/nidhi/mutual benefit fund/society.
14. Based on our examination of records and information and explanations given to us, the Company has not dealt/traded in shares and debentures during the year. As informed and explained to us, proper records have been maintained of the transactions and contracts relating to dealing/trading in securities and other investments and timely entries have been made therein. The securities and other investments have been held by the Company in its own name.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company, were prima facie, 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 and vice versa, other than temporary deployment, pending application.
18. We have been informed that in respect of the secured debentures issued by the company in March, 2004 the security would be created within the stipulated time.
19. The company has not raised monies by public issue during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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 **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 23rd April 2004

Membership No.25929

Balance Sheet As at 31st March 2004

Schedule	31st March 2004 Rupees		31st March 2003 Rupees	
I Sources of Funds				
1. Shareholders' Funds				
a) Capital	1	50,00,00,000	50,00,00,000	
b) Reserves and Surplus	2	13,62,54,214	8,02,54,614	58,02,54,614
2. Loan Funds				
a) Secured Loans	3	547,32,76,340	281,16,73,000	
b) Unsecured Loans	4	50,67,27,443	49,28,94,570	330,45,67,570
Total		661,62,57,997		388,48,22,184
II Application of Funds				
1. Loans	5	618,79,65,731		354,85,40,816
2. Fixed Assets :	6			
Gross Block		4,08,99,600	3,07,06,514	
Less : Depreciation		1,87,71,539	1,29,30,891	
Net Block		2,21,28,061		1,77,75,623
3. Investments	7	36,28,89,168		23,93,76,101
4. Deferred Tax Asset (Net)				
Deferred Tax Asset		72,01,017	13,42,484	
Less : Deferred Tax Liability		9,01,477	30,55,922	(17,13,438)
5. Current Assets, Loans and Advances :				
a) Current Assets	8	7,00,51,189	9,74,08,936	
b) Loans and Advances	9	5,51,37,802	3,73,34,638	
	(A)	12,51,88,991	13,47,43,574	
Less : Current Liabilities and Provisions				
a) Current Liabilities	10	6,95,13,494	5,23,52,494	
b) Provisions	11	1,87,00,000	17,00,000	
	(B)	8,82,13,494	5,40,52,494	
Net Current Assets	(A-B)	3,69,75,497		8,06,91,080
6. Miscellaneous Expenditure (to the extent not written off or adjusted)				
Preliminary Expenses	12	-		1,52,002
Total		661,62,57,997		388,48,22,184
Notes to the Accounts	17			

Schedules 1 to 17 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
23rd April 2004

S. Viji
Chairman

Nitin Palany
Managing Director

S. Ramabadrán
Executive Director & Company Secretary

G. Satish Kumar
General Manager-Finance

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

Profit and Loss Account

For the year ended
31st March 2004

Schedule	2003-2004 Rupees	2002-2003 Rupees
Income		
Interest on Loans	47,41,45,570	33,59,93,751
(Tax deducted at Source Rs. 3,12,701/-)		
Loan processing and other fees	5,39,99,009	4,10,54,268
Other Income	3,63,38,863	3,12,91,974
Total	56,44,83,442	40,83,39,993
Expenditure		
Financial Expenses	36,05,46,624	26,15,60,476
Establishment Expenses	3,38,01,825	2,43,44,689
Administrative and Other Expenses	8,35,28,161	5,93,91,015
Preliminary Expenses written off	1,52,002	1,52,002
Provision Against Non Performing Loans	1,70,00,000	17,00,000
Total	49,50,28,612	34,71,48,182
Profit Before Depreciation and Tax	6,94,54,830	6,11,91,811
Less : Depreciation	64,63,208	52,46,085
Profit Before Tax	6,29,91,622	5,59,45,726
Less : Provision for Taxation (Including Wealth Tax)		
Current	1,50,05,000	95,00,000
Deferred Tax	(80,12,978)	17,79,788
Profit After Tax	5,59,99,600	4,46,65,938
Transfer from Contingency Reserve	-	5,00,000
Balance brought forward from the previous year	1,22,54,614	1,16,63,676
Amount available for Appropriation	6,82,54,214	5,68,29,614
Appropriations		
Special Reserve	2,40,00,000	1,45,75,000
General Reserve	3,00,00,000	3,00,00,000
Surplus-Balance carried to Balance Sheet	1,42,54,214	1,22,54,614
	6,82,54,214	5,68,29,614
Notes to the Accounts	17	
Earnings per Equity Share		
Number of Shares (Face Value of Rs.10/- per Share)	5,00,00,000	5,00,00,000
Basic and Diluted Earnings per Share	1.12	0.89

Schedules 1 to 17 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

Directors
G.K. Raman
T.T. Srinivasaraghavan
N. Ganga Ram
Srinivas Acharya

As per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
23rd April 2004

S. Viji
Chairman

Nitin Palany
Managing Director

S. Ramabadrán
Executive Director & Company Secretary

G. Satish Kumar
General Manager-Finance

Schedules

Forming part of
the Accounts

Schedule 1

Capital

	31 / 03 / 2004		31 / 03 / 2003	
	Rupees		Rupees	
Authorised				
5,00,00,000 Equity Shares of Rs. 10/- each		50,00,00,000		50,00,00,000
Issued, Subscribed and Fully Paid-up :				
5,00,00,000 Equity Shares of Rs. 10/- each		50,00,00,000		50,00,00,000
[Of the above, 3,25,00,000 Equity Shares are held by Sundaram Finance Limited (the Holding Company) and its nominees]				
		50,00,00,000		50,00,00,000

Schedule 2

Reserves and Surplus

Special Reserve				
Per last Balance Sheet	2,30,00,000		84,25,000	
Add : Transfer from Profit and Loss Account	2,40,00,000	4,70,00,000	1,45,75,000	2,30,00,000
Contingency Reserve				
Per last Balance Sheet			5,00,000	
Less : Transfer to Profit and Loss Account			5,00,000	-
General Reserve				
Per last Balance Sheet	4,50,00,000		1,50,00,000	
Add : Transfer from Profit and Loss Account	3,00,00,000	7,50,00,000	3,00,00,000	4,50,00,000
Surplus - Balance in Profit and Loss Account		1,42,54,214		1,22,54,614
		13,62,54,214		8,02,54,614

Schedule 3

Secured Loans

Non Convertible Debentures		125,00,00,000		50,00,00,000
From Scheduled Banks :				
Rupee Term Loans	221,57,15,000			181,16,73,000
Foreign Currency Loan	39,30,30,340	260,87,45,340		-
From others				
Rupee Term Loans				
National Housing Bank	111,45,31,000			
International Finance Corporation, Washington	50,00,00,000	161,45,31,000		50,00,00,000
		547,32,76,340		281,16,73,000

Schedule 4

Unsecured Loans

Fixed Deposits				
From Directors		26,60,000		26,60,000
From Others		50,40,67,443		49,02,34,570
		50,67,27,443		49,28,94,570

Schedule 5

Loans

Individuals		615,12,11,602		350,99,79,482
Corporate Bodies and Others		3,67,54,129		3,85,61,334
		618,79,65,731		354,85,40,816

Schedule 6

Fixed Assets

In Rupees

Description	Gross Block at cost				Depreciation				Net Block	
	As at 01/04/03	Additions	Deductions	As at 31/03/04	Upto 01/04/03	For the year	Deductions	Upto 31/03/04	As at 31/03/04	As at 31/03/03
Land	1,91,829	-	-	1,91,829	-	-	-	-	1,91,829	1,91,829
Furniture and Fittings	1,19,00,934	27,25,549	9,66,005	1,36,60,478	46,72,417	21,93,078	4,71,956	63,93,539	72,66,939	72,28,517
Office Equipment	22,77,879	13,25,820	43,209	35,60,490	6,93,643	4,68,547	15,660	11,46,530	24,13,960	15,84,236
Computers	77,75,673	45,28,716	21,000	1,22,83,389	46,55,644	23,26,446	9,459	69,72,631	53,10,758	31,20,029
Plant and Machinery	36,30,074	6,96,744	2,61,310	40,65,508	11,66,139	3,99,716	1,25,485	14,40,370	26,25,138	24,63,935
Vehicles	49,30,125	22,07,781	-	71,37,906	17,43,048	10,75,421	-	28,18,469	43,19,437	31,87,077
Total	3,07,06,514	1,14,84,610	12,91,524	4,08,99,600	1,29,30,891	64,63,208	6,22,560	1,87,71,539	2,21,28,061	1,77,75,623



Schedule 7		Face Value	31 / 03 / 2004	31 / 03 / 2003
Investments		Rupees	Rupees	Rupees
At Cost - Fully Paid				
Long Term				
1	In Government/Trust Securities			
	Non Trade			
A	Quoted :			
	Government Securities			
	Central Government Loans	2,67,27,000	3,29,59,089	3,12,70,900
	(Face Value of Rs. 29,27,000/- purchased during the year and Rs.18,00,000/- redeemed during the year)			
	Total		3,29,59,089	3,12,70,900
B	Un-Quoted :			
	In Trust Securities			
	Sundaram Bond Saver-Institutional-Quarterly Dividend Plan			
	37,30,221 units of Rs.10/- each (Purchased during the year)	3,73,02,210	3,88,14,812	-
	Kotak Floater-Weekly Dividend Plan	2,01,37,360	2,01,45,399	-
	20,13,736 units of Rs.10/- each (Purchased during the year)			
	Prudential ICICI Mutual Fund-Flexible Income Plan-Dividend Plan	3,65,96,190	3,91,19,129	-
	36,59,619 units of Rs.10/- each (Purchased during the year)			
	Templeton Floating Rate Income Fund-Long Term Plan	2,96,90,360	3,01,03,645	-
	29,69,036 units of Rs.10/- each (Purchased during the year)			
	Birla Floating Rate Fund Long Term Plan Dividend-Reinvestment Plan	3,00,95,960	3,11,70,688	-
	30,09,596 units of Rs.10/- each (Purchased during the year)			
	Grindlays Dynamic Bond Fund-Quarterly Dividend Plan	3,93,85,160	4,06,07,672	-
	39,38,516 units of Rs.10/- each (Purchased during the year)			
	Prudential ICICI Institutional Income Plan Fund-Dividend Option	3,65,37,020	-	4,00,00,000
	(36,53,702 units sold during the year)			
	K Bond-Institutional Plan-Dividend Option	1,90,39,100	-	2,00,00,000
	(19,03,910 units sold during the year)			
	Sundaram Bond Saver-Dividend Option	3,77,30,510	-	4,00,00,000
	(37,73,051 units sold during the year)			
	Birla Income Plus-Institutional Plan-Dividend Option	1,17,28,090	-	3,00,00,000
	(11,72,809 units sold during the year)			
	Templeton India Income Builder Account-Institutional Plan-Dividend Option	2,82,12,990	-	3,00,00,000
	(28,21,299 units sold during the year)			

	Face Value Rupees	31 / 03 / 2004 Rupees	31 / 03 / 2003 Rupees
Grindlays Super Saver Income Fund–Institutional Plan–Dividend Option (37,23,632 units sold during the year)	3,72,36,320	-	4,00,00,000
Sundaram Bond Saver–Bonus Option (6,90,583 units sold during the year)	69,05,830	-	71,05,201
In Bonds			
Un–Quoted			
11.25% NHB Priority Sector Bonds	10,00,000	10,00,000	10,00,000
Total		<u>23,39,20,434</u>	<u>23,93,76,101</u>

Current Investments

A Un–Quoted:

In Trust Securities

Prudential ICICI Flexible Income Plan–Growth Option 11,52,597 units of Rs.10/- each (28,42,686 units purchased and 16,90,089 units sold during the year)	1,15,25,970	1,37,00,000	-
Grindlays Dynamic Bond Fund–Growth Option 12,48,180 units of Rs.10/- each (Purchased during the year)	1,24,81,800	1,50,00,000	-
Sundaram Money Fund–Daily Dividend Re-invest Plan 19,90,929 units of Rs.10/- each (4,38,15,605 units purchased and 4,18,24,676 units sold during the year)	1,99,09,290	2,00,91,491	-
Prudential ICICI Institutional Liquid Plan–Daily Dividend Option 67,65,898 units of Rs.10/- each (1,43,61,477 units purchased and 75,95,579 units sold during the year)	6,76,58,980	8,01,77,243	-
Sundaram Money Fund–Appreciation Option (78,22,808 units purchased and sold during the year)	-	-	-
Kotak Liquid Institutional Plan–Daily Dividend Plan (73,66,078 units purchased and sold during the year)	-	-	-
Deutsche Insta Cash Plus Fund–Daily Dividend Plan (52,18,517 units purchased and sold during the year)	-	-	-
HSBC Cash Fund–Daily Dividend Plan (28,77,975 units purchased and sold during the year)	-	-	-
Prudential ICICI Floating Rate–Growth (24,93,989 units purchased and sold during the year)	-	-	-
Prudential ICICI Institutional Short Term Plan–Cumulative Option (42,13,294 units purchased and sold during the year)	-	-	-
Prudential ICICI Institutional Liquid Plan (64,46,186 units purchased and sold during the year)	-	-	-
Prudential ICICI Floating Rate Plan–Dividend Plan (38,95,513 units purchased and sold during the year)	-	-	-
Templeton Floating Rate Income Fund–Short Term Plan (80,12,276 units purchased and sold during the year)	-	-	-

	Face Value Rupees	31 / 03 / 2004 Rupees	31 / 03 / 2003 Rupees
Templeton India Treasury Management–Daily Dividend Reinvestment Plan (66,190 units purchased and sold during the year)	-	-	-
Birla Cash Plus–Dividend Reinvestment Plan (18,36,809 units purchased and sold during the year)	-	-	-
Birla Floating Rate Fund Short Term Plan Dividend–Reinvestment Plan (30,13,000 units purchased and sold during the year)	-	-	-
Standard Chartered Mutual Fund–Floating Rate Fund–Growth Option (59,40,244 units purchased and sold during the year)	-	-	-
GMBG GSSIF–Medium Term Inst Plan B–Growth Option (48,98,263 units purchased and sold during the year)	-	-	-
Grindlays Cash Fund–Growth Option (13,22,992 units purchased and sold during the year)	-	-	-
Grindlays Cash Fund–Daily Dividend Plan (46,12,681 units purchased and sold during the year)	-	-	-
Grindlays Cash Fund–Inst Plan B–Growth Option (1,31,59,626 units purchased and sold during the year)	-	-	-
Grindlays Cash Fund–Inst Plan B–Daily Dividend Plan (2,55,30,838 units purchased and sold during the year)	-	-	-
Grindlays Floating Rate Fund–Weekly Dividend Plan (40,31,298 units purchased and sold during the year)	-	-	-
IL&FS Liquid Account–Dividend Plan (40,02,047 units purchased and sold during the year)	-	-	-
IL&FS Liquid Account–Institutional Plan–Dividend Option (30,02,244 units purchased and sold during the year)	-	-	-
IL&FS Liquid Account–Institutional Plan–Growth Option (33,79,106 units purchased and sold during the year)	-	-	-
HDFC Cash Fund–Daily Dividend Plan (78,12,533 units purchased and sold during the year)	-	-	-
Schedule Total		<u>12,89,68,734</u>	<u>-</u>
Grand Total		<u>36,28,89,168</u>	<u>23,93,76,101</u>
		Cost Rupees	Market Value Rupees
Aggregate of Quoted Investments		3,29,59,089	3,38,86,705
Aggregate of Unquoted Investments		32,99,30,079	*32,90,79,919
Total		<u>36,28,89,168</u>	<u>36,29,66,624</u>

* Includes investments in Mutual Funds units at NAV and NHB bonds at cost.

Schedule 8
Current Assets

	31 / 03 / 2004	31 / 03 / 2003
	Rupees	Rupees
Interest Accrued on Investments	29,49,532	18,64,743
Cash and Bank Balances with Scheduled Banks in:		
Current Accounts	3,18,59,146	5,24,60,849
Deposit Accounts	3,44,00,000	4,27,00,000
Cash on Hand	8,42,511	9,55,44,193
	<u>7,00,51,189</u>	<u>9,74,08,936</u>

Schedule 9
Loans and Advances
Secured, Considered Good

Instalments due from Borrowers	4,01,20,021	2,66,49,331
Loans Against Deposits	12,10,795	10,22,042

Unsecured, Considered Good

Advances and Deposits recoverable in cash or for value to be received	1,19,14,759	72,27,760
Advance Income Tax and Tax Deducted at Source (Net)	18,92,227	24,35,505

	<u>5,51,37,802</u>	<u>3,73,34,638</u>
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Schedule 10
Current Liabilities
Sundry Creditors

For expenses	91,88,793	75,17,243
For others	56,11,536	28,70,075
Interest accrued but not due	5,47,13,165	4,19,65,176

	<u>6,95,13,494</u>	<u>5,23,52,494</u>
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There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

Schedule 11
Provisions
Provision Against Non Performing Loans

	1,87,00,000	17,00,000
	<u>1,87,00,000</u>	<u>17,00,000</u>

Schedule 12
Miscellaneous Expenditure
(to the extent not written off or adjusted)

Preliminary Expenses	1,52,002	3,04,004
Less : Written off during the year	1,52,002	1,52,002
	<u>-</u>	<u>1,52,002</u>

Schedule 13**Other Income**

	31 / 03 / 2004	31 / 03 / 2003
	Rupees	Rupees
Dividend Income	1,82,74,779	-
Interest Receipts		
(Tax Deducted at Source Rs.3,18,009/-)	60,13,365	39,94,725
Profit on Sale of Investments	29,69,453	2,48,95,261
Miscellaneous Income	90,22,520	24,01,889
Profit on Sale of Fixed Assets	58,746	99
	<u>3,63,38,863</u>	<u>3,12,91,974</u>

Schedule 14**Financial Expenses**

Interest - Fixed Loans	23,31,52,488	22,45,01,112
- Debentures	5,12,71,781	2,32,98,973
- Others	6,22,36,579	-
Other Financial Expenses	1,38,85,776	1,37,60,391
	<u>36,05,46,624</u>	<u>26,15,60,476</u>

Schedule 15**Establishment Expenses**

Salaries, Allowances and Bonus	2,86,09,780	2,09,43,957
Company's Contribution to Provident Fund and Superannuation Schemes	17,79,743	13,43,979
Staff Welfare Expenses	15,83,907	10,97,837
Training Expenses	9,22,022	6,77,611
Gratuity	9,06,373	2,81,305
	<u>3,38,01,825</u>	<u>2,43,44,689</u>

Schedule 16**Administrative and Other Expenses**

Rent	83,28,597	58,81,470
Lease Rent	9,85,070	7,86,128
Rates and Taxes	5,52,727	13,83,965
Communication Expenses	52,94,730	34,92,774
Electricity	25,74,564	18,97,547
Travelling and Conveyance	51,24,387	42,79,974
Advertisement and Publicity	1,90,04,881	1,68,77,718
Directors' Sitting Fees	1,00,000	35,000
Insurance	19,97,585	8,10,071
Repairs and Maintenance		
- Buildings	35,86,359	18,37,502
- Others	37,62,055	25,94,374
Printing and Stationery	28,40,990	18,46,812
Database and Networking Expenses	57,52,873	42,30,531
Professional and Consultancy Fees	23,66,665	25,05,413
Commission	65,52,315	52,53,674
Software charges	66,55,541	25,42,939
Miscellaneous Expenses	54,01,365	31,05,633
Bad Debts	-	25,014
Loss on Sale of Investments	26,11,991	3,737
Assets discarded	35,466	739
	<u>8,35,28,161</u>	<u>5,93,91,015</u>

Schedule 17
Notes to the Accounts
1 Significant Accounting Policies

- 1.1 The accounts are prepared on accrual basis under the historical cost convention and based on applicable Accounting Standards.
- 1.2 Income Recognition :
Interest on loans granted is recognised as income on accrual basis. Loans granted are repayable in Equated Monthly Instalments (EMIs), comprising principal and interest. The EMIs commence on the entire disbursement of the loan sanctioned. Pre-EMI Interest is payable monthly, where the loan is partly disbursed.
- 1.3 The Company follows the directions prescribed by the National Housing Bank for Housing Finance Companies.
- 1.4 Valuation of Fixed Assets :
Fixed Assets are carried at historical cost less accumulated depreciation.
- 1.5 Depreciation/Amortisation Policy :
Depreciation on Assets is provided on the written down value method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs. 5,000/- or less are written down in the year of acquisition to Re.1/-.
- 1.6 Valuation of Investments :
Long Term Investments are carried at cost.
Current investments are valued at lower of cost and market value/net asset value.
- 1.7 Foreign Currency Loans :
Foreign Exchange Transactions covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences resulting in income or expense are dealt with in the Profit and Loss account. Premium on forward contracts is recognised as an expense over the tenure of the contract, wherever applicable.
- 1.8 Retirement Benefits :
(i) The Company's liability towards superannuation to the employees is covered by a group policy with Life Insurance Corporation of India.
(ii) Liability on account of gratuity and encashment of leave is provided for on the basis of an actuarial valuation conducted at the end of the year.
- 1.9 Preliminary Expenses :
Preliminary expenses are written off in five equal annual instalments.

2 Balance Sheet

- 2.1 Reserves and Surplus :
Special Reserve
The appropriation of profit to the Special Reserve is in accordance with the provisions of Section 36 (1) (viii) of the Income Tax Act, 1961 and Section 29C of the National Housing Bank Act, 1987.
- 2.2 Secured Loans:
- 2.2.1 Non Convertible Debentures :
Details of privately placed secured redeemable Non Convertible Debentures :

Date of Allotment	Face Value (Rupees)	Date of Redemption
16th August 2002	25,00,00,000/-	16th August 2007
30th November 2002	25,00,00,000/-	30th November 2007
30th September 2003	25,00,00,000/-	30th September 2008
26th March 2004	50,00,00,000/-	26th March 2007
Total	125,00,00,000/-	

The Non Convertible Debentures of Rs. 125,00,00,000/- are secured by a first mortgage over a specific immovable property belonging to the Company and a negative lien on its assets. Sundaram Finance Ltd., the holding Company, has guaranteed the payment of interest and the redemption of the debentures to an extent of Rs. 100 Crores.

2.2.2 From Scheduled Banks :

Rupee Term Loans

Term Loans of Rs. 221,57,15,000/- are secured by a negative lien on properties acquired by the borrower(s) from the loans granted by the company and mortgaged to it.

Foreign Currency Loan

During the year, the company availed a Foreign Currency Loan which is secured by a negative lien on properties acquired by the borrowers from the loans granted by the Company and mortgaged to it.

2.2.3 From others

National Housing Bank

Rupee Term Loans of Rs. 111,45,31,000/- by way of refinance are secured by a negative lien on the assets of the Company.

International Finance Corporation, Washington:

Rupee Term Loan of Rs. 50,00,00,000/- is secured by a negative lien on the assets of the Company.

2.3 Loans

2.3.1 Loans granted by the Company are secured by equitable mortgage of properties.

2.3.2 Loans secured by equitable mortgage of properties include :

- (i) Rs. 3,71,990/- (31.03.2003–Rs. 4,69,228/-) due from the Managing Director of the Company. During the year, an additional loan of Rs. 50,000/- was granted to the Managing Director and was repaid by him. Maximum amount outstanding in respect of the loan at any time during the year Rs. 5,11,432/- (31.03.2003–Rs. 5,00,000/-).
- (ii) Rs. 24,67,480/- (31.03.2003–Nil) due from a Director of the Company, granted prior to the date of appointment as Director. Maximum outstanding at any time during the year Rs. 24,85,605/- (31.03.2003–Nil)
- (iii) Rs. 21,16,234/- (31.03.2003–Rs. 20,89,665/-) where an Officer of the Company is the Co-borrower. An additional Loan of Rs. 2,00,000/- was granted during the year. Maximum amount outstanding at any time during the year Rs. 22,63,766/- (31.03.2003–Rs. 22,33,659/-).

2.4 Fixed Assets include a vehicle acquired under a loan agreement, where the vehicle was hypothecated for the loan.

2.5 Advances and deposits recoverable in cash or in kind or for value to be received under “ Loans and Advances “ include an amount of Rs. 14,649/- (31.03.2003–Rs.34,851/-) due from an Officer of the Company. Maximum amount due at any time during the year : Rs. 34,851/- (31.03.2003–Rs.55,005/-).

2.6 Advance Income Tax and Tax deducted at Source–Rs. 18,92,227/- (31.03.2003 Rs. 24,35,505/-) is net of Provision for Taxation of Rs. 2,90,05,000/- (Previous Year Rs. 1,40,00,000/-)

2.7 Sundry Creditors for expenses under Current Liabilities include Rs. 4,80,000/- (31.03.2003–Rs. 4,20,000/-) payable to the Managing Director.

2.8 Interest accrued but not due under Current Liabilities includes interest on deposits from Directors amounting to Rs. 2,92,030/- (31.03.2003–Rs. 1,71,763/-).

3 Profit and Loss Account

3.1 Interest on Fixed loans includes interest of Rs. 2,76,758/- on Fixed Deposits paid/credited to Directors (31.03.2003–Rs. 2,38,059/-).

3.2 Profit/Loss on sale of investments comprise

	2003-04		2002-03	
	Rupees		Rupees	
	Profit	Loss	Profit	Loss
Long Term Investments	6,88,028/-	2,83,781/-	1,73,41,717/-	NIL
Current Investments	22,81,425/-	23,28,210/-	75,53,544/-	3,737/-
Total	29,69,453/-	26,11,991/-	2,48,95,261/-	3,737/-

3.3 The Company has taken forward cover on its Foreign Currency Loan. The forward premium of Rs. 1,48,697/- and the profit on exchange variation of Rs. 43,20,015/- in respect of loan have been recognised in the Profit and Loss Account. Forward Premium of Rs. 5,69,695/- is to be recognised in the subsequent year.

3.4 Establishment Charges include remuneration to the Managing Director

	2003-04 Rupees	2002-03 Rupees
Salary and Allowances	19,20,000	14,48,000
Contribution to Provident Fund, Superannuation Fund and Gratuity	2,77,290	2,41,143
Other Allowances and Perquisites	2,44,398	5,38,793
Total *	24,41,688	22,27,936

* Of this, Rs. 1,16,086/- representing increase in remuneration from 1st October 2003 is subject to the approval of the shareholders in General Meeting.

3.5 Miscellaneous Expenses under "Administrative and Other Expenses" include remuneration to Auditors towards

	2003-04 Rupees	2002-03 Rupees
Statutory Audit	3,00,000/-	2,50,000/-
Tax Audit	1,00,000/-	75,000/-
Certification	1,50,000/-	70,000/-
Service Tax	44,000/-	31,600/-
Total	5,94,000/-	4,26,600/-

4 General

4.1 The Company has taken assets on lease in the earlier years. The future rentals payable under the relative lease agreements amount to Rs. 6,13,457/- (31.03.2003-Rs. 15,98,527/-).

4.2 The Company has identified Housing Finance as the only Business Segment.

4.3 There is no small scale industrial undertaking to whom the Company owes any sum which is outstanding for more than 30 days.

4.4 In accordance with Accounting Standard-22 'Accounting for taxes on Income' - issued by The Institute of Chartered Accountants of India, the details of Deferred Tax Asset and Liability arising on account of timing differences are :

	Deferred Tax Asset Rupees	Deferred Tax Liability Rupees
a. Depreciation	-	9,01,477/-
b. Provision Against Non Performing Loans	67,08,625/-	-
c. Others(Provision for Gratuity, Leave Encashment etc.)	4,92,392/-	-
Total	72,01,017/-	9,01,477/-

4.5 In accordance with Accounting Standard–18 'Related Parties Disclosures'–issued by The Institute of Chartered Accountants of India, the details of Related Parties Transactions are given below

Holding Company : Sundaram Finance Ltd.
 Associates : Sundaram Asset Management Company Ltd.
 Sundaram Finance Distribution Ltd.
 Sundaram Finance Trustee Company Ltd.
 Royal Sundaram Alliance Insurance Company Ltd.
 Key Management Personnel : Mr. Nitin Palany–Managing Director

The nature and volume of transactions of the Company during the year, with the above related parties are as follows

(in Rupees)

Particulars	Holding Company	Associates	Key Management Personnel	Total 2003 - 04	Previous Year 2002 - 03
Income					
Commission	-	15,88,129	-	15,88,129	-
Interest on Housing Loan	-	-	15,176	15,176	1,92,146
Rent and Connectivity Charges	-	1,41,000	-	1,41,000	80,400
Total	-	17,29,129	15,176	17,44,305	2,72,546
Expenses					
Rent and Office Maintenance	35,47,259	-	-	35,47,259	32,02,013
Brokerage, Commission, Deposit and Payroll Processing Charges	25,68,056	-	-	25,68,056	28,56,357
Lease Rentals	9,85,070	-	-	9,85,070	7,86,128
HP Charges	1,04,400	-	-	1,04,400	1,04,400
Guarantee Commission	15,59,792	-	-	15,59,792	3,72,003
Internal Audit fees	3,05,000	-	-	3,05,000	1,44,000
Connectivity and Other Charges	53,68,199	-	-	53,68,199	40,28,102
Insurance Premium	-	24,86,032	-	24,86,032	9,80,148
Remuneration	-	-	24,41,688	24,41,688	22,27,936
Interest on Fixed Deposits	-	-	1,254	1,254	402
Total	1,44,37,776	24,86,032	24,42,942	1,93,66,750	1,47,01,489
Assets					
Purchase of Assets	15,93,807	-	-	15,93,807	-
Sale of Assets	-	6,92,242	-	6,92,242	-
Housing Loan granted	-	-	50,000	50,000	5,00,000
Total	15,93,807	6,92,242	50,000	23,36,049	5,00,000
Repayment of Housing Loan	-	-	1,47,238	1,47,238	20,65,958
Total	-	-	1,47,238	1,47,238	20,65,958

4.6 Expenditure in foreign currency on payment basis

Fees : Nil (2002-03-Rs. 76,24,381/-)

On Other Matters : Rs. 2,68,637/- (2002-03-Rs. 4,26,322/-)

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

4.8 Figures have been rounded off to the nearest rupee.

As per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
23rd April 2004

S. Viji
Chairman

Nitin Palany
Managing Director

S. Ramabdran
Executive Director & Company Secretary

G. Satish Kumar
General Manager-Finance

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

Balance Sheet Abstract and Company's General Business Profile

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

I Registration Details

Registration No. - State Code

Balance Sheet Date

Date Month Year

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Loans Net Current Assets

Misc. Expenditure Accumulated Losses

IV Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure

Profit Before Tax Profit After Tax

Earnings Per Share in Rs. . Dividend Rate %

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

Item Code No.(ITC Code) Not Applicable

Product / Service Description

Cash Flow Statement

	For the year ended 31 / 03 / 2004 Rupees		For the year ended 31 / 03 / 2003 Rupees	
A) Cash Flow From Operating Activities				
Net Profit as per profit and loss account		5,59,99,600		4,46,65,938
Adjustments				
Preliminary Expenses	1,52,002		1,52,002	
Provision for tax (including Wealth tax)	1,50,05,000		95,00,000	
Deferred Tax	(80,12,978)		17,79,788	
Dividend Income	(1,82,74,779)		-	
Hire Purchase Instalment	1,04,400		1,04,400	
Exchange Difference	(43,03,572)		-	
Assets Discarded	35,466		739	
Profit on Sale of Assets	(58,746)		(99)	
Profit on Sale of Investments	(29,69,453)		(2,48,95,261)	
Loss on Sale of Investments	26,11,991		3,737	
Provision against Non Performing Loans	1,70,00,000		17,00,000	
Depreciation	64,63,208		52,46,085	
Financial Expenses	36,05,46,623	36,82,99,162	26,15,60,477	25,51,51,868
Operating Profit Before Working Capital Changes		42,42,98,762		29,98,17,806
Adjustments for				
Trade and other receivables	(85,92,953)		(5,37,78,191)	
Trade payables and other liabilities	1,71,61,000	85,68,047	3,90,48,144	(1,47,30,047)
Loans Disbursed(Net)		(263,94,24,913)		(150,85,99,448)
Cash Generated From Operations		(220,65,58,104)		(122,35,11,689)
Financial Expenses	(36,05,46,623)		(26,15,60,477)	
Advance Tax Paid	(1,70,00,000)	(37,75,46,623)	(1,00,00,000)	(27,15,60,477)
Net Cash from Operating Activity (A)		(258,41,04,727)		(149,50,72,166)
B) Cash Flow From Investing Activities				
Dividend Received		1,82,74,779		-
Sale of Fixed Assets		6,92,242		99
Purchase of Fixed Asset		(1,14,84,610)		(39,28,934)
Repayment of Hire Purchase Principal		(93,836)		(83,575)
Purchase of Investment		(242,05,30,141)		(150,22,40,271)
Sale of Investments		229,73,74,536		145,16,83,054
Net Cash from Investing Activity (B)		(11,57,67,030)		(5,45,69,627)

	For the year ended 31 / 03 / 2004 Rupees	For the year ended 31 / 03 / 2003 Rupees
C) Cash Flow From Financing Activities		
Increase in Borrowings(Net)	266,59,06,912	130,30,82,610
Repayment of Hire Purchase Interest	(10,564)	(20,825)
Increase in Fixed Deposits (Net)	1,38,32,873	28,79,31,570
Net Cash From Financing Activity (C)	<u>267,97,29,221</u>	<u>159,09,93,355</u>
Net Increase/(Decrease) in Cash and Cash Equivalent(A+B+C)	<u>(2,01,42,536)</u>	<u>4,13,51,562</u>
Cash and Cash Equivalent at the beginning of the period	5,28,44,193	1,14,92,631
Cash and Cash equivalent at the end of the period	<u>3,27,01,657</u>	<u>5,28,44,193</u>

Notes to the Cash Flow Statement

- 1) Cash and Cash Equivalents consist of Cash on hand and balances with banks. Cash and Cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

Cash on hand	8,42,511	3,83,344
Balances with banks	3,18,59,146	5,24,60,849
Cash and Cash equivalents	<u>3,27,01,657</u>	<u>5,28,44,193</u>

- 2) Total tax paid during the year (Including tax deducted at source) amounted to Rs. 1,77,31,400/-

As per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
23rd April 2004

S. Viji
Chairman

Nitin Palany
Managing Director

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Executive Director & Company Secretary

G. Satish Kumar
General Manager–Finance

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya



SUNDARAM HOME

REGISTERED OFFICE

21, Patullos Road, Chennai - 600 002. Tel: (044) 28521181

CORPORATE OFFICE

46, Whites Road, Chennai - 600 014. Tel: (044) 28515267

BRANCHES

Chennai	044 - 28155151 044 - 22210244	Villupuram	04146 - 226624	Pondicherry	0413 - 2330509	Vellore	0416 - 2224884
Coimbatore	0422 - 2214455	Salem	0427 - 2311170	Erode	0424 - 5501999		
Madurai	0452 - 2339542	Tirunelveli	0462 - 2500 274	Tuticorin	0461 - 2328827	Dindugal	0451 - 2422001
Trichy	0431 - 2769200	Tanjore	04362 - 233216	Karaikudi	04565 - 233202		
Hyderabad	040 - 27806002	Vijayawada	0866 - 2482244	Visakapatnam	0891 - 2575522	Rajamundry	0883 - 2471376
Kakinada	0844 - 2358257						
Cochin	0484 - 2350341	Calicut	0495 - 2725604	Trivandrum	0471 - 2326086	Palakkad	0491 - 2528610
Trichur	0487 - 2322979						
Bangalore	080 - 22124444	Mysore	0821 - 2425007	Hosur	04344 - 243318	Hubli	0836 - 2368919



SUNDARAM HOME