

Sri T.S. Santhanam
08.11.1912 – 15.04.2005



TRIBUTE

We record with profound sorrow, the passing away of Sri T.S.Santhanam, our revered Founder and Chairman, on 15th April 2005. This marks the end of an era and the void created by his passing is immeasurable.

Born on 8th November 1912, Sri T.S. Santhanam was the 4th son of the late Sri T.V. Sundram Iyengar. Having taken to his family business at a very young age along with his father and brothers, he played an important role in the setting up of various companies under the TVS group, many with foreign partners, most of whom are market leaders today and renowned internationally for their quality. He had over seven decades of rich experience in Road Transport, Marketing of Automobiles and Spare Parts, Manufacture of Automobile Components, General Insurance, Banking and Finance.

He founded the Madras Motor and General Insurance Company Ltd (MMGI) in the early fifties, which became one of the most respected and profitable insurance companies in this part of the world. MMGI was later on merged with what is today United India Insurance Company Ltd., upon nationalisation. He founded Sundaram Finance Limited in 1954 as a subsidiary of MMGI to fulfil the long felt need for auto financing on fair terms. Today, the Company, that he founded, is recognised as one of the most respected Financial Services Companies in the country.

A stickler for discipline and a firm believer in ethical business practices, he had an uncompromising commitment to customer service and employee welfare. He was a lifelong champion in the cause of the Road Transport sector and a pioneer in the Non Banking Financial sector. Recognising his invaluable expertise, the Government of India nominated him as a member of several important committees constituted by it in the areas of road transport, industrial development, banking, taxation and company law.

He was known as much for his espousal of charitable and public causes, as for his business acumen. His commitment to society at large was evident from the generous support he lent to several educational, medical, religious and charitable institutions. Sundaram Medical Foundation, Chennai's premier healthcare institution, stands as a glittering monument to his philanthropic disposition. It was his firmly held belief that one should give back to society in substantial measure what one has derived from it.

Sri T.S.Santhanam will be remembered for his human qualities, his vision and above all, for his values and strong principles. The many institutions that he founded and the values on which they have been built are the proud legacies that he has left behind. We are fortunate that our lives were touched by one such as he. His spirit will continue to guide us for all time to come.



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SUNDARAM FINANCE
Enduring values. New age thinking.

A member of the



International Finance & Leasing Association

Board of Directors

S. Viji	Chairman
S. Ram	
S. Narayanan	
A. Rangaswami	
S. Padmanabhan	
T.R. Seshadri	
N. Ganga Ram	
G.K. Raman	Wholetime Director
T.T. Srinivasaraghavan	Managing Director
Srinivas Acharya	Deputy Managing Director

Audit Committee

S. Padmanabhan	Chairman
A. Rangaswami	
S. Viji	

Share Transfer & Investor Relations Committee

S. Padmanabhan	Chairman
A. Rangaswami	
T.T. Srinivasaraghavan	

Asset Liability Management Committee

T.T. Srinivasaraghavan	Chairman
S. Venkatesan	
P.S. Raghavan	
A.N. Raju	
M. Ramaswamy	

Company Secretary

S. Venkatesan	Executive Director (Finance) & Secretary
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Auditors

M/s. Brahmaya & Co., Chennai	Chartered Accountants
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Systems Auditors

M/s. Tejas Brainware Systems (P) Ltd., Chennai
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Registered Office

21, Patullos Road, Chennai - 600 002
Tel: 044 2852 1181, Fax: 044 2858 6641

Website : www.sundaramfinance.in

Senior Management

S. Venkatesan	Executive Director (Finance) & Secretary
P.S. Raghavan	Executive Director (Operations)
A.N. Raju	Executive Director (Operations)
Paramesh Krishnaier	Sr. Vice President (Operations)
K. Swaminathan	Sr. Vice President (Sundaram Infotech Solutions)
M. Ramaswamy	Sr. Vice President (Finance & Accounts)
Moahan Ananda Venkatesan	Vice President (Operations)
G.C. Rangan	Vice President (Operations)
S. Ravindran	Vice President (Operations)
R. Anand	Vice President (Corporate Affairs)
P. Viswanathan	Vice President
S. Sivakumar	General Manager (Operations)
S. Srinivasan	General Manager (Operations)
T.S. Venkataraman	General Manager (Operations)
M.J. Kulkarni	General Manager (Operations)
S. Ramachandran	General Manager (Audit)
K. Manivannan	General Manager (Training)
J. Raghunathan	General Manager (Sundaram Infotech Solutions)
S. Santhanam	General Manager (Sundaram Business Services)
G. Sundararajan	General Manager (Finance)

Subsidiaries

Sundaram Home Finance Limited
Sundaram Asset Management Company Limited
Royal Sundaram Alliance Insurance Company Limited
Sundaram Finance Distribution Limited
LGF Services Private Limited
Sundaram Finance Trustee Company Limited

Bankers

State Bank of India	Bank of India
State Bank of Travancore	Bank of Baroda
State Bank of Hyderabad	Syndicate Bank
State Bank of Saurashtra	UCO Bank
State Bank of Patiala	HDFC Bank Ltd
Indian Overseas Bank	IDBI Bank Ltd
Indian Bank	Standard Chartered Bank
United Bank of India	Canara Bank
The Hongkong & Shanghai Banking Corporation Ltd	ABN-Amro Bank N.V.

Debenture Trustee

Indian Overseas Bank
Merchant Banking Division
763, Anna Salai, Chennai 600 002

CURRENCY EQUIVALENTS

Rs. One Million	=	Rs. 10 Lakhs	US\$ 1	=	Indian Rs. 43.7450*
Rs. One Billion	=	Rs. 100 Crores or Rs. 10,000 Lakhs			* Foreign Exchange Dealers' Association of India Rate as on 31.03.2005

Directors' Report

With profound sorrow, your directors record the passing away of our revered Founder Director and Chairman, Sri T.S. Santhanam, on 15th April 2005. Born on 8th November 1912, Sri T.S. Santhanam was the 4th son of the late Sri T.V. Sundram Iyengar. Having taken to his family business at a very young age along with his father and brothers, he played an important role in the setting up of various companies under the TVS group. He was a lifelong champion in the cause of the Road Transport sector and a pioneer in the Non-Banking Financial sector. A stickler for discipline and a firm believer in ethical business practices, he had an uncompromising commitment to customer service and employee welfare. He was known as much for his espousal of charitable and public causes, as for his business acumen. His passing marks the end of an era. Your directors place on record their deeply felt appreciation of the visionary leadership provided by Sri T.S.Santhanam for over five decades.

FINANCIAL RESULTS:

Your directors present the 52nd Annual Report with audited accounts for the year ended 31st March 2005.

The summarised financial results of the Company, are given hereunder:

(Rs. in Cr.)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
Profit after Tax	75.99	55.62
Surplus brought forward	35.13	33.55
Amount available for appropriation	111.12	89.17
Appropriations have been made as under:		
Transfer to Special Reserve	13.00	2.50
Transfer to Statutory Reserve	15.20	11.13
Transfer to General Reserve	30.00	30.00
Dividend	21.87	16.80
Dividend Tax	3.06	2.15
Surplus carried to balance sheet	27.99	26.59
	111.12	89.17

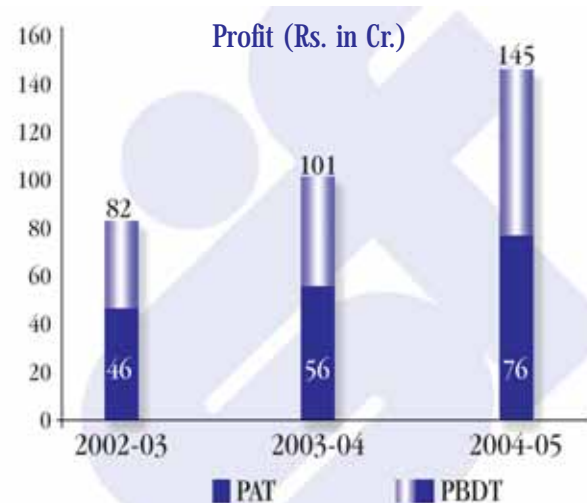
MERGER OF LAKSHMI GENERAL FINANCE LIMITED (LGF) WITH THE COMPANY

Pursuant to the Order passed by the Honourable High Court of Judicature at Madras on 25th February 2005, LGF merged with your Company with effect from 1st April 2004.

On 29th April 2005, the Board of Directors of your Company issued and allotted 37,75,965 equity shares of Rs. 10/- each to the shareholders of LGF, in the ratio of 1:1.52, in accordance with clause 10.1 of the Scheme of Amalgamation. With this, the paid-up capital of your Company stands enhanced to Rs. 27.78 cr.

Consequent to the amalgamation, the accounts for the financial year ended 31st March 2005 are prepared after taking into account the transactions of LGF and, therefore, the figures given herein and

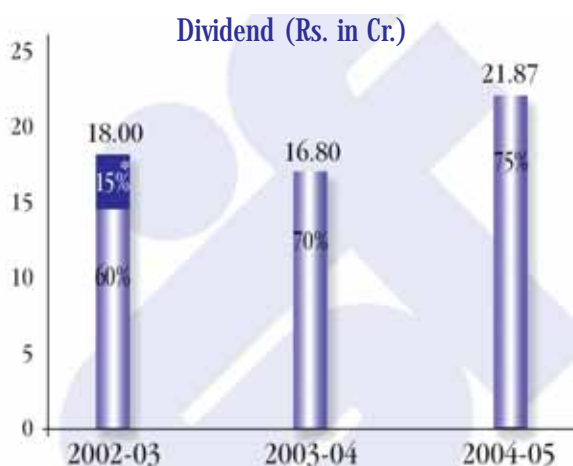
elsewhere in the Annual Report are not strictly comparable with those of the previous year.



DIVIDEND

For the financial year ended 31st March 2005, your directors declared a tax-free interim dividend of 60% on the paid-up capital of Rs. 24 cr. and the Board of Directors of LGE declared tax-free interim dividends totalling 65% on their paid-up capital of Rs. 7 cr.

Your directors are now happy to recommend a final dividend of 15% on the increased capital of Rs. 27.78 cr. This, together with the interim dividend of 60% paid on 17th February 2005, aggregates to a total dividend of 75%.



* Special Golden Jubilee Dividend

BUSINESS

The automotive sector registered further growth during 2004-05 for the third successive year. Sale of Medium and Heavy Commercial Vehicles increased by 23% and sale of Light Commercial Vehicles increased by 22%, as compared to 38% and 35% during the previous year. Sales of Cars and Multi-Utility Vehicles went up by 18% as compared to 27% during the previous year. Your Company's disbursements in hire purchase and hypothecation loans were Rs.2360 cr. as against Rs.2105 cr. in the previous year, thereby registering a growth of 12%. The combined disbursements during the year, including those of LGE, stood at Rs.2887 cr. Your Company continues to maintain a healthy market share in the commercial vehicle financing segment, despite intense competition from banks, in particular.

The Capital to Risk Assets Ratio (CRAR) of your Company stood at 14.71% as on 31st March 2005, well above the minimum requirement of 12%. Standard Assets stood at 98.49% of the total business assets. The gross non-performing assets stood at 1.51% and net non-performing assets at 0.45% of the total business assets as against 2.44% and 0.83% respectively in the previous year.

RESOURCE MOBILISATION

The Reserve Bank's continuing initiative in supporting a soft interest rate environment and providing adequate liquidity to meet credit growth and spur investment demand in the economy, coupled with active treasury management, has enabled your Company to reduce its funding costs.

a) Deposits

Your Company mobilised fresh deposits during 2004-05 aggregating Rs.67.14 cr. Renewal of deposits matured during the year amounted to Rs.223.52 cr., representing 59% of the matured deposits. Deposits outstanding at the year-end were at Rs.740.25 cr. and the number of depositors exceeded 346000.

During the year, CRISIL upgraded the rating for your Company's deposit schemes from FAA+/Positive to FAAA/Stable indicating that the degree of safety regarding timely payment of interest and principal is very strong. Your Company continues to enjoy the MAAA/Stable rating from ICRA for its deposit schemes, signifying the highest degree of safety for depositors' funds.

As at the year-end, 4848 deposit receipts amounting to Rs. 10.97 cr., had matured for payment and were due to be claimed or renewed. After close follow-up of repayments/renewals, the figures are currently down to 2346 and Rs.4.70 cr. respectively. Steps are continuously being taken to arrange for repayment/renewal of these deposits.

b) Term Funding

During the year, your Company raised term funding in the form of non-convertible debentures and term loans to the tune of Rs.965 cr., across various tenors.

Your Company continues to enjoy the MAAA/Stable rating from ICRA for its medium term debentures, signifying highest degree of safety. Similarly, it enjoys the highest ratings of "A1+" from ICRA and "P1+" from CRISIL for its short-term debentures and Commercial Paper borrowings.

c) Bank Finance

Your Company's bankers continued to extend their support by providing Foreign Currency loans at competitive rates, besides other facilities. Your Company raises Commercial Paper at competitive rates. Your Company issued commercial papers aggregating Rs.385 cr., during the year. The maximum amount outstanding at any time was Rs.365 cr., and the amount outstanding at the end of the year was Rs.325 cr.

Consequent to the merger, the working capital credit limits of your Company stood at Rs.1170 cr. at the end of the year.

d) Asset Securitisation

During the year, your Company securitised hire purchase and hypothecation loan assets to the tune of Rs. 77.09 cr.

CORPORATE GOVERNANCE

- Your Company has been practising exemplary Corporate Governance since its inception. 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, forming part of this report.
- Management's Discussion and Analysis, in compliance with Clause 49 of the Listing Agreement is attached, forming part of this report.

SUBSIDIARIES

Sundaram Home Finance Limited (SHFL)

SHFL, in its sixth year of operation, granted loans aggregating Rs.489 cr., and disbursements of Rs. 429 cr., registering a growth of 3% and 16% respectively, over the previous year. The Company earned a gross income of Rs.73.30 cr. as against Rs.56.45 cr. in the previous year and reported a profit after tax of Rs.4.01 cr. as against Rs.5.60 cr. in the previous year. The directors decided to retain the entire profits to conserve resources for growth. The loan portfolio as at 31st March 2005 stood at Rs.868 cr. as against Rs. 619 cr. in the previous year. During the year, your Company invested a sum of Rs. 26 cr. in the capital of SHFL by subscribing to 2,00,00,000 equity shares of Rs. 10/- each issued on rights basis, at a premium of Rs. 3/- per share.

Sundaram Asset Management Company Limited

Sundaram Asset Management Company Limited earned a gross income of Rs.13.43 cr. as against Rs. 16.94 Cr. in the previous year. The overall Assets Under Management amounted to Rs.1860 cr. as on 31.3.2005, as against Rs.2018 cr. at the end of the previous year. The gross mobilisation under the various schemes of Sundaram Mutual Fund (SMF) during the year amounted to Rs.8079 cr. After providing for depreciation and tax, it reported a profit of Rs. 36.14 lakhs as against Rs. 4.47 cr. in the previous year.

During the year, SMF launched four new schemes viz., Sundaram India Leadership Fund, Sundaram Floating Rate Fund – Short Term Plan, Sundaram Floating Rate Fund – Long Term Plan and Sundaram Small and Medium Leading Equities Fund (SMILE) and mobilised a sum of Rs. 630 cr. of which SMILE in particular, mobilised a record sum of Rs. 362 cr. The commendable performance of Sundaram Mutual schemes attracted considerable investor interest.

The Company has filed necessary applications with SEBI for the launch of new schemes and for commencement of Portfolio Management Services (PMS).

Royal Sundaram Alliance Insurance Company Limited (Royal Sundaram)

On amalgamation of LGF with your Company, Royal Sundaram became a subsidiary with the increased shareholding of 55.98%. The Company, in its fifth year of operation, earned a net profit of Rs. 5.01 cr. for the year, as against Rs. 8.01 cr. in the previous year. The Company has written a gross premium of Rs.330.70 cr. as against Rs.257.76 cr. in the previous year and earned an investment income of Rs.13.48 cr. as against Rs. 17.89 cr. in the previous year. The underwriting loss was lower at Rs.8.01 cr. as against Rs.9.76 cr. in the previous year.

Sundaram Finance Distribution Limited (SFDL)

During the year, SFDL continued with its main activity of Insurance Agency, as a composite agent for National Insurance Company Ltd., for General Insurance products and SBI Life Insurance Company Ltd., for life insurance products. The Company also expanded its activities by taking up distribution of Mutual Fund products, home loans and auto loans.

The Company earned a gross income of Rs.130.78 lakhs, as against Rs.66.90 lakhs in the previous year. The profit after tax, however, was lower at Rs.18.87 lakhs as against Rs.38.42 lakhs in the previous year, mainly on account of the higher manpower and infrastructure costs incurred in setting up the distribution network.

LGF Services Private Limited

LGF Services Private Limited, a wholly-owned subsidiary of LGE, became a subsidiary of your Company on amalgamation. The Company was incorporated on 23rd January 2004 and is engaged in the distribution of non-life insurance products as a corporate agent for Oriental Insurance Company Ltd. In its first year of operation, the Company earned a gross income of Rs. 65.71 lakhs and reported a profit after tax of Rs. 27.60 lakhs and declared a dividend of 100% for the financial year ended 31st March 2005.

During the year, the Company has taken necessary steps for converting itself into a Public Company.

Sundaram Finance Trustee Company Limited (SFTCL)

SFTCL was incorporated during December 2003 to act as Trustee of Sundaram Mutual Fund and assumed the Trusteeship function during March 2004. The Company earned a gross income of Rs. 19.27 lakhs and reported a profit after tax of Rs. 2.42 lakhs.

CONSOLIDATED FINANCIAL STATEMENTS

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

In view of this and in accordance with the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of your Company. Each Subsidiary Company's financial information in aggregate has been disclosed in the consolidated financial statements, as required by the Central Government as part of its approval. Further,

- The annual accounts together with the documents/details relating to all the Subsidiary Companies have been posted by your Company on its website – www.sundaramfinance.in.
- The annual accounts of the Subsidiary Companies and related detailed information will be made available to the members upon request.
- Annual accounts of the Subsidiary Companies will be available for inspection by the members, at the head offices of the Company and the Subsidiary Company concerned.

DIRECTORS

Sri S. Viji, Vice-Chairman, was appointed as Chairman of the Board on 6th June 2005.

Sri N. Ganga Ram was co-opted as additional director on 28th March 2005. Under Section 260 of the Companies Act, 1956, he holds office up to the date of the ensuing Annual General Meeting. The Company has received due notice from a member, proposing his appointment as director of the Company.

Sri Srinivas Acharya, director, was appointed as Deputy Managing Director of your Company with effect from 1st April 2005.

Sarvasri S. Ram, A. Rangaswami and T.R. Seshadri retire by rotation and, being eligible, offer themselves for re-election. Necessary resolutions are submitted for your approval.

AUDITORS

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

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

Your Company has no activity relating to conservation of energy or technology absorption. During 2004-05, expenditure in foreign

currencies amounted to Rs. 12.31 cr., on account of interest and other charges. Foreign Currency earnings amounted to Rs. 0.80 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, setting out the names and other particulars of employees, 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, viz. 28.07.2005.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm:

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

ACKNOWLEDGEMENT

Your directors gratefully acknowledge the support and co-operation extended by all the shareholders, depositors, customers, vehicle manufacturers, dealers, bankers and mutual funds to your Company during the year and look forward to their continued support.

Your directors also place on record their appreciation of the dedication and commitment displayed by the employees of the Company, thus enabling it to register a good performance.

For and on behalf of the Board

Chennai 600 002
21st June 2005

S VIJI
Chairman

Management's Discussion and Analysis

OVERVIEW

The Indian Economy registered a growth of 6.9% in 2004-05, according to initial estimates, down from the 8.5% recorded in 2003-04. Though, the growth rate for 2004-05 is less than that of 2003-04, it is still among the highest growth rates seen in India since 1991.

Several factors contributed to the robust performance of the Indian economy in 2004-05. High growth rates in the industrial & service sectors, and a benign world economic environment oil prices notwithstanding, provided a backdrop conducive to the Indian economy. Another positive feature was that the growth was accompanied by continued maintenance of relative price stability. However, agricultural growth fell sharply from the 2003-04 level of 9% to 1.1% in the current year, primarily due to the deficient monsoon. The manufacturing and service sectors are estimated to have grown at 8.3% and 8.6% respectively. A significant feature was the resurgence of the industrial sector, propelled by buoyant exports and a brightening domestic investment climate. Exports are estimated to have increased by 27.1%, in dollar terms, while imports grew by 36.4%. The balance of payments situation continued to be comfortable, in the wake of robust Dollar inflows. The current account however slipped into deficit after three years of surpluses, reflecting the higher level of imports and aggravated further by higher oil prices. Foreign exchange reserves stood at USD 141.5 Billion at the end of March 2005. Inflationary pressures, as a result of the sharp rise in global crude oil and commodity prices, pushed up the Wholesale Price Index by 8.74% in August 2004. The several measures taken by the Government and RBI subsequently have had the desired effect, with the inflation rate falling to 5.05% by end March 2005. The fiscal deficit of the Central Government has been estimated at 4.5%, broadly in line with the budgeted estimate of 4.4%.

AUTOMOTIVE SECTOR

The automotive sector turned in a strong performance for the third year in succession, led by commercial vehicles. While sales of medium and heavy commercial vehicles (M&HCV) grew by 23% (PY 38%), light commercial vehicles grew by 22% (PY 35%). Growth in the commercial vehicles sector continued to be driven by the availability of cheap finance, at times defying reason. Another

contributory factor was the advance buying in the second half of 2004-05, ahead of the proposed change in emission norms. Sales of cars and multi-utility vehicles grew by 18% (PY 27%) during the year. Attractive financing options, coupled with higher disposable incomes and new model introductions, contributed to the buoyancy in car sales.

REGULATORY

The Reserve Bank of India has been continually strengthening the supervisory framework for NBFCs in order to ensure sound and healthy functioning and avoid excessive risk taking. The degree of supervision is based on three broad criteria, namely, size, type of activity and acceptance (or non-acceptance) of deposits.

During the year, based on the recommendations of the Working Group on the monitoring of Systemically Important Financial Intermediaries (Financial Conglomerates), the Reserve Bank of India has identified your Company as the main entity in the group and has required the submission of periodic information for and on behalf of the group companies coming under the jurisdiction of certain specified regulators.

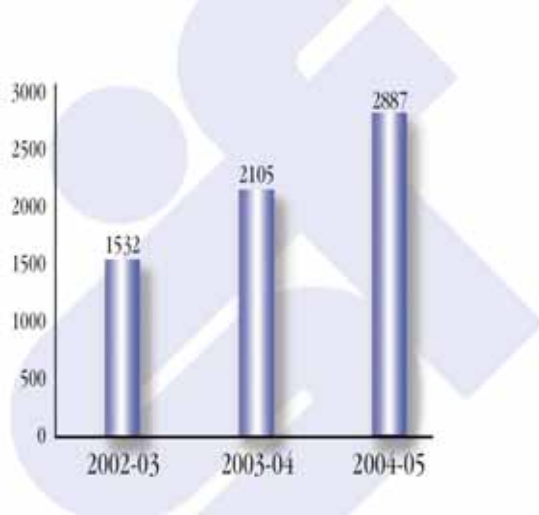
OPERATING & FINANCIAL PERFORMANCE

Your Company recorded hire purchase and loan disbursements of Rs.2360 cr. during the year, as against Rs.2105 cr. in the previous year, registering a growth of 12%. This translates to a Compounded Annual Growth Rate of 24.6% over the last 3 years. The gross receivables of the company stood at Rs.3622 cr. as against Rs.3093 cr. in the previous year.

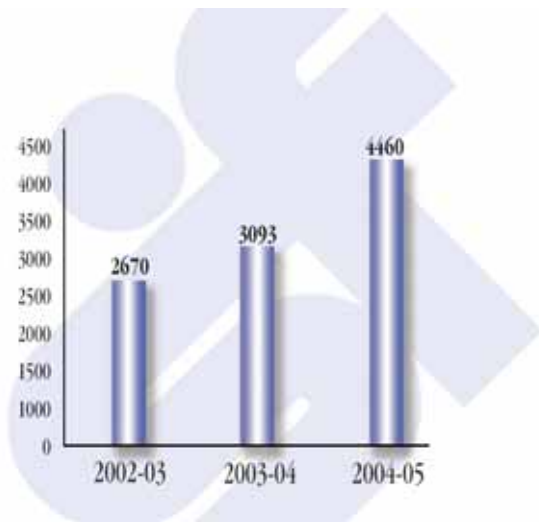
Lakshmi General Finance Limited (LGF), Chennai, was merged with your Company with effect from 1st April 2004. The merger has resulted not only in considerable synergy and significant economies of scale but also increased geographic reach and brought in a large complement of high quality customers. The combined disbursements during the year, including those of LGF, aggregated Rs.2887 cr., while combined receivables stood at Rs. 4460 cr. as of 31st March 2005.

Your Company's strong emphasis on quality has ensured that the performance of the core retail portfolio continues to be excellent, with gross and net NPAs standing at 0.53% and 0.39% respectively, probably the best in the industry. On an overall basis, standard assets stood at 98.49% and net NPAs stood at 0.45% of total business

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



Receivables (Rs. in Cr.)



assets as on 31.03.2005 as against 97.56% and 0.83% respectively in the previous year.

Gross income for the year from hire purchase and loans grew by 27% over last year. Margins continued to be under pressure in the wake of the aggressive pricing posture adopted by some of the competitors. Establishment and administrative expenses have been consistent with the growth in business. Your Company continues to focus on new opportunities to improve profitability.

Your Company's Software/IT Consulting and Business Process Outsourcing divisions, Sundaram Infotech Solutions (SIS) and Sundaram Business Services (SBS), have made significant strides during the year.

SIS made steady progress with successful implementation of its comprehensive lending solution, Sundaram SmartLend, and

Own Funds (Rs. in Cr.)



Microsoft Business Solutions – Axapta, in India, Sri Lanka, West Asia and the UK. SBS strengthened its position in the overseas markets by signing offshore outsourcing deals with companies in Australia and Europe.

The net profit for the year was Rs.75.99 cr. (PY Rs.55.62 cr.). The company's net-worth stood at Rs.683 Cr. as on 31.3.2005, while Capital Adequacy (CRAR) at 14.71% was comfortably higher than the statutory requirement of 12%.

BUSINESS OUTLOOK

The outlook for the industrial and services sectors continues to be positive, while agricultural growth continues to depend heavily on the monsoon. Interest rates, which remained at historic low levels for nearly two years, have tended to harden in recent months. Credit off take, however, is expected to improve further, reflecting an all round strengthening of the industrial recovery.

There are uncertain signals in respect of the commercial vehicle market. The 26% CAGR of the past three years, driven largely by the availability of cheap money and more recently by the change in emission norms, is unlikely to be sustained. Average fleet age has

come down over the past three years and, coupled with better quality roads, is likely to lengthen replacement cycles. Finally, freight rates have not kept pace with the increase in fuel costs, an indication of excess capacity in the system.

Your Company continues to remain focussed on its chosen market segments of Commercial Vehicles and passenger car financing and intends to further strengthen its position in the retail financing segment. With the completion of the merger of LGE, your company has emerged as a stronger and bigger 'Integrated Retail Financial Services' player. The company today has over 150 offices across the country, employee strength of 2000 people and a strong presence in each of the business segments it operates in.

SIS has made concerted efforts to expand in new geographies, especially the US market. The current year has started with a healthy order book and your company expects to register further growth during the year.

SBS, while continuing to strengthen its domestic business, is making healthy progress in securing offshore customers as well. Several new projects are in advanced stages of discussion and are likely to be finalised during the year.

SUNDARAM DIRECT

Distribution of a wide range of retail financial products is a key initiative that your Company embarked upon, two years ago. This includes both the group companies' products and other complementary products, catering to the varied needs of the customer. Your Company today, offers its customers a diverse range of financial products under one umbrella. Sundaram Direct reaches out to its customers through a dedicated 500 strong field force spread across its 158 strong branch network throughout the country.

INTERNAL AUDIT

Your Company's internal audit department undertakes a comprehensive audit of all business groups and functional areas. It conceptualises and implements effective systems of internal controls and also ensures that the operating departments are in compliance both with internal policies and procedures as well as regulatory, legal and statutory requirements. It makes a periodic review of all the control measures in conjunction with the statutory auditors and recommends improvements, wherever appropriate. The department

functions under the direct supervision of the Managing Director and reports to the Audit Committee of the Board, which regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Additionally, the security policies and effective functioning of all major systems are monitored on a regular basis by the systems auditors, in co-ordination with the information technology co-ordination team. Improvements in processes and controls are an ongoing effort and the internal audit function is fully geared to meet the challenges that are an inevitable part of rapidly changing business requirements.

RISK MANAGEMENT

Over the years, your Company has achieved an appropriate balance between risk and returns by setting up an efficient risk mitigation system to meet various forms of financial and other risks. The policies and procedures adopted by the Company are in tune with some of the best practices in the financial services sector followed by corporates. The Asset Liability Management Committee (ALCO), functioning under the supervision of the Audit Committee, lays down policies and tolerance levels that involve assessment of various types of risks and altering the asset-liability portfolio in a dynamic way, in order to manage such risks.

HUMAN RESOURCES

Your Company has grown over the years due to its strong identification with its customers, which has enabled it to understand their needs and satisfy them in the best possible manner. This is largely attributable to the unstinting and dedicated efforts of the nearly 2000 strong 'Team Sundaram', which has ensured a high degree of customer satisfaction over the five decades of the company's existence.

In its ongoing endeavour to maintain excellence in quality and customer service delivery, your Company has put in place a comprehensive performance evaluation system, ensuring that remuneration and rewards are strongly performance linked. Your Company remains committed to the development of employee skills. To this end, specialised training programmes are conducted on a regular basis in managerial and technical areas, as well as in areas such as personality development, selling techniques, customer handling, stress management, fitness and relaxation, at the well-equipped Sundaram Finance Training Centre in Chennai. Training and skills development are at the core of the company's HR practices.

Financial Highlights

(Rs. in Cr.)

Year	Paid-up Capital	Reserves	Deposits	Total Receivables	PBDT	PAT	Dividend %	Dividend Amount
1954	0.02		0.10	0.10				
1972	1.00	0.58	8.35	9.86	0.73	0.30	16.00	0.16
1976	1.50	0.99	13.57	19.87	1.78	0.67	16.00	0.24
1978	2.00	1.37	14.65	27.18	2.01	0.77	18.00	0.36
1982	3.00	3.00	45.20	76.60	4.28	1.58	20.00	0.60
1986	6.00	6.59	104.10	184.66	10.35	2.67	16.00	0.96
1990-91	12.00	30.24	201.02	483.21	34.69	12.01	25.00	3.00
1995-96	24.00	204.31	550.44	1637.05	127.50	64.92	35.00	8.40
1996-97	24.00	261.10	729.09	2009.97	153.68	68.67	45.00	10.80
1997-98	24.00	323.17	775.53	2102.05	177.52	76.59	55.00	13.20
1998-99	24.00	369.24	774.65	1956.35	177.72	63.31	65.00	15.60
1999-00	24.00	405.01	696.61	2027.88	176.32	51.58	60.00	14.40
2000-01	24.00	477.33	682.46	2073.53	208.42	70.54	60.00	14.40
2001-02	24.00	411.67	752.88	2258.59	188.59	40.36	60.00	14.40
2002-03	24.00	462.57	744.11	2669.91	81.57	45.66	75.00*	18.00
2003-04	24.00	499.24	717.29	3093.32	101.07	55.62	70.00	16.80
2004-05	27.78 [#]	655.22	740.25	4459.60	144.55	75.99	75.00	21.87

* includes 15% Special Golden Jubilee Dividend

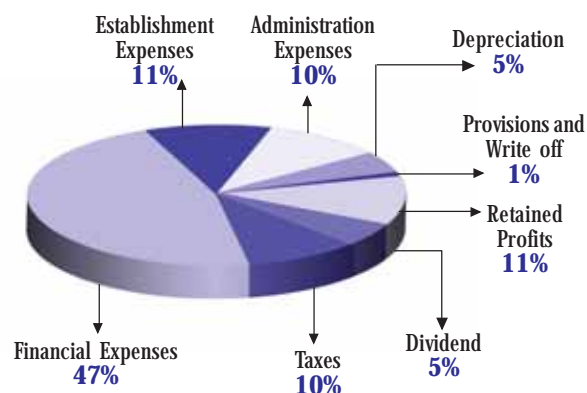
37,75,965 equity shares of Rs. 10/- each allotted in April 2005, pursuant to merger.

SOURCES AND DISTRIBUTION OF INCOME (2004 - 05)

Rs.459.09 Cr.



SOURCES



DISTRIBUTION

Auditors' Report

To The Members of M/S. Sundaram Finance Limited

1. We have audited the attached balance sheet of M/s. Sundaram Finance Limited, Chennai as at 31st March 2005, and also the profit and loss account and the cash flow statement for the year ended on that date, comprising of the accounts of Lakshmi General Finance Limited merged with the company with effect from 1st April, 2004 as per the order of the Hon'ble High Court of Judicature of Madras. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the Act), 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 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 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 2005;
 - (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

Place : Chennai
Date : 6th June, 2005

L. RAVI SANKAR
Partner
Membership No.25929

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

1. a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) Fixed assets disposed off during the year were not substantial and therefore does not affect the going concern status of the company.
2. a) 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 Act.
- b) i) The company has granted unsecured loans to a company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.1198.38 lakhs. The balance outstanding at the end of the year was Rs.1084.65 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.
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 have prima facie been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, where each of such transactions is in excess of rupees five lakhs in respect of any party.
5. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the 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, provident fund, employee state insurance, income tax, wealth tax, service

tax, sales 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 and excise duty which are outstanding as at 31st March, 2005 for a period of more than six months from the date they became payable.

9. According to the records of the company and the information and explanations given to us, there are no dues of income tax, wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute. Details of disputed sales tax not deposited are as follows:

Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax Demands	597.81	Assessment years 1986-87 to 2001-02 and 2003-2004	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, we are of the opinion that the company has maintained adequate records in respect of a loan granted on the basis of security by way of pledge of shares.

13. The company is not a chit fund / nidhi / mutual benefit fund or society.

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 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 other than temporary deployment, pending application.

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. According to the information and explanations given to us, during the year no fraud by the company has been noticed or reported. A defalcation of Rs.4.08 lakhs by an employee was noticed and reported during the year. The company has recovered the amount and the employee is no longer in the service of the company.

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

Place : Chennai
Date : 6th June, 2005

L. RAVI SANKAR
Partner
Membership No.25929

Balance Sheet

as at 31st March, 2005

(Rs. in Lakhs)

	Schedule	31.03.2005		31.03.2004	
I SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	1	24,00.00		24,00.00	
b) Share Capital Suspense Account	1A	3,77.60		—	
c) Reserves and Surplus	2	655,22.14	682,99.74	499,24.41	523,24.41
2. Loan Funds					
a) Secured Loans	3	2325,96.24		1624,23.89	
b) Unsecured Loans	4	1480,41.68	3806,37.92	960,88.27	2585,12.16
3. Deferred Tax Liability (Net)					
Deferred Tax Liability		26,12.14		47,42.13	
Less: Deferred Tax Asset		24,17.44	1,94.70	26,32.81	21,09.32
Total			4491,32.36		3129,45.89
II APPLICATIONS OF FUNDS					
1. Fixed Assets					
a) Gross Block	5	587,17.67		614,35.91	
b) Less: Depreciation		420,60.25		423,90.60	
c) Net Book Value		166,57.42		190,45.31	
d) Add: Lease Adjustment Account		22,31.81		43,43.88	
e) Net Block			188,89.23		233,89.19
2. Investments	6		311,13.18		286,55.92
3. Current Assets, Loans and Advances					
a) Current Assets	7	587,92.22		500,96.05	
b) Loans and Advances	8	3692,58.14		2389,29.29	
	(A)	4280,50.36		2890,25.34	
Less: Current Liabilities and Provisions					
a) Current Liabilities	9	233,62.33		212,90.35	
b) Provisions	10	55,58.08		68,34.21	
	(B)	289,20.41		281,24.56	
Net Current Assets	(A-B)		3991,29.95		2609,00.78
Total			4491,32.36		3129,45.89
Notes to the accounts	17				

As per our report of even date attached

For Brahmayya & Co.,
Chartered Accountants

L. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholetime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Profit and Loss Account

for the Year Ended 31st March, 2005

(Rs. in Lakhs)

	Schedule	2004-05	2003-04
INCOME			
Income from Operations	11	441,30.69	348,26.86
Other Income	12	17,78.12	9,61.71
Total	(A)	<u>459,08.81</u>	<u>357,88.57</u>
EXPENDITURE			
Financial Expenses	13	214,83.91	157,41.08
Establishment Expenses	14	48,30.21	31,16.75
Administrative and Other Expenses	15	45,88.70	35,43.78
Total	(B)	<u>309,02.82</u>	<u>224,01.61</u>
Gross Profit	(A)-(B)	<u>150,05.99</u>	<u>133,86.96</u>
Less:			
Provisions and Write Off	16	5,51.23	32,79.49
Depreciation		22,16.19	18,20.59
Taxation			
- Current (Including Wealth Tax)		63,25.00	53,21.00
- Deferred		(16,85.58)	(25,96.49)
Net Profit		<u>75,99.15</u>	<u>55,62.37</u>
Add:			
Balance brought forward from the previous year		26,58.77	33,54.65
On Amalgamation of Lakshmi General Finance Limited		8,54.11	-
Amount available for Appropriation		<u>111,12.03</u>	<u>89,17.02</u>
APPROPRIATIONS			
Dividend			
- Interim		17,70.35	16,80.00
- Final (proposed)		4,16.64	-
- Dividend Tax		3,06.09	2,15.25
Special Reserve		13,00.00	2,50.00
Statutory Reserve		15,20.00	11,13.00
General Reserve		30,00.00	30,00.00
Surplus - Balance carried to Balance Sheet		27,98.95	26,58.77
		<u>111,12.03</u>	<u>89,17.02</u>
Notes to the Accounts	17		
Earnings per Equity Share (Refer Note 4.4 Schedule 17)			
Number of Shares considered (Face Value Rs 10/- per share)		2,77,75,965	2,40,00,000
Basic and Diluted earnings per share (in Rupees)		27.36	23.18

As per our report of even date attached

For Brahmayya & Co.,
Chartered Accountants

L. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholtime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

SCHEDULES

(Rs. in Lakhs)

	31.03.2005	31.03.2004
1 Share Capital		
Authorised		
10,00,00,000 Equity Shares of Rs.10/- each	100,00.00	100,00.00
Issued, Subscribed and fully paid-up	24,00.00	24,00.00
2,40,00,000 Equity Shares of Rs.10/- each (includes 2,31,99,580 Equity Shares allotted as fully paid-up by way of bonus shares by Capitalisation of Reserves)		
1A Share Capital Suspense Account	3,77.60	-
(represents 37,75,965 Equity shares of Rs.10/- each to be allotted to the shareholders of M/s. Lakshmi General Finance Limited (LGF), pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Madras)		
2 Reserves and Surplus		
Capital Reserve		
Per Last Balance Sheet	45,48.14	45,48.14
Add: On Amalgamation of LGF	5,31.50	-
	<u>50,79.64</u>	45,48.14
Securities Premium Account		
On Amalgamation of LGF	15,04.97	-
General Reserve		
Per Last Balance Sheet	300,00.00	300,00.00
Add: On Amalgamation of LGF	59,00.00	-
Less : Adjustment on Amalgamation of LGF (Refer Note 4.1 b)	4,33.92	-
Add: Transfer from Profit and Loss account	30,00.00	30,00.00
Less: Transfer to Special Reserve	-	<u>30,00.00</u>
	<u>384,66.08</u>	300,00.00
Statutory Reserve		
Per last Balance Sheet	94,67.50	83,54.50
Add: On Amalgamation of LGF	21,35.00	-
Add: Transfer from Profit and Loss account	15,20.00	11,13.00
	<u>131,22.50</u>	94,67.50
Special Reserve		
Per Last Balance Sheet	32,50.00	-
Add: Transfer from General Reserve	-	30,00.00
Add: Transfer from Profit and Loss account	13,00.00	2,50.00
Surplus - Balance in Profit and Loss account	<u>27,98.95</u>	<u>26,58.77</u>
	<u>655,22.14</u>	<u>499,24.41</u>
3 Secured Loans		
Non - Convertible Debentures	742,00.00	435,00.00
From Scheduled Banks	1383,63.82	970,71.18
From International Finance Corporation	200,00.00	200,00.00
From Financial Institutions	32.42	18,52.71
	<u>2325,96.24</u>	<u>1624,23.89</u>
4 Unsecured loans		
Fixed deposits		
From Directors	3,32.18	1,82.78
From others	736,93.30	715,45.97
	<u>740,25.48</u>	717,28.75
Non - Convertible Debentures	295,00.00	195,00.00
Short term loans and advances		
From Scheduled Banks	120,16.20	28,59.52
Commercial Paper	325,00.00	20,00.00
	<u>1480,41.68</u>	<u>960,88.27</u>

5 Fixed Assets													(Rs. in Lakhs)		
Description	GROSS BLOCK AT COST						DEPRECIATION						NET BLOCK		
	As at 01.04.2004	Assets acquired on amalgamation Cost as at 01.4.2004	Additions/ Transfers	Deductions	As at 31.03.2005	Upto 01.04.2004	Assets acquired on amalgamation Depreciation upto 01.04.2004	Additions*	Impairment	Deductions/ Transfers	Upto 31.03.2005	Net Book Value	Balance in Lease Adjustment Account as at 31.03.2005	As at 31.03.2005	As at 31.03.2004
1 Freehold land and Buildings	50.04.91	4.71.23	3.88.99	-	58,65.13	3,98.12	1,06.96	1,20.23	20.40	-	6,45.71	52,19.42	-	52,19.42	46,06.79
2 Leasehold office / Residential Premises	15,51.89	9.16	8.87	-	15,69.92	5,32.39	3.67	51.29	16.63	-	6,03.98	9,65.94	-	9,65.94	10,19.50
3 Plant and Machinery	83,09.48	9,76.81	4,19.68	21,96.23	75,08.74	53,38.74	3,35.84	6,96.40	4,85.57	21,46.78	47,06.77	27,99.97	-	27,99.97	29,70.74
4 Vehicles	24,18.50	1,66.55	12,03.30	6,55.66	31,32.69	9,10.28	65.81	5,34.47	12.07	3,16.82	12,05.81	19,26.88	-	19,26.88	15,08.22
5 Furniture/Office Equipment	18,31.58	1,67.94	4,23.33	19.60	24,03.25	8,94.50	1,27.11	2,19.39	-	9.40	12,31.60	11,71.65	-	11,71.65	9,37.08
6 Vehicles taken on lease	1,08.04	-	-	1,08.04	-	44.13	-	-	-	44.13	-	-	-	-	63.91
7 Assets on Finance Lease	194,68.89	37,37.28	-	85,61.29	146,44.88	145,71.83	28,64.60	9,33.63	-	63,67.70	120,02.36	26,42.52	-7,27.26	19,15.26	45,60.25
a) Plant and Machinery	219,60.62	30,55.78	-	20,91.48	229,24.92	193,04.21	27,37.28	8,99.22	-	16,43.90	212,96.81	16,28.11	30,36.19	46,64.30	74,52.58
b) Vehicles	5,85.63	1,29.46	-	2,83.00	4,32.09	3,83.49	77.50	26.92	-	1,97.58	2,90.33	1,41.76	-77.12	64.64	86.66
c) Furniture/Office Equipment	1,96.37	-	38.68	-	2,35.05	12.91	-	60.97	-	-	73.88	1,61.17	-	1,61.17	1,83.46
8 Intangible Assets	614,35.91	87,14.21	24,82.85	139,15.30	587,17.67	423,90.60	63,18.77	35,42.52	5,34.67	107,26.31	420,60.25	166,57.42	22,31.81	188,89.23	233,89.19
Computer Software															
Total															

* Finance Lease Depreciation of Rs.1859.77 Lakhs has been netted off against Lease Income
Depreciation on assets used for development of Computer Software amounting to Rs.1.23 lakhs Capitalised to Intangible assets

SCHEDULES

(Rs. in Lakhs)

	Face Value (FV)	31.03.2005	31.03.2004
6 Investments			
Long Term - At Cost			
I In Government / Trust Securities			
Non Trade			
A) Quoted:			
1) Government Securities			
Central Government Loans	85,50.10	92,46.92	79,51.70
(FV of Rs.1250 lakhs acquired on amalgamation of LGE, FV of Rs.2589.90 lakhs acquired during the year and FV of Rs.2530 lakhs sold during the year)			
State Government Loans	1,35.00	1,35.19	–
(FV of Rs.243.54 lakhs acquired on amalgamation of LGF and FV of Rs.108.54 lakhs sold during the year)			
2) Government Guaranteed Bonds			
12.50% National Housing Bank Bonds 2004	–	–	24.89
(FV of Rs.25 lakhs redeemed during the year)			
11.50% Maharashtra State Road Development Corporation Ltd. Infrastructure Bonds 2005	–	–	1,00.00
(FV of Rs.100 lakhs redeemed during the year)			
		93,82.11	8076.59
B) Unquoted			
1) Government Securities			
Kisan Vikas Patra		–	0.05
(FV Rs.0.05 lakhs under lien to Government Authorities - transferred during the year)			
6 year National Savings Certificates		–	0.15
(Certificates for a FV Rs.0.15 lakhs under lien to Government Authorities - transferred during the year)			
2) Trust Securities			
Reliance Fixed Term Scheme- Annual Plan - Growth	2,50.00	2,50.00	250.00
(25,00,000 units of Rs 10/- each)			
Birla Fixed Maturity Plan - Growth	4,00.00	4,00.00	4,00.00
(40,00,000 units of Rs 10/- each)			
Grindlays Fixed Maturity Plan - Growth	2,50.00	2,50.00	2,50.00
(25,00,000 units of Rs 10/- each)			
Kotak Fixed Maturity Plan - Growth	1,00.00	1,00.00	1,00.00
(10,00,000 units of Rs 10/- each)			
Tata Fixed Horizon Fund - Yearly - Growth	4,00.00	4,00.00	–
(40,00,000 units of Rs 10/- each subscribed during the year)			
Birla Fixed Maturity Plan - Annual Series - Growth	2,50.00	2,50.00	–
(25,00,000 units of Rs 10/- each subscribed during the year)			
Pru ICICI Fixed Maturity Plan - Growth	4,00.00	4,00.00	–
(40,00,000 units of Rs 10/- each subscribed during the year)			
UTI Fixed Maturity Plan - Growth	2,00.00	2,00.00	–
(20,00,000 units of Rs 10/- each subscribed during the year)			
Birla Fixed Term Plan - Series C - Growth	4,00.00	4,00.00	–
(40,00,000 units of Rs 10/- each subscribed during the year)			
Carried over		26,50.00	10,00.20

SCHEDULES

6 Investments (contd.)

	Face Value (FV)	(Rs. in Lakhs)	
		31.03.2005	31.03.2004
Brought over		26,50.00	10,00.20
Kotak Fixed Maturity Plan - Series I - Growth (30,00,000 units of Rs 10/- each subscribed during the year)	3,00.00	3,00.00	-
SBI Magnum Debt Fund Series - Growth (25,00,000 units of Rs 10/- each subscribed during the year)	2,50.00	2,50.00	-
Reliance Fixed Maturity Fund - Annual Plan - Growth (30,00,000 units of Rs 10/- each subscribed during the year)	3,00.00	3,00.00	-
Sundaram Growth Fund - Appreciation (14,31,148 units sold during the year)		-	2,61.82
Sundaram Bond Saver - Appreciation (25,45,241 units of Rs 10/- each sold during the year)		-	5,00.00
Sundaram Bond Saver - Institutional Plan - Growth (13,93,838 units of Rs.10/- each sold during the year)		-	3,00.00
Sundaram Bond Saver-Institutional Bonus - Growth (6,98,152 units of Rs.10/- each sold during the year)		-	74.95
Birla Income Plus - Institutional Plan - Growth (19,53,018 units of Rs 10/- each sold during the year)		-	5,00.00
HDFC Income Fund - Growth (17,42,196 units of Rs 10/- each sold during the year)		-	2,50.00
Kotak Mahindra Mutual Fund (K-Bond Unit Scheme 99) (Whole Sale Plan - Growth) (16,05,425 units of Rs 10/- each sold during the year)		-	2,50.00
DSP Merrill Lynch Bond Fund Retail - Dividend (21,57,497 units of Rs 10/- each sold during the year)		-	2,50.00
SBI Magnum Income Fund - Growth (14,74,621 units of Rs 10/- each sold during the year)		-	2,50.00
Prudential ICICI Income Plan - Dividend (22,80,044 units of Rs 10/- each sold during the year)		-	2,50.00
HSBC Income Fund - Investment Plan - Dividend (24,52,615 units of Rs 10/- each sold during the year)		-	2,50.00
Kotak Mahindra Mutual Fund (K- Bond Unit Scheme 99) (Institutional Plan - Growth) (17,35,840 units of Rs 10/- each sold during the year)		-	3,00.00
HSBC Income Fund - Institutional Plan - Growth (17,70,836 units of Rs 10/- each sold during the year)		-	2,00.00
DSP Merrill Lynch Bond Fund - Institutional Plan - Growth (18,10,807 units of Rs 10/- each sold during the year)		-	2,00.00
Templeton India Income Builder Account (Institutional Plan - Growth) (16,79,854 units of Rs 10/- each sold during the year)		-	2,00.00
HDFC Income Fund - Premium Plan - Growth (12,71,629 units of Rs 10/- each sold during the year)		-	2,00.67
Alliance Income Fund - Regular - Growth (8,70,466 units of Rs 10/- each sold during the year)		-	2,00.00
Prudential ICICI Income Plan - Growth (10,15,595 units of Rs 10/- each sold during the year)		-	2,00.40
		35,00.00	56,38.04

SCHEDULES

(Rs. in Lakhs)

6 Investments (contd.)

Long Term - At Cost

II In Equity Shares - Fully paid (unless otherwise stated)**Quoted**

Wheels India Ltd.

13,33,741 Equity shares of Rs.10/- each

8,38.14

8,38.14

Sundaram Clayton Ltd.

11,61,666 Equity shares of Rs.10/- each

9.04

9.04

India Motor Parts & Accessories Ltd.

7,35,392 Equity shares of Rs.10/- each

(2,51,914 Bonus Shares allotted during the year)

(2,31,564 shares acquired on amalgamation of LGF)

2,79.26

2,44.34

Techtran Polylenses Ltd.

2,50,000 Equity shares of Rs.10/- each

5.00

5.00

Tata Iron & Steel Co. Ltd.

7,663 Equity shares of Rs.10/- each

(2,554 Bonus shares allotted during the year)

10.34

10.34

Recron Synthetics Ltd

35,22,400 Equity Shares of Rs 10/- each

(31,94,300 shares of Rs.10/- each sold during the year)

1,23.28

2,35.09

IDBI Ltd

(14,240 Equity Shares of Rs.10/ each acquired on amalgamation of LGF)

11.40

-

12,76.46**13,41.95****Unquoted****i) In Subsidiary Companies:**

Sundaram Asset Management Co. Ltd.

1,50,00,000 Equity shares of Rs.10/- each

19,68.00

19,68.00

Sundaram Home Finance Ltd*

5,25,00,000 Equity shares of Rs 10/- each

(Comprises of 1,62,50,000 shares subscribed towards

rights entitlement and 37,50,000 shares subscribed

additionally at a premium of Rs.3/- per share during the year)

58,50.00

32,50.00

Sundaram Finance Distribution Ltd

15,00,000 Equity shares of Rs.10/- each

1,65.18

1,65.18

Sundaram Finance Trustee Company Ltd

50,000 Equity shares of Rs 10/- each

5.00

5.00

Royal Sundaram Alliance Insurance Company Ltd **

7,27,70,000 Equity shares of Rs.10/- each

(84,20,000 shares acquired on amalgamation of LGF)

73,28.28

64,86.28

LGF Services Private Limited

(50,000 Equity Shares of Rs.10/- each acquired on amalgamation of LGF)

5.00

-

Carried over

153,21.46**118,74.46**

* 3,57,00,000 shares are subject to a lock in period

** The transfer of these shares is subject to certain restrictions till 31-12-2005

SCHEDULES**6 Investments (contd.)**

(Rs. in Lakhs)

	31.03.2005	31.03.2004
Brought over	153,21.46	118,74.46
ii) In Other Companies		
Brakes India Ltd. 79,730 Equity shares of Rs.100/- each	15.33	15.33
Axles India Ltd. 24,24,661 Equity shares of Rs.10/- each	2,68.99	2,68.99
Lucas-TVS Ltd. 63,224 Equity shares of Rs.100/- each	27.22	27.22
Delphi TVS Diesel Systems Ltd. 2,52,896 Equity shares of Rs.10/- each	18.15	18.15
Turbo Energy Ltd. 12,80,000 Equity shares of Rs.10/- each	1,88.41	1,88.41
Sundaram Dynacast Private Ltd. 11,70,000 Equity shares of Rs.10/- each	1,17.00	1,17.00
Transenergy Ltd. 30,000 Equity shares of Rs.100/- each	30.00	30.00
Lakshmi General Finance Ltd. (12,60,533 Equity shares of Rs.10/- each cancelled on amalgamation)	–	7,56.32
InFreight Technologies India Ltd 4,00,000 Equity shares of Rs 10/- each	40.00	40.00
NTTF Industries Ltd. 75,000 Equity shares of Rs.10/- each	15.00	15.00
Credit Analysis and Research Ltd. 5,00,000 Equity shares of Rs.10/- each	50.00	50.00
Tulya Alloy Casting Ltd. 1,200 Equity shares of Rs.10/- each	0.12	0.12
Vishnu Forge Industries Ltd. 2,70,100 Equity shares of Rs.10/- each	43.22	43.22
	161,34.90	134,44.22
III In Bonds/Debentures / Others		
Non Trade - Quoted		
A) Recron Synthetics Ltd 36,749 Units of Zero Coupon Secured Redeemable Non - Convertible Debentures of Rs 100/- each (15,765 Zero Coupon Secured Redeemable Non -Convertible Debentures acquired during the year)	36.82	20.98
Recron Synthetics Ltd 93,131 Units of Secured Redeemable Non-Convertible Bonds of Rs 100/- each acquired during the year	93.23	–
	1,30.05	20.98
Unquoted		
B) Pass Through Certificate		
PFSL - Sundaram Finance Ltd - Pass Through Certificate - April 2003 (net of provision)	23.99	1,11.46
PFSL - Sundaram Finance Ltd - Pass Through Certificate - April 2004 (net of provision)	1,65.67	–
	1,89.66	1,11.46

SCHEDULES

6 Investments (contd.)

	Face Value (FV)	(Rs. in Lakhs)	
		31.03.2005	31.03.2004
Current Investments			
i) In Government Securities - Quoted 7.37% GOI 2014 (FV of Rs.1000 lakhs purchased and sold during the year)		–	–
ii) In Trust Securities - Unquoted Sundaram India Leadership Fund - Growth (1,00,00,000 units of Rs 10/- each subscribed at par and 50,00,000 units sold during the year)	5,00.00	5,00.00	–
iii) In Bonds - Quoted 7% IDBI Bond 2019 (Rs.150 Lakhs FV purchased and sold during the year)		–	–
iv) In Preference Shares - Fully paid - Unquoted Balaji Distilleries Ltd (2,26,800 Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of FV of Rs 10/- each sold during the year)		–	22.68
		5,00.00	22.68

Mutual Fund Units Purchased and Sold during the year	Face Value Rs	Units in Lakhs	Cost Rs. in Lakhs
Sahara Liquid Fund	10	2,18.28	25,00.00
Can Liquid Fund	10	1,77.52	20,75.00
Birla Cash Plus	10	2,37.61	28,25.00
Sundaram Money Fund	10	9,00.93	121,75.00
Templeton India Liquid Fund	10	31.62	5,00.00
Templeton India Liquid Fund	1000	0.31	5,00.00
Grindlays Cash Fund	10	2,17.59	26,00.00
DSP Merrill Lynch Liquidity Fund	10	2,55.30	40,00.00
Prudential ICICI Liquid Fund	10	66.93	10,50.00
Alliance Cash Manager - Investment	10	45.01	4,50.00
Alliance Mutual Disinvestment	10	25.38	4,00.00
Kotak Liquid Investment	10	92.77	12,00.00
UTI Liquid Investment	10	47.56	5,00.00
ING Treasury Investment	10	73.75	10,00.00
HSBC Mutual Fund	10	55.24	5,75.00
Sundaram Floater ST Institutional Daily Dividend	10	50.00	5,00.00

SCHEDULES

6 Investments (contd.)

SUMMARY OF INVESTMENTS

I In Government / Trust Securities

A Quoted

B Unquoted - Long Term

C Unquoted - Current

II In Equity Shares

A Quoted

B Unquoted

III In Bonds / Debentures/ Others

A Quoted

B Unquoted

IV In Preference Shares

A Unquoted

GRAND TOTAL

	31.03.2005	(Rs. in Lakhs) 31.03.2004
A Quoted	93,82.11	80,76.59
B Unquoted - Long Term	35,00.00	56,38.04
C Unquoted - Current	5,00.00	—
A Quoted	12,76.46	13,41.95
B Unquoted	161,34.90	134,44.22
A Quoted	1,30.05	20.98
B Unquoted	1,89.66	1,11.46
A Unquoted	—	22.68
GRAND TOTAL	311,13.18	286,55.92

Aggregate of quoted Investments - Long Term

Government / Trust Securities

Equity Shares

Bonds / Debentures

	Cost 31.03.2005	MV* 31.03.2005
Government / Trust Securities	93,82.11	94,35.28
Equity Shares	12,76.46	121,36.76
Bonds / Debentures	1,30.05	1,30.05
(A)	107,88.62	217,02.09

Aggregate of unquoted Investments - Long Term

Government / Trust Securities

Equity Shares

Bonds / Debentures/Others

Government / Trust Securities	35,00.00	
Equity Shares	161,34.90	
Bonds / Debentures/Others	1,89.66	
(B)	198,24.56	

Aggregate of unquoted Investments - Current

Trust Securities

Preference Shares

Bonds

Trust Securities	5,00.00	
Preference Shares	—	
Bonds	—	
(C)	5,00.00	
GRAND TOTAL [A + B + C]	311,13.18	

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

SCHEDULES

	31.03.2005		(Rs. in Lakhs) 31.03.2004	
7 Current Assets				
a) Stock-on-hire and bills purchased				
Net Investment in Stock-on-hire		418,90.26		364,21.91
Reposessed assets (net)		5,54.65		5,91.39
Debtors on Securitisation		–		0.13
Trade bills purchased (unsecured, considered good)				
Outstanding for a period exceeding six months	2,26.00		2,26.00	
Others	1,42.21	3,68.21	9,45.14	11,71.14
Net Investment in lease		47,51.33		46,67.21
		475,64.45		428,51.78
b) Interest accrued on investments		2,14.29		1,77.64
c) Cash and bank balances				
With scheduled banks in				
Current Accounts	18,62.09		9,84.19	
Unpaid dividend account	24.73		13.94	
Deposit accounts	75,05.63		55,76.05	
Remittances in Transit	12.20		–	
Cash on hand	6,20.11		4,80.37	
Stamps and Stamp Papers on hand	14.31	100,39.07	12.08	70,66.63
d) SFL Shares Trust		9,74.41		–
		587,92.22		500,96.05

SCHEDULES

	31.03.2005	(Rs. in Lakhs) 31.03.2004
8 Loans and Advances		
Unsecured unless otherwise stated:		
Considered good:		
Loans - Secured	3430,60.30	2180,63.62
- Unsecured	12,33.17	8,63.45
Advance Income Tax and Tax Deducted at Source (Net of Provision for Taxation)	61,65.58	54,24.29
Advances and deposits recoverable in cash or in kind or for value to be received		
- subsidiary companies	33.72	15.89
- others	23,77.44	7,92.99
Advance for purchase of Investments	-	1,08.90
Advance for purchase of assets		
- Business Assets	118,84.19	100,69.44
- Others	22.97	3,62.24
Income receivable	44,80.77	32,28.47
	<u>3692,58.14</u>	<u>2389,29.29</u>
9 Current Liabilities *		
Sundry Creditors		
- For expenses	20,66.73	14,96.35
- For other finance	124,94.11	121,02.17
Unpaid dividend	24.73	13.94
Interest accrued but not due	87,76.76	76,77.89
	<u>233,62.33</u>	<u>212,90.35</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
10 Provisions		
Against non-performing assets	43,71.46	45,79.03
Against Investments	7,11.54	3,59.93
Interim dividend	-	16,80.00
Final dividend	4,16.64	-
For Dividend Tax and Surcharge	58.44	2,15.25
	<u>55,58.08</u>	<u>68,34.21</u>

SCHEDULES

	2004 - 05	(Rs. in Lakhs) 2003 - 04
11 Income from Operations		
Hire Purchase / Hypothecation Loans (net) (tax deducted at source Rs.114.20 lakhs)	358,28.49	282,24.84
Lease (net) (tax deducted at source Rs.1.35 Lakhs)	28,89.52	13,93.10
Interest on Loans	1,53.14	1,92.54
Bills Purchased	1,17.05	3,44.86
Investments (tax deducted at source Rs.84.55 lakhs)	18,37.05	16,19.73
Services (tax deducted at source Rs.113.76 lakhs)	14,30.50	8,95.35
Software Development / Trading	43.01	81.23
Recovery of Bad debts / Recovery of Loss on Sale of assets	9,80.95	12,77.03
Profit on Sale of Leased Assets	4,36.64	5,74.89
Others	4,14.34	2,23.29
	<u>441,30.69</u>	<u>348,26.86</u>
12 Other Income		
Interest receipts (tax deducted at source Rs.9.99 lakhs)	1,36.48	71.04
Dividend	10,14.44	4,25.68
Rent receipts (tax deducted at source Rs.87.11 lakhs)	3,87.61	3,41.55
Profit on sale of assets	5.44	6.34
Miscellaneous income	2,34.15	1,17.10
	<u>17,78.12</u>	<u>9,61.71</u>
13 Financial Expenses		
Interest - Fixed loans	146,16.25	114,10.79
- Debentures	57,02.42	38,25.70
- Others	1,31.11	1,29.92
Other financial expenses	10,34.13	3,74.67
	<u>214,83.91</u>	<u>157,41.08</u>

SCHEDULES

	(Rs. in Lakhs)	
	2004 - 05	2003 - 04
14 Establishment Expenses		
Salaries, allowances, commission and bonus	43,05.22	27,40.18
Company's contribution to Provident Fund, Superannuation and Employees' State Insurance schemes	2,72.26	1,86.07
Staff welfare expenses	1,76.92	1,38.50
Gratuity	75.81	52.00
	<u>48,30.21</u>	<u>31,16.75</u>
15 Administrative and other expenses		
Rent	2,39.87	2,21.75
Lease rent	-	23.83
Rates and taxes	78.28	55.57
Communication expenses	6,20.84	4,56.76
Electricity expenses	3,09.63	2,30.85
Travelling and conveyance (net)	6,51.41	4,87.46
Advertisement charges	4,03.51	3,14.83
Directors' sitting fee	16.90	11.40
Insurance	88.73	68.49
Repairs to buildings	33.69	50.63
Repairs to machinery	2,92.09	3,73.19
Donations	3,56.95	2,81.97
Miscellaneous expenses	14,96.80	9,67.05
	<u>45,88.70</u>	<u>35,43.78</u>
16 Provisions and Write off		
Bad Debts	12,82.23	25,10.17
Loss on Assets sold/written off	7,30.52	4,01.80
Loss on sale of Investments	1,45.10	88.07
Provision against Investments	2,45.60	3,51.94
	24,03.45	33,51.98
Less: Reversal of -		
Provision against non-performing assets	16,44.59	72.49
Diminution in Value of Investments	2,07.63	-
	<u>5,51.23</u>	<u>32,79.49</u>

SCHEDULES

17. NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and they comply with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable. The Company follows the directions prescribed by the Reserve Bank of India for Non Banking Financial Companies.

1.2 Income recognition:

- a) Income from Hire Purchase and Hypothecation loan transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per the Accounting Standard - AS 19 - 'Leases' issued by ICAI.
- c) Income from Services, Trading Activities and Insurance Agency Commission have been recognised on accrual basis.

1.3 Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at historical cost less accumulated depreciation. The Value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs.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 ICAI. Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised.

Cost of assets taken on lease on or after 1st April, 2001 is amortised over the lease tenure as per the Accounting Standard - AS 19 - 'Leases' issued by ICAI, based on the capital recovery method.

1.4 Valuation of Investments:

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

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

1.5 Foreign Currency Loans:

Foreign exchange transactions covered by forward contracts are stated at the forward contract rates while those not so covered are re-stated 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.

1.6 Retirement Benefits:

- a) The Company's liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India.
- b) The Company contributes to a group policy with Life Insurance Corporation of India towards a Superannuation scheme for its employees.
- c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2005.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

1.7 Taxation:

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

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

1.8 Intangible Assets:

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

1.9 Impairment of Assets:

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

1.10 Provisions:

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

2. BALANCE SHEET:

2.1 Reserves and Surplus

The Special Reserve has been created in terms of the Rupee Term Loan agreement entered into with International Finance Corporation and is not distributable during the subsistence of the loan.

2.2 Secured Loans:

a) Details of Privately placed Secured Redeemable Non-Convertible Debentures:

Date of Allotment / Reissue	Amount (Rs. in Lakhs)		Redemption
	31.03.2005	31.03.2004	
30.04.2002	–	1000	Redeemed during the year
24.05.2002	–	1000	Redeemed during the year
28.06.2002	500	500	At par at the end of 3 years
02.07.2002	2000	2000	At par at the end of 3 years
31.07.2002	–	2000	Redeemed during the year
31.07.2002	2000	2000	At par at the end of 3 years
31.08.2002	3400	–	At par at the end of 3 years
27.09.2002	–	1000	Redeemed during the year
27.09.2002	2000	2000	At par at the end of 3 years
03.10.2002	1000	–	At par at the end of 2 years and 11 months
03.10.2002	600	–	At par at the end of 3 years
28.11.2002	–	2000	Redeemed during the year

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

Date of Allotment / Reissue	Amount (Rs. in Lakhs)		Redemption
	31.03.2005	31.03.2004	
28.11.2002	1000	1000	At par at the end of 3 years
07.12.2002	–	2000	Redeemed during the year
07.12.2002	2000	2000	At par at the end of 3 years
31.12.2002	–	1500	Redeemed during the year
28.05.2003	1000	–	At par at the end of 3 years
15.06.2003	2500	–	At par at the end of 3 years
27.06.2003	2000	2000	At par at the end of 2 years
27.06.2003	–	2000	Redeemed during the year
27.06.2003	–	2500	Redeemed during the year
27.06.2003	–	1000	Redeemed during the year
30.07.2003	2000	2000	At par at the end of 2 years
11.08.2003	2500	–	At par at the end of 1 year and 358 days
25.08.2003	1000	1000	At par at the end of 2 years
30.09.2003	1000	1000	At par at the end of 1 year and 332 days
30.09.2003	1000	1000	At par at the end of 2 years
30.10.2003	1500	–	At par at the end of 3 years
27.02.2004	1000	–	At par at the end of 1 year and 299 days
27.02.2004	200	–	At par at the end of 2 years
27.02.2004	500	–	At par at the end of 1 year and 316 days
01.03.2004	6500	6500	At par at the end of 2 years
01.03.2004	4500	4500	At par at the end of 3 years
29.04.2004	2000	–	At par at the end of 2 years
29.04.2004	3000	–	At par at the end of 3 years
30.04.2004	2000	–	At par at the end of 3 years
30.04.2004	2500	–	At par at the end of 2 years
31.05.2004	1500	–	At par at the end of 1 year and 353 days
29.06.2004	2000	–	At par at the end of 1 year and 352 days
27.09.2004	5000	–	At par at the end of 2 years
26.08.2004	2500	–	At par at the end of 2 years
28.01.2005	3500	–	At par at the end of 1 year and 335 days
28.01.2005	2500	–	At par at the end of 1 year and 342 days
25.02.2005	2000	–	At par at the end of 1 year and 347 days
25.02.2005	2000	–	At par at the end of 2 years and 358 days
25.02.2005	2000	–	At par at the end of 2 years and 361 days
TOTAL	74200	43500	

The debentures are secured by mortgage of two immovable properties ranking pari passu and specific assets covered by Hire purchase, Hypothecation Loan and Lease agreements.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

	(Rs in Lakhs)	
	31.03.2005	31.03.2004
b) Loans from scheduled banks under "Secured Loans" include		
Working Capital Demand Loans	755,27.14	611,91.59
Term Loans	628,36.68	358,79.59
Total	<u>1383,63.82</u>	<u>970,71.18</u>

i) Rs.75527.14 lakhs availed under working capital facilities are secured by hypothecation of assets covered by Hire Purchase, Hypothecation Loan and Lease Agreements, ranking pari-passu, excluding assets, which are specifically charged to others. The facilities include foreign currency loans of Rs.22305.06 lakhs outstanding as on 31.03.2005 (31.03.2004- Rs. 27300.64 lakhs).

ii) Rs.62836.68 lakhs availed as Term Loans are secured by hypothecation of specific assets covered by Hire Purchase, Hypothecation Loan and Lease agreements and include foreign currency loans of Rs.1312.50 Lakhs (31.03.2004 - Rs. 2105.41 lakhs).

c) **Loan From International Finance Corporation:**

The Rupee Term Loan of Rs.20000 lakhs availed from International Finance Corporation, is repayable in instalments upto January 2010. The loan is secured by a charge on specific assets covered by Hire Purchase, Hypothecation Loan and Lease agreements.

d) **Term Loans from Financial Institutions are secured by hypothecation of specific assets covered by Hire Purchase, Hypothecation Loan and Lease Agreements.**

2.3 Unsecured Loans:

a) **Debentures:**

Details of Privately placed Non-convertible debentures:

Date of Allotment / Reissue	Amount (Rs. in Lakhs)		Redemption
	31.03.2005	31.03.2004	
30.07.2003	—	2000	Redeemed during the year
25.08.2003	—	2000	Redeemed during the year
16.10.2003	—	1000	Redeemed during the year
31.10.2003	—	1000	Redeemed during the year
29.12.2003	—	2000	Redeemed during the year
29.12.2003	—	1000	Redeemed during the year
31.12.2003	—	1000	Redeemed during the year
30.01.2004	—	2000	Redeemed during the year
30.01.2004	—	1000	Redeemed during the year
30.01.2004	—	3500	Redeemed during the year
27.02.2004	—	1500	Redeemed during the year
01.03.2004	—	1000	Redeemed during the year

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

Date of Allotment / Reissue	Amount (Rs. in Lakhs)		Redemption
	31.03.2005	31.03.2004	
22.03.2004	–	500	Redeemed during the year
29.04.2004	1000	–	At par at the end of 364 days
30.04.2004	2000	–	At par at the end of 341 days
30.04.2004	1000	–	At par at the end of 346 days
31.05.2004	1000	–	At par at the end of 336 days
31.05.2004	1000	–	At par at the end of 344 days
31.05.2004	2000	–	At par at the end of 353 days
26.11.2004	3000	–	At par at the end of 360 days.
26.11.2004	2000	–	At par at the end of 362 days
28.12.2004	2000	–	At par at the end of 352 days
28.12.2004	2500	–	At par at the end of 359 days
10.01.2005	1500	–	At par at the end of 364 days
28.01.2005	2500	–	At par at the end of 340 days
28.01.2005	1000	–	At par at the end of 350 days
28.01.2005	1000	–	At par at the end of 354 days
28.01.2005	1500	–	At par at the end of 357 days
28.01.2005	500	–	At par at the end of 361 days
25.02.2005	1000	–	Maturing on 25.02.2006-Put/ Call option on a daily basis
25.02.2005	2000	–	At par at the end of 342 days
29.03.2005	1000	–	Maturing on 25.02.2006- Put/Call option on a daily basis
TOTAL	29500	19500	

The Company issued MIBOR linked debentures from time to time, aggregating Rs 6500 lakhs as on 31.03.2005, with a daily put/call option and with a right to re-issue the same. The outstanding MIBOR linked debentures as on 31.03.2005 was Rs.2000 lakhs (31.03.2004 - Rs.7500 lakhs). The balance debentures of Rs.4500 lakhs have been redeemed on exercise of call option and are in the name of a nominee of the company at the year-end. The debentures are partly secured by mortgage of two immovable properties, ranking pari passu.

b) Short Term Loans and Advances:

- i) Loans from scheduled banks under "Unsecured Loans" include foreign currency loans of Rs.4416.20 lakhs outstanding as on 31.03.2005 (31.03.2004 - Rs 1359.52 lakhs).
- ii) Commercial Paper outstanding - Rs.32500 lakhs (31.03.2004 - Rs.2000 lakhs). Maximum amount outstanding at any time during the year Rs. 36500 lakhs (31.03.2004 - Rs.13000 lakhs).

2.4 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.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

2.5 Fixed Assets:

- a) Buildings on leasehold land include Rs.861.12 lakhs (31.03.2004 - Rs.861.12 lakhs) being the cost of ownership flats in co-operative societies / associations.
- b) Land and Buildings include Rs.1074.93 lakhs representing undivided share of land (31.03.2004-Rs.941.25 lakhs).
- c) Plant and Machinery and Vehicles include assets costing Rs.6117.16 lakhs (gross block) on operating lease contracts. (31.03.2004 - Rs.7121.74 lakhs).
- d) Intangible Assets:

In accordance with Accounting Standard, AS-26 - Intangible Assets issued by ICAI, intangible assets comprise software purchased amounting to Rs.27.01 lakhs (Previous year - Rs.158.99 lakhs) and software developed internally amounting to Rs.11.67 lakhs (Previous year - Rs.37.38 lakhs) being amortised over a period of 3 to 5 years on straight-line method.

- e) The details of assets given on operating lease as on 31.03.2005 are:

			(Rs. in Lakhs)
	Vehicles	Computers	Vehicles
	2004-05		2003-04
Gross carrying amount (Cost)	19,59.60	12.26	13,86.84
Accumulated Depreciation	5,98.10	0.54	3,52.25
Depreciation recognised in Profit and Loss Account for the year	3,11.54	0.54	2,07.75

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

			(Rs. in Lakhs)
	2004-05	2003-04	
Less than 1 year	5,30.60	3,60.03	
Later than 1 year and not later than 5 years	9,14.17	7,81.23	
Later than 5 years	0.42	0.90	
Total	<u>14,45.19</u>	<u>11,42.16</u>	

- f) Impairment of Fixed Assets

Based on an internal evaluation, an amount of Rs.5,34.67 lakhs, being the excess of Written Down Value over the estimated realisable value of fixed assets has been provided for in accordance with Accounting Standard AS-28-Impairment of Assets issued by ICAI.

2.6 Current Assets

- a) The company has securitised a part of its vehicle finance portfolio and has followed the "Guidance Note on Accounting for Securitisation" issued by ICAI. The details are as follows:

			(Rs. in Lakhs)
	2004-05	2003-04	
Assets derecognised	77,08.96	44,34.10	
Assets subordinated	4,39.41	3,41.43	
Bank deposits given as collateral	2,40.00	1,36.60	

The collateral is provided in the form of deposits of Rs.226.60 lakhs under Cash and bank balances - With scheduled banks in Deposit accounts.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

- b) Deposit of Rs.0.05 lakhs under Cash and bank balances - With scheduled banks in Deposit accounts is under lien to Government authorities (31.03.2004 - Rs.0.05 lakhs).
- c) In accordance with Accounting Standard (AS-19) - "Leases", issued by ICAI, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) as on 31.03.2005 is as follows:

Maturity Pattern of the Gross / Present Value of MLP receivables:

	2004-05		2003-04	
	Gross	Net	Gross	Net
Less than 1 year	287,53.28	249,13.11	261,49.52	226,98.05
Later than 1 year and not later than 5 years	207,84.17	188,69.88	158,29.99	141,12.69
Later than 5 years	1,13.10	1,05.66	2,54.17	2,23.74
Total	<u>496,50.55</u>	<u>438,88.65</u>	<u>422,33.68</u>	<u>370,34.48</u>

2.7 "Secured Loans" from Scheduled Banks and Current Accounts with Scheduled Banks under "Cash and Bank Balances" are stated after deduction / addition of cheques on hand to the extent of Rs.2466.50 lakhs (31.03.2004 - Rs.2277.27 lakhs).

2.8 Loans and advances:

- a) Secured loans include Rs. 35.13 lakhs (31.03.2004 - Rs.32.32 lakhs) due from officers of the company. Maximum amount due at any time during the year Rs. 62.13 lakhs (Previous year - Rs.62.84 lakhs).
- b) Unsecured loans include Rs. 0.66 lakhs (31.03.2004 - Rs. 0.14 lakhs) due from an officer of the company. Maximum amount due at any time during the year Rs. 0.71 lakhs (previous year - Rs. 0.20 lakhs).
- c) Advance Income Tax and Tax Deducted at Source is net of Provision for Tax of Rs. 24627.95 lakhs (31.03.2004 - Rs. 21802.59 lakhs) and includes Rs. 1118.54 lakhs (31.03.2004 - Rs. 3533.24 lakhs) towards income tax paid under dispute.
- d) Advances and deposits recoverable in cash or in kind or for value to be received include Rs. 37.72 lakhs (31.03.2004 - Rs. 16.70 lakhs) towards sales tax paid under dispute in respect of which appeals are pending.

2.9 Current liabilities:

- a) Sundry creditors for expenses include Rs. 85.50 lakhs (31.03.2004 - Rs. 90.50 lakhs) payable to directors.
- b) Interest accrued but not due includes Rs.28.67 lakhs on deposits of Directors (31.03.2004 - Rs.18.84 lakhs)

2.10 The details of Deferred Tax Liabilities / Assets are as follows:

	(Rs. in Lakhs)	
	31.03.2005	31.03.2004
i) Deferred Tax Liabilities		
a) Depreciation	19,00.89	36,98.85
b) Hire Purchase Income	7,11.25	10,35.60
c) Investment in Mutual funds	Nil	7.68
Total (A)	<u>26,12.14</u>	<u>47,42.13</u>

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

		(Rs. in Lakhs)	
		31.03.2005	31.03.2004
ii) Deferred Tax Assets:			
a) Provision for Non-performing assets /Investments		14,23.49	18,12.57
b) Income deferment on Non-performing Assets		6,42.79	7,03.55
c) Others		3,51.16	1,16.69
	Total (B)	24,17.44	26,32.81
	(A - B)	1,94.70	21,09.32

3. PROFIT AND LOSS ACCOUNT

3.1 Income from operations -

- a) Hire Purchase / Hypothecation Loans is net of business origination cost of Rs 435.19 lakhs (previous year - Rs.1328.40 lakhs).

The company has changed the method of accounting of business origination cost during the year, by apportioning this cost over the tenure of the contract in respect of contracts entered into with effect from 01.04.2004 instead of writing off the cost in the year of incurring. Consequent to this change, the charge to the Profit and Loss account is lower by Rs.970.67 lakhs and the profit before tax for the year is higher by Rs.970.67 lakhs.

- b) Lease is net of depreciation of Rs. 1859.77 lakhs (Previous year - Rs. 2761.14 lakhs) and Lease Equalisation Account Rs. 4102.61 lakhs (Previous year - Rs. 3176.81 lakhs)
- c) Others includes revenue from securitisation amounting to Rs. 232.39 lakhs (Previous year - Rs. 138.55 lakhs)

3.2 Income from operations - Investments comprise:

		(Rs. in Lakhs)	
		2004-05	2003-04
i) Interest		12,21.29	11,91.49
ii) Dividend		1.39	1,55.93
iii) Profit on sale of investments:			
Long term		5,52.74	2,64.02
Current		61.63	8.29

3.3 Income from Software Development / Trading:

Income from Software Development

The details relating to trading items are as under:

		2004-05	2003-04
Sales		1,33.06	95.87
Purchases		90.19	71.42

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

3.4 Other Income-

Dividend Income has been stated after netting of Rs.42.72 lakhs being the interim dividend for the year 2004-05 received by LGF from the Company and interim dividends for the year 2004-05 amounting to Rs.81.93 lakhs received by the company from LGE.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

3.5 Financial Expenses:

3.5.1 Interest on fixed/cumulative deposits includes Rs.23.76 lakhs (previous year - Rs.18.62 lakhs) paid/credited to Directors.

3.5.2 Other Financial Expenses in Schedule 13 - Financial Expenses include exchange loss in respect of foreign currency loans amounting to Rs.633.14 lakhs (previous year - Exchange gain Rs.1407.63 lakhs). Forward premium to be recognised in subsequent accounting periods amount to Rs. 92.58 lakhs. (Previous year - Rs. 75.35 lakhs)

3.6 a) Remuneration to Directors:

	(Rs. in Lakhs)	
	2004-05	2003-04
i) Salary	32.40	23.62
ii) Commission		
- Wholetime Directors	57.00	60.00
- Non Wholetime Directors	63.50	30.50
iii) Sitting fees to Wholetime Directors	4.60	2.00
iv) Contributions to provident, superannuation and gratuity funds	8.99	6.07
v) Other allowances and perquisites	30.09	26.93
Total	<u>1,96.58</u>	<u>1,49.12</u>

The Remuneration to Directors includes Rs.39.40 lakhs paid to the Managing Director of LGF and Rs.17.20 lakhs paid to Directors of LGF, who are also the Directors of the company.

b) Remuneration to other Directors of LGF includes Sitting fees of Rs.4.80 lakhs and commission of Rs. 5.00 lakhs.

3.7 Computation of net profit for calculation of commission to directors:

	(Rs. in Lakhs)
Net Profit	75,99.15
Add: Directors' Remuneration	1,96.58
Directors' Sitting fee (other than whole-time Directors)	12.30
Depreciation as per books	40,75.96
Lease Equalisation Account	41,02.61
Loss on sale of investments	1,45.10
Provision for Investments	2,45.60
Diminution in Value of Investments	(2,07.63)
Provision for Taxation (Including Wealth Tax)	46,39.42
	<u>132,09.94</u>
	208,09.09
Less: Depreciation as per Sec.350 of the Companies Act,1956	40,75.96
Profit on sale of investments	6,14.37
Provision against Non-Performing assets	(16,44.59)
	<u>30,45.74</u>
Net profit as per Section 198 of the Companies Act, 1956	<u>177,63.35</u>
1% thereof	1,77.63
Commission to Managing Director and Whole Time Director @1% restricted to	<u>57.00</u>
Commission to Non-Whole time directors - @ 1 % restricted to	<u>63.50</u>

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

3.8 Miscellaneous expenses under "Administrative and other expenses" include:

	(Rs. in Lakhs)	
	2004-05 (*)	2003-04
Remuneration to Auditors towards:		
Statutory Audit	18.00	12.00
Tax Audit	5.25	3.50
Certification	9.47	7.81
Service Tax	3.34	1.86
Travelling Expenses	1.33	1.02

(*) includes remuneration pertaining to M/s. Lakshmi General Finance Ltd towards Statutory Audit Rs.4.00 lakhs, Tax Audit Rs.1.25 lakhs, Certification Rs.1.16 lakhs and Service Tax Rs.0.65 lakhs.

3.9 Provisions and Write offs -

- Provision against investments Rs 245.60 lakhs represents excess of cost over Face Value of Investment in Government Securities (Previous year Rs. 351.94 Lakhs).
- Loss on sale of investments comprise Rs 33.00 lakhs (Previous year Rs 1.98 lakhs) pertaining to long-term investments and Rs 112.10 lakhs (Previous year Rs 86.09 lakhs) pertaining to short-term investments.

3.10 Dividend-Interim :

The Interim Dividend of Rs.1770.35 lakhs paid includes Rs.373.07 lakhs paid by LGF to its shareholders other than Sundaram Finance Ltd, prior to merger.

4. GENERAL

4.1 Amalgamation

- Lakshmi General Finance Ltd (LGF), a Non Banking Financial Company was amalgamated with the company with effect from 01.04.2004 in accordance with the Order of the Hon'ble High Court of Judicature at Madras dated 25.02.2005.

The business of LGF primarily comprise Hire Purchase finance and Hypothecation Loans.

The amalgamation has been accounted for under the " Pooling of Interests method" prescribed by Accounting Standard (AS - 14) - Accounting for Amalgamations issued by ICAI.

- The scheme of amalgamation has been given effect to in the accounts. The assets and liabilities of LGF have been transferred to and vest with the company with effect from 01.04.2004. The shareholders of LGF (other than Sundaram Finance Ltd), are entitled to 1 Equity Share of face value of Rs.10/- each in the company for 1.52 Equity Shares of face value of Rs.10/- each held in LGE Accordingly, 37,75,965 Equity Shares of face value of Rs.10/- each amounting to Rs.377.60 lakhs to be allotted to the shareholders of LGF have been reflected in the balance sheet under "Share Capital Suspense Account". An amount of Rs.433.92 lakhs has been reduced from the General Reserve of the Company on account of the amalgamation.
- The equity shares held by the Company in LGF have been cancelled and 7,12,012 Equity Shares held by LGF in the Company at a cost of Rs. 974.41 lakhs have been transferred to a Trust - SFL Shares Trust, which is included under Current Assets in the balance sheet.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

4.2 Segment Reporting

Segment information is presented in the consolidated financial statements in terms of the Accounting Standard AS17 - Segment Reporting issued by ICAI.

4.3 Related Party Disclosures

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

Related parties:

Subsidiaries :

Sundaram Finance Distribution Ltd.
Sundaram Home Finance Ltd.
Sundaram Asset Management Company Ltd.
Sundaram Finance Trustee Company Ltd.
Royal Sundaram Alliance Insurance Company Ltd.
LGF Services Private Ltd.

Associates :

Axles India Ltd
Turbo Energy Ltd.
Transenergy Ltd.
Sundaram Dynacast Pvt Ltd.
InFreight Technologies India Ltd.
Sundaram Medical Foundation
Sundaram Mutual Fund

Key Management Personnel:

Sri T.T. Srinivasaraghavan, Managing Director
Sri G.K. Raman, Wholetime Director

The nature and volume of transactions of the company during the year, with the above related parties are:

Nature of Transactions	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	(Rs. in Lakhs)	
					Total 2004-05	Previous Year 2003-04
INCOME						
Income from Lease	70.92	22.33	–	–	93.25	1,29.32
Income From Bills Discounting	–	38.03	–	–	38.03	1,67.47
Income from Services rendered	4,82.09	1,28.52	–	–	6,10.61	4,75.00
Sale of fixed assets	5.56	–	–	–	5.56	9.22
Insurance Agency Commission	3,08.72	–	–	–	3,08.72	3,26.08
Dividend	–	3,75.81	–	–	3,75.81	79.17
Rent Receipts	3,23.04	11.51	–	–	3,34.55	2,90.38
Interest Receipts	–	–	1.20	–	1.20	1.72
Others	53.20	–	–	–	53.20	52.03
EXPENSES						
Donations	–	2,50.00	–	–	2,50.00	2,00.00
Interest	39.25	–	5.25	6.18	50.68	3.68
Remuneration	–	–	1,07.08	–	1,07.08	1,18.62
Cost of Personnel on Deputation	–	–	–	–	–	2.89
Insurance Premium	14.45	–	–	–	14.45	9.48
Others	14.06	2.10	–	–	16.16	0.80

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

Nature of Transactions	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	(Rs. in Lakhs)	
					Total 2004-05	Previous Year 2003-04
ASSETS						
Investment in Equity Shares	26,04.00	–	–	–	26,04.00	5.00
Investments in Trust Securities	–	136,75.00	–	–	136,75.00	57,30.00
Disinvestments in Trust Securities	–	143,11.77	–	–	143,11.77	55,46.79
Investment in Trust Securities - at the end of the year	–	5,00.00	–	–	5,00.00	11,36.77
Housing Loan - at the end of the year	–	–	11.11	–	11.11	32.32
Bills Purchased - at the end of the year	–	–	–	–	–	4,99.62
Future Lease Receivables	32.01	38.04	–	–	70.05	1,74.90
Deposits	–	–	–	–	–	15.00
Employee Group Personal Accident Insurance Claim	5.15	–	–	–	5.15	–
LIABILITIES						
Deposits	–	–	65.55	83.85	1,49.40	33.40
Advance Received	1.77	5.60	–	–	7.37	0.10

No amount has been written off / written back during the year relating to the above transactions

4.4 Earnings per Share (Basic and diluted)	2004-05	2003-04
A. Profit for the year after taxation (Rs. in lakhs)	75,99.15	55,62.37
B. Number of equity shares of Face Value of Rs.10/- outstanding (in numbers)	2,40,00,000	2,40,00,000
C. Share Capital Suspense Account (in terms of number of shares)	37,75,965	–
D. Total (B + C)	2,77,75,965	2,40,00,000
E. Basic and diluted earnings per share (A/D) (in Rs.)	27.36	23.18

4.5 The levy of service-tax on hire purchase and leasing transactions introduced with effect from 16.07.2001 has been challenged by Trade Associations before the Madras High Court and a stay has been obtained. Pending disposal of the writ petitions, the company is not remitting service-tax on the aforesaid transactions.

4.6 The Special Director of Enforcement imposed a penalty of Rs. 10 lakhs on the company. The company has preferred an appeal against the penalty with the Tribunal of Foreign Exchange and obtained a stay after remitting Rs. 2.50 lakhs as directed by the Tribunal. The order of the Commissioner of Customs and Excise, Tiruchirapalli imposing a penalty was set aside on appeal and the matter has been remanded for fresh adjudication.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

4.7 Estimated amount of contracts remaining to be executed on capital account - Rs. 73.98 lakhs (net of advance of Rs. 20.13 lakhs). (31.03.2004 - Rs 1,06.79 lakhs).

4.8 The Company does not owe any amount to a Small Scale Industrial Undertaking.

4.9 Contingent liabilities in respect of

(Rs. in Lakhs)

	As at 31.03.2005	As at 31.03.2004
a) Liability:		
To Banks - on Cheques discounted	17,17.11	17,44.88
- on Counter Guarantee	58.73	39.92
- on letters of credit	9.46	NIL
To Sales Tax Authorities	11.12	6.45
On Guarantee given on behalf of a Subsidiary company	100,00.00	100,00.00
b) Claims against the company not acknowledged as debts :		
i) Import lease and inter- state lease transactions - Appeals filed by the company	10,51.04	-
ii) Hire Purchase transactions and termination of lease transactions Appeals filed by the company	47.07	-
iii) Others	1,87.17	164.67
4.10 CIF value of imports:		
Capital goods (on payment basis)	58.46	158.64
4.11. Expenditure in foreign currency (on payment basis):		(Rs. in Lakhs)
	2004-05	2003-04
Interest	10,97.45	11,37.34
On other matters	1,33.47	53.28
4.12 Earnings in Foreign Currency	79.88	91.12

4.13 The figures of the current year include figures of LGE. Therefore, the figures of the current year are not comparable with those of the previous year.

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

Signatures to Schedules 1 to 17

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

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

S. Ram

S. Narayanan

L. Ravi Sankar
Partner

Srinivas Acharya
Deputy Managing Director

A. Rangaswami

S. Padmanabhan

Chennai,
6th June, 2005

G.K. Raman
Wholetime Director

S. Venkatesan
Executive Director (Finance) & Secretary

T.R. Seshadri
Directors

SCHEDULE

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

(Rs. in Lakhs)

	Particulars	Amount outstanding	Amount overdue
	Liabilities side:		
(1)	Loans and advances availed by the NBFCs @		
a	Debentures : Secured	742,00.00	-
	: Unsecured	295,00.00	-
	(other than falling within the meaning of public deposits)		
b	Deferred Credits	-	
c	Term Loans	795,56.60	-
d	Inter-corporate loans and borrowings	-	
e	Commercial paper	325,00.00	-
f	Public Deposits	731,48.58	10,97.19 #
g	Other loans		
	- Bank Borrowing	908,55.84	-
	- Deposits from Corporates	8,76.90	-
(2)	Break-up of 1 (f) above (Outstanding public deposits) @		
a	In the form of Unsecured debentures	-	-
b	In the form of partly secured debentures I.e. debentures where there is a shortfall in the value of security	-	-
c	Other public deposits	731,48.58	10,97.19 #

@ Interest accrued but not paid - Nil

Represents unclaimed deposits

(Rs. 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	752,32.03
b	Unsecured (including Advance for Business Assets)	135,04.36
(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	82,86.10
b	Operating Lease	32,54.93
(ii)	Net Stock on hire including hire charges under sundry debtors	
a	Assets on hire	428,51.54
b	Repossessed Assets	73.28
(iii)	Hypothecation loans counting towards EL / HP activities	
a	Loans where assets have been repossessed	4,81.37
b	Loans other than (a) above	2698,65.95

(Rs. in Lakhs)

	Particulars	Amount Outstanding	Market Value *
(5)	Break-up of Investments :		
	Current Investments:		
1.	Quoted:	-	-
2.	Unquoted:		
(i)	Units of mutual funds	5,00.00	6,88.57
	Long Term Investments:		
1.	Quoted:		
(i)	Equity Shares	12,76.46	121,36.76
(ii)	Debentures and Bonds	1,30.05	1,30.05
(iii)	Government Securities	93,82.11	94,35.28
2.	Unquoted:		
(i)	Equity Shares	161,34.90	222,55.04
(ii)	Government Securities		
(iii)	Units of mutual funds	35,00.00	35,81.06
(iv)	Others	1,89.66	1,89.66
	Total	311,13.18	484,16.42

* 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 :		(Rs. in Lakhs)	
Category		Amount net of provisions	
		Secured	Unsecured
1.	Related Parties**		
a	Subsidiaries	65.73	-
b	Companies in the same group		
c	Other related parties	38.04	-
2.	Other than related parties	3960,24.48	130,49.85
	Total	3961,28.25	130,49.85

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :		(Rs. in Lakhs)	
Category		Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties**		
a	Subsidiaries	142,99.30	153,21.46
b	Companies in the same group		
c	Other related parties	30,33.05	11,44.40
2.	Other than related parties	310,84.07	139,35.77
	Total	484,16.42	304,01.63

** As per Accounting Standard

(Rs. in Lakhs)

(8) Other Information		Amount
	Particulars	
(i)	<u>Gross Non-Performing Assets</u>	
a	Related Parties	Nil
b	Other than related parties	61,85.20
(ii)	<u>Net Non-Performing Assets</u>	
a	Related Parties	Nil
b	Other than related parties	18,13.74
(iii)	Assets acquired in satisfaction of debt (during the year)	1,53.90

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

Pursuant to Scheme of Amalgamation*

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

Total Liabilities

Total Assets

Sources of Funds

Paid up Capital

Reserves & Surplus

Deferred Tax Liability (net)

Secured Loans

Unsecured Loans

Applications of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Loss

IV Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / (Loss) Before Tax

+ - Profit / (Loss) After Tax

(Please tick appropriate box + for profit, -loss)

Earnings Per Share Rs. Ps.

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

* Refer Schedule 17 - Notes to the Accounts Para 4.1 (b)

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

1 Name of the Subsidiary Company	SUNDARAM ASSET MANAGEMENT COMPANY LIMITED	SUNDARAM FINANCE DISTRIBUTION LIMITED	SUNDARAM FINANCE TRUSTEE COMPANY LIMITED	SUNDARAM HOME FINANCE LIMITED	ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED	LGF SERVICES PRIVATE LIMITED
2 Financial year of the Subsidiary ended on	31.03.2005	31.03.2005	31.03.2005 ⁽¹⁾	31.03.2005	31.03.2005	31.03.2005 ⁽²⁾
3 Holding Company's interest in the Subsidiary	1,50,00,000 Equity shares of Rs 10/- each (100%)	15,00,000 Equity shares of Rs 10/- each (100%)	50,000 Equity shares of Rs 10/- each (100%)	5,25,00,000 Equity shares of Rs 10/- each (75%)	7,27,70,000 Equity shares of Rs 10/- each (55.98%)	50,000 Equity shares of Rs 10/- each (100%)
4 Net aggregate amount of the profits of the subsidiary not dealt with in the Holding Company's accounts						(Rs. in lakhs)
a) For the financial year of the Subsidiary Company	36.14	18.87	2.42	3,00.59	2,80.46	27.60
b) For the Previous financial years of the Subsidiary Company	1,30.92	66.82	–	8,77.90	**	**
5 Net aggregate amount of the profits of the subsidiary dealt with in the the Holding Company's accounts						
a) For the financial year of the Subsidiary Company	Nil	Nil	Nil	Nil	Nil	Nil
b) For the Previous financial years of the Subsidiary Company	Nil	Nil	Nil	Nil	Nil	Nil

1) Financial statements for the period 2nd December, 2003 to 31st March, 2005

2) Financial statements for the period 23rd January, 2004 to 31st March, 2005

** Not a subsidiary company in the Previous Year

S. Viji
Chairman

G.K. Raman
Wholetime Director

Chennai
6th June, 2005

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Cash Flow Statement

	2004-05		2003-04	
(Rs. in Lakhs)				
A) CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit	75,99.15		55,62.37	
Add: Lease Equalisation Account	41,32.89		31,76.81	
Provision for Taxation (Including Wealth Tax)	46,39.42		27,24.51	
	163,71.46		114,63.69	
Add: Financial Expenses	214,83.91	378,55.37	157,41.08	272,04.77
Depreciation		40,70.50		45,81.73
Provision against Investments		2,45.60		3,51.94
Diminution- Value of investments		(2,07.63)		-
Provision against Non - Performing assets		(16,44.59)		(72.49)
(Profit) loss on assets		(1,63.32)		(4,73.82)
(Profit) loss on Investments		(4,69.28)		(1,84.25)
Interest / Dividend Received		(22,56.33)		(18,44.14)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		374,30.32		295,63.74
(Increase) Decrease in net stock on hire	11,93.47		265,26.40	
(Increase) Decrease in leased assets - net of sales	1,67.89		7,18.85	
(Increase) Decrease in Trade Bills purchased	8,02.93		14,11.53	
(Increase) Decrease in Net Investment in Lease	(31.76)		(7,12.43)	
(Increase) Decrease in Loans and Advances	(712,52.29)		(725,83.04)	
(Increase) Decrease in Other Receivables	8.50		96.88	
(Increase) Decrease in Bank Deposits (net)	(11,79.40)		(12,81.31)	
(Increase) Decrease in SLR Investments - net of sales	3,66.23		18,45.82	
Increase (Decrease) in Current Liabilities	(13,83.88)	(713,08.31)	14,54.39	(425,22.91)
Cash generated from Operations		(338,77.99)		(129,59.17)
Financial Expenses	(214,83.91)		(157,41.08)	
Direct Taxes Paid	(64,99.33)	(279,83.24)	(59,25.81)	(216,66.89)
NET CASH FROM OPERATING ACTIVITIES (A)		(618,61.23)		(346,26.06)
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(14,96.88)		(29,40.88)
Sale of Fixed Assets		62.71		80.69
Purchase of Investments		(400,14.66)		(273,73.00)
Sale of Investments		396,03.42		251,59.14
Interest Received		12,41.58		12,62.53
Dividend Received		10,14.75		5,81.61
NET CASH FROM INVESTING ACTIVITIES (B)		4,10.92		(32,29.91)
C) CASH FROM FINANCING ACTIVITIES				
Proceeds from issue of debentures		1065,00.00		759,00.00
Debentures Redeemed		(808,00.00)		(638,80.00)
Increase (Decrease) in long term borrowings		146,56.42		371,76.80
Increase (Decrease) in Fixed Deposits		(112,73.11)		(26,82.84)
Increase (Decrease) in short term loans and advances		371,56.68		(66,40.91)
Dividend paid (including Corporate Dividend Tax)		(42,25.36)		(20,30.62)
NET CASH FROM FINANCING ACTIVITIES (C)		620,14.63		378,42.43
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)		5,64.32		(13.54)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		19,69.12		15,04.12
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		25,33.44		14,90.58
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
Current Account with Banks		18,86.82		9,98.13
Cash, Stamps and Stamp Papers on Hand		6,46.62		4,92.45
		25,33.44		14,90.58

Non cash items pertaining to Amalgamation have been excluded in Cash Flow Statement

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

I. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholtime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Report on Corporate Governance

Sundaram Finance Limited has been practising the code of Corporate Governance since inception. The strong edifice of the Company, built in 1954, is supported by the pillars of Customer Faith, Depositor Confidence, Institutional Trust, Investor Steadfastness and Employee Loyalty. The Company has been growing over the past five decades on the foundations of dedicated customer service, fair business practices, efficient, safe and trusted financial policies. It continues to maintain the highest standards of integrity through excellence in service to all stakeholders.

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 and transport sectors. The Company is immensely benefitted by the range of experience and skills that the Directors bring to the Board.

The Board comprises ten members, of which seven are Non-Executive Directors. The Executive Directors are Sri T.T. Srinivasaraghavan, Managing Director, Sri Srinivas Acharya, Deputy Managing Director and Sri G.K. Raman, Wholetime Director. On the passing away of the Chairman, Sri T.S. Santhanam, Sri S. Viji, Vice-Chairman, was appointed as Chairman of the Board. Sri S. Padmanabhan, Sri A. Rangaswami, Sri T.R. Seshadri and Sri N. Ganga Ram are the Independent Directors. The composition of the Board is in conformity with the listing requirements.

II. BOARD MEETINGS

The Board of Directors formulates the business and operational policies and decide on strategic issues concerning the Company. The Board generally meets every month to review the business performance.

During the year under review, 12 meetings of the Board of Directors were held.

2004			2005
30 th April	30 th July	27 th October	28 th January
31 st May	31 st August	26 th November	25 th February
29 th June	27 th September	28 th December	28 th March

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

Name of the Director	Board Meetings Attended	Directorships (other than M/s Sundaram Finance Limited)		Committees in which Chairman/Member (other than M/s Sundaram Finance Limited)	
		Chairman	Director	Chairman	Member
Sri T.S. Santhanam*	2	–	1	–	–
Sri S. Viji**	12	2	8	–	4
Sri S. Ram	9	2	6	1	1
Sri S. Narayanan	11	2	2	3	–
Sri A. Rangaswami	12	1	1	–	–
Sri S. Padmanabhan	11	–	–	–	–
Sri T.R. Seshadri	10	–	–	–	–
Sri N. Ganga Ram@	–	–	5	3	2
Sri Srinivas Acharya#	12	–	4	–	2
Sri G.K. Raman	11	1	5	2	3
Sri T.T. Srinivasaraghavan	12	1	4	–	1

* Passed away on 15th April 2005.

** Appointed as Chairman on 6th June 2005.

@ Co-opted as Additional Director on 28th March 2005.

Appointed as Deputy Managing Director with effect from 1st April 2005.

Except Sri T.S. Santhanam and Sri T.R. Seshadri, all the Directors of the Company attended the 51st Annual General Meeting held on 11th August 2004.

III. AUDIT COMMITTEE

The Audit Committee reviews the financial accounting policies, adequacy of internal control systems and interacts with the statutory auditors, systems auditors and internal auditors. The Executive Directors and other functional heads are invitees to the committee meetings. Besides, the Committee reviews the audit plans, interim and annual financial results, observations of the internal and external auditors and follow-up reports of the management.

During the year, the Committee met 7 times on 21st April, 28th May, 26th July, 24th September, 25th October in 2004 and on 25th January and 25th March in 2005.

Composition of the Committee and attendance of the members are as follows:

Name of the Director		No. of Meetings Attended
Sri S. Padmanabhan	Chairman	7
Sri S. Viji	Member	7
Sri A. Rangaswami	Member	7

IV. REMUNERATION OF DIRECTORS

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

The Non-Executive Directors are remunerated by way of sitting fees and 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 to the Directors are disclosed in the notes to the accounts.

As on March 31, 2005 the amount of deposits placed by the Non-Executive Directors in the Company aggregated to Rs.289.24 lakhs. The interest on these deposits paid/credited during the year 2004-05 amounted to Rs. 16.69 lakhs.

V. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee formed under Clause VI C of Clause 49 of the Listing Agreement

- i) approves and monitors transfers, transmission, splits and consolidation of shares of the Company,
- ii) reviews redressal of complaints from shareholders relating to transfer of shares, non-receipt of dividends and other grievances, and
- iii) reviews the compliances with various statutory and regulatory requirements.

During the year, the Committee met on 13th September in 2004 and 18th March in 2005. Besides, transfers of shares were approved by resolutions passed in circulation on 11 occasions.

Composition of the Committee and the attendance of the members are as follows:

Name of the Director		No. of Meetings attended
Sri S. Padmanabhan	Chairman	2
Sri A. Rangaswami	Member	2
Sri T.T. Srinivasaraghavan	Member	2

Sri P N Srikant, Assistant Secretary, is the Compliance Officer. During the year under review, the Company received 31 communications from shareholders, which are attended to. There were 3 investor complaints received and resolved during the year. None was pending unresolved as on 31st March, 2005.

VI. GENERAL BODY MEETINGS

Time and location of last three Annual General Meetings

Year	Date	Time	Location
2004	11.08.2004	10.00 A M	The Music Academy, 306, T T K Road, Chennai 600 014
2003	11.08.2003	10.00 A M	The Music Academy, 306, T T K Road, Chennai 600 014
2002	25.07.2002	10.00 A M	The Music Academy, 306, T T K Road, Chennai 600 014

No Special Resolutions were put through by postal ballot last year.

VII. DISCLOSURES

There were no materially significant transactions with related parties i.e. subsidiaries, promoters, Directors or the management and their relatives conflicting with the Company's interest.

VIII. MEANS OF COMMUNICATION

- Quarterly unaudited results of the Company were published in accordance with the Stock Exchange Listing Agreement in “Business Line” (English) and “Dinamalar” (Tamil). Annual audited results of the Company were published in “The Hindu”, “Business Line” (English) and “Dinamalar” (Tamil). The results were also displayed on the Company’s website www.sundaramfinance.in.
- Quarterly/annual results, shareholding pattern and other documents have also been published in Electronic Data Information Filing and Retrieval System (EDIFAR) in accordance with Clause 51 of the Stock Exchange Listing Agreement.
- A press meet was organised by the Company on 31st May 2004 for dissemination of audited results.
- Management’s Discussion and Analysis forms part of the Annual Report.

IX. GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting

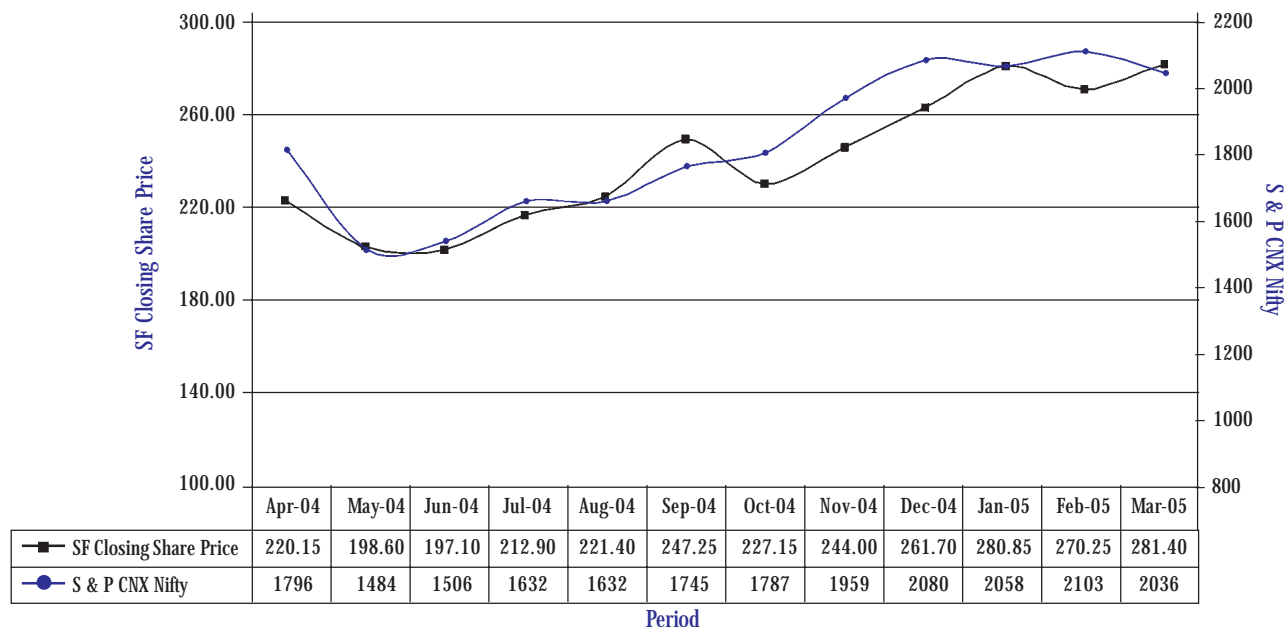
Date	Time	Venue
28.07.2005	10.30 A M	The Music Academy, 306 TTK Road, Chennai 600 014

- Financial Calendar

Financial Year – 1 st April 2005 to 31 st March 2006	
Board Meeting for consideration of accounts	6 th June 2005
Posting of Annual Report along with notice of AGM	On or before 2 nd July 2005
Book Closure dates	15/07/2005 to 28/07/2005
Last date for receipt of proxy forms	26 th July 2005 (Before 10.30 A M)
Date of payment of final dividend	29 th July 2005
Un-audited Results for the quarters ending June, September, December 2005	End July, October 2005 and January 2006

- The company’s shares are listed on:
National Stock Exchange of India Ltd.
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 year 2004-2005 to the above stock exchange.
- **NSE Stock Code:** SUNDARMEIN • **ISIN :** INE660A01013

SHARE PRICE PERFORMANCE



MARKET PRICE DATA

	Month	April-04	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan-05	Feb	March
NSE	High	248.00	240.00	209.00	228.90	246.00	268.50	255.00	275.00	283.50	289.00	299.00	329.00
	Low	215.00	178.20	194.50	196.30	196.00	215.10	223.60	220.15	235.00	240.10	261.65	265.00

- Share transfers were processed and share certificates despatched within one month from the date of lodgement in accordance with the stock exchange listing agreement.
- Dematerialisation requests have been confirmed within 21 days from the date of request.
- M/s Cameo Corporate Services Ltd, who have been appointed as the Registrar and Share Transfer Agents of the company for both physical and electronic segments 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 Fax: 044 2846 0129
Email: cameo@cameoindia.com

Contact Persons: Mr R D Ramasamy, Vice President (CA)
 Mrs S Rohini, Sr. Executive (Shares)

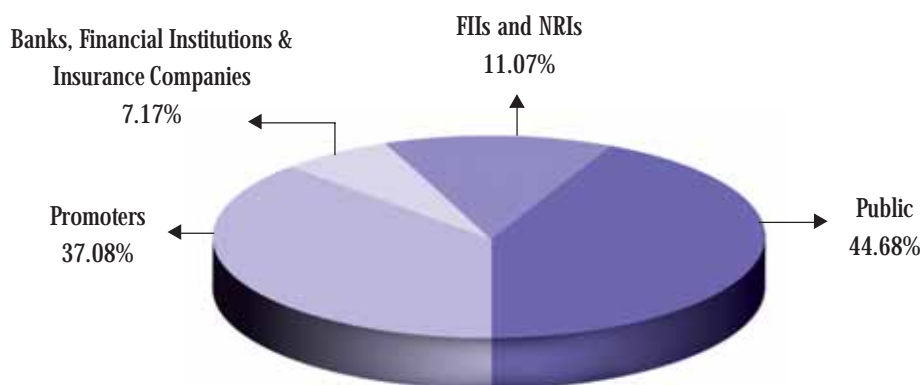
DISTRIBUTION OF SHAREHOLDING AS ON 27TH MAY 2005
(Post Merger status after allotment of shares)

No. of Equity Shares Held	Total Shareholders	Total Shares	Total % to Capital
Upto 250	6,755	7,14,008	2.57
251 to 500	1,372	5,35,234	1.93
501 to 1000	950	7,21,071	2.60
1001 to 5000	1,229	25,97,430	9.35
5001 to 10000	194	13,92,571	5.01
10001 to 50000	254	54,91,648	19.77
50001 to 100000	48	33,23,123	11.96
100001 and above	45	1,30,00,880	46.81
TOTAL	10,847	2,77,75,965	100.00

Total shares held in electronic mode 42.62%

Public shareholding in electronic mode 62.40%

SHAREHOLDING PATTERN AS ON 27.05.2005



Address for correspondence and any assistance/clarification

Sri P.N. Srikant
Compliance Officer
Sundaram Finance Limited
21 Patullos Road
Chennai 600 002
Ph: 044 - 2855 8236
Fax: 044- 2855 0290
E mail : pnsrik@sundaramfinance.in

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, 2005, 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.

The Registrar and Share Transfer Agents of the company for equity shares have certified that there were no investor grievances pending as on 31st March, 2005.

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

Place : Chennai

Dated: 6th June, 2005.

L. RAVI SANKAR
Partner.
Membership No. 25929

*Consolidated
Financial
Statements*

Consolidated Balance Sheet

as at 31st March, 2005

(Rs. in Lakhs)

Schedule	31.03.2005		31.03.2004	
I SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Capital	1	24,00.00		24,00.00
b) Share Capital Suspense Account	1A	3,77.60		—
c) Reserves and Surplus	2	672,70.22	700,47.82	507,39.03
				531,39.03
2. Minority Interest				
			68,53.64	22,26.89
3. Loan Funds				
a) Secured Loans	3	3097,57.46		2171,55.12
b) Unsecured Loans	4	1527,99.14	4625,56.60	1011,55.55
				3183,10.67
4. Deferred Tax Liability (Net)				
Deferred Tax Liability		26,34.14		47,58.18
Less: Deferred Tax Asset		26,15.24	18.90	27,16.96
				20,41.22
Total			5394,76.96	3757,17.81
II APPLICATIONS OF FUNDS				
1. Fixed Assets				
a) Gross Block	5	626,71.11		633,44.23
b) Less: Depreciation		442,70.01		433,74.73
c) Net Book Value		184,01.10		199,69.50
d) Add: Lease Adjustment Account		22,31.81		43,43.88
e) Net Block			206,32.91	243,13.38
2. Investments				
	6		472,73.18	335,88.55
3. Current Assets, Loans and Advances				
a) Current Assets	7	646,41.55		521,98.77
b) Loans and Advances	8	4597,51.66		3026,26.39
	(A)	5243,93.21		3548,25.16
Less: Current Liabilities and Provisions				
a) Current Liabilities	9	467,95.03		299,88.07
b) Provisions	10	60,27.31		70,21.21
	(B)	528,22.34		370,09.28
Net Current Assets	(A-B)		4715,70.87	3178,15.88
Total			5394,76.96	3757,17.81
Notes to the accounts	17			

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

L. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholetime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Consolidated Profit and Loss Account

for the Year Ended 31st March, 2005

(Rs. in Lakhs)
2003-04

	Schedule	2004-05	2003-04
INCOME			
Income from Operations	11	704,34.34	487,19.40
Other Income	12	13,27.63	11,80.46
Total	(A)	717,61.97	498,99.86
EXPENDITURE			
Financial Expenses	13	263,52.28	193,46.55
Insurance Claims incurred (net)		113,70.09	44,35.50
Establishment Expenses	14	81,66.16	48,68.33
Administrative and Other Expenses	15	91,80.87	57,77.82
Total	(B)	550,69.40	344,28.20
Gross Profit	(A)-(B)	166,92.57	154,71.66
Less:			
Provisions and Write Off	16	9,03.26	35,51.47
Depreciation		27,92.99	21,48.20
Taxation			
– Current (Including Wealth Tax)		65,94.96	55,06.02
– Deferred		(17,93.30)	(26,75.34)
Net Profit (before adjustment for minority interest)		81,94.66	69,41.31
Less: Minority Interest		3,20.74	1,96.00
		78,73.92	67,45.31
Add: Share of Profit in Associates		10,15.37	7,55.47
Net Profit		88,89.29	75,00.78
Add:			
Balance brought forward from the previous year		43,57.18	33,54.65
On Amalgamation of Lakshmi General Finance Limited		8,54.11	
Amount available for Appropriation		141,00.58	108,55.43
APPROPRIATIONS			
Dividend			
– Interim		17,70.35	16,80.00
– Final (proposed)		4,16.64	
– Dividend Tax		3,06.09	2,15.25
Special Reserve		15,50.00	4,90.00
Statutory Reserve		15,20.00	11,13.00
General Reserve		31,50.00	30,00.00
Surplus - Balance carried to Balance Sheet		53,87.50	43,57.18
		141,00.58	108,55.43
Notes to the accounts	17		
Earnings per Equity Share (Refer Note 2.9 Schedule 17)			
Number of Shares considered (Face value Rs 10/- per share)		2,77,75,965	2,40,00,000
Basic and Diluted earnings per share (in Rupees)		32.00	31.25
As per our report of even date attached	S. Viji Chairman	T.T. Srinivasaraghavan Managing Director	S. Ram
For Brahmayya & Co., Chartered Accountants			S. Narayanan
L. Ravi Sankar Partner		Srinivas Acharya Deputy Managing Director	A. Rangaswami
			S. Padmanabhan
Chennai, 6th June, 2005	G.K. Raman Wholtime Director	S. Venkatesan Executive Director (Finance) & Secretary	T.R. Seshadri Directors

SCHEDULES

(Rs. in Lakhs)

	31.03.2005		31.03.2004
1 Capital			
Authorised:			
10,00,00,000 Equity Shares of Rs.10/- each	100,00.00		100,00.00
Issued, Subscribed and fully paid-up	24,00.00		24,00.00
2,40,00,000 Equity Shares of Rs.10/- each (includes 2,31,99,580 Equity Shares allotted as fully paid-up by way of bonus shares by Capitalisation of Reserves)			
1A Share Capital Suspense Account	3,77.60		-
(represents 37,75,965 Equity shares of Rs.10/- each to be allotted to the shareholders of M/s. Lakshmi General Finance Limited (LGF), pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Madras)			
2 Reserves and Surplus			
Capital Reserve			
Per Last Balance Sheet	32,82.08		32,82.08
Add: Capital reserve on acquisition of shares in Sundaram Home Finance Ltd.	10.56		
Less: Goodwill on acquisition of shares in Royal Sundaram Alliance Insurance Company Limited	2,10.45		
Add: On Amalgamation of LGF	5,31.50	36,13.69	
Securities Premium Account			
On Amalgamation of LGF	15,04.97		-
General Reserve			
Per Last Balance Sheet	299,12.27	287,36.71	
Add: On Amalgamation of LGF	59,00.00	-	
Less : Adjustment on Amalgamation of LGF (Refer Note 2.1 b)	4,33.92	-	
(Less) / Add: Previous Year's profit in Associates - adjustment	(1,56.79)	11,75.56	
Add: Transfer from Profit and Loss account	31,50.00	30,00.00	
Less: Transfer to Special Reserve	-	30,00.00	299,12.27
Statutory Reserve			
Per last Balance Sheet	94,67.50	83,54.50	
Add: On Amalgamation of LGF	21,35.00	-	
Add: Transfer from Profit and Loss account	15,20.00	11,13.00	94,67.50
Special Reserve			
Per last Balance Sheet	37,20.00	2,30.00	
Transfer from General Reserve	-	30,00.00	
Add: Transfer from Profit and Loss account	15,50.00	4,90.00	37,20.00
Surplus - Balance in Profit and Loss account	53,87.50	-	43,57.18
	672,70.22		507,39.03

	31.03.2005	(Rs. in Lakhs) 31.03.2004
3 Secured Loans		
Non - Convertible Debentures	862,00.00	560,00.00
From Scheduled Banks	1991,48.91	1343,03.95
From International Finance Corporation	243,75.00	200,00.00
From Financial Institutions	32.42	68,21.24
Finance Lease	1.13	29.93
	<u>3097,57.46</u>	<u>2171,55.12</u>
4 Unsecured loans		
Fixed deposits		
From directors	3,49.28	2,09.38
From others	<u>784,33.66</u>	<u>7,65,86.64</u>
Non - Convertible Debentures	295,00.00	195,00.00
Short term loans and advances		
From Scheduled Banks	120,16.20	28,59.53
Commercial Paper	325,00.00	20,00.00
	<u>1527,99.14</u>	<u>1011,55.55</u>

SCHEDULES

5 Fixed Assets																			
Description	GROSS BLOCK AT COST							DEPRECIATION							NET BLOCK				
	As at 01.04.2004	Assets acquired on amalgamation	Adjustments on consolidation	Additions/Transfers	Deductions	As at 31.03.2005	Upto 01.04.2004	Assets acquired on amalgamation	Depreciation upto 01.04.2004	Adjustments on consolidation	Additions*	Impairment	Deductions/Transfers	Upto 31.03.2005	Net Book Value	Balance in Lease Adjustment Account as at 31.03.2005	As at 31.03.2005	As at 31.03.2004	
	Cost as at 01.04.2004																		
1 Freehold land and Buildings	50,06.83	4,71.23	-	3,88.99	-	58,67.05	3,98.12	1,06.96	-	1,20.23	20.40	-	-	6,45.71	52,21.34	-	52,21.34	46,08.71	
2 Leasehold office / Residential Premises	15,51.89	9.16	-	8.87	-	15,69.92	5,32.39	3.67	-	51.29	16.63	-	-	6,03.98	9,65.94	-	9,65.94	10,19.50	
3 Plant and Machinery	91,41.01	9,76.81	5,54.42	7,02.02	22,02.84	91,71.42	59,04.41	3,35.84	4,19.00	9,84.01	4,85.57	21,52.09	-	59,56.74	32,14.68	-	32,14.68	32,36.60	
4 Vehicles	25,28.13	1,66.55	30.08	12,64.03	6,72.25	33,16.54	9,50.12	65.81	10.08	5,62.85	12.07	3,23.00	-	12,77.93	20,38.61	-	20,38.61	15,78.01	
5 Furniture/office Equipment	26,33.53	1,67.94	4,96.16	7,17.23	40.71	39,74.15	11,83.28	1,27.11	1,59.12	4,15.06	-	18.91	-	18,65.66	21,08.49	-	21,08.49	14,50.25	
6 Vehicles taken on lease	1,53.13	-	46.02	-	1,24.87	74.28	68.45	-	24.80	9.52	-	54.16	-	48.61	25.67	-	25.67	84.68	
7 Assets on Finance Lease																			
a) Plant and Machinery	194,68.89	37,37.28	-	-	85,61.29	146,44.88	145,71.82	28,64.60	-	9,33.63	-	63,67.70	-	120,02.35	26,42.53	-7,27.28	19,15.27	45,60.26	
b) Vehicles	219,60.62	30,55.78	-	-	20,91.47	229,24.93	193,04.21	27,37.28	-	8,99.22	-	16,43.90	-	212,96.81	16,28.12	30,36.19	46,64.31	74,52.58	
c) Furniture/Office Equipment	5,85.63	1,29.46	-	-	2,83.00	4,32.09	3,83.49	77.50	-	26.92	-	1,97.57	-	2,90.34	1,41.75	-77.12	64.63	86.66	
8 Intangible Assets																			
Computer Software	3,14.57	-	1,20.58	1,51.46	-	5,86.61	78.44	-	66.85	1,36.59	-	-	-	2,81.88	3,04.73	-	3,04.73	2,36.13	
Total	633,44.23	87,14.21	12,47.26	32,32.60	139,76.43	625,61.87	433,74.73	63,18.77	6,79.85	41,19.32	5,34.67	107,57.33	-	442,70.01	182,91.86	22,31.81	205,23.67	243,13.38	
Work in Progress	-	-	5.38	1,09.24	5.38	1,09.24	-	-	-	-	-	-	-	-	1,09.24	-	1,09.24	-	
Grand Total	633,44.23	87,14.21	12,52.64	33,41.84	139,81.81	626,71.11	433,74.73	63,18.77	6,79.85	41,19.32	5,34.67	107,57.33	-	442,70.01	184,01.10	22,31.81	206,32.91	243,13.38	

* Finance Lease Depreciation of Rs.1859.77 Lakhs has been netted off against Lease Income Depreciation on assets used for development of Computer Software amounting to Rs.1.23 lakhs Capitalised to Intangible assets

SCHEDULES

	(Rs. in Lakhs)	
	31.03.2005	31.03.2004
6 INVESTMENTS		
Long Term - At Cost		
I In Government / Trust Securities		
A. Quoted	126,07.67	105,26.72
B. Unquoted	69,10.66	78,42.90
II. In Equity Shares		
A. Quoted	12,77.16	13,53.22
B. Unquoted - Associates	30,97.08	25,85.63
C. Unquoted - Others	1,69.06	9,30.38
III In Bonds / Debentures		
A. Quoted	124,20.39	46,30.16
B. Unquoted	86.67	3,61.02
IV Others	26,03.52	3,85.89
Current Investments		
V In Government / Trust Securities		
Quoted	60,00.51	28,08.50
Unquoted	6,10.64	18,92.17
VI In Preference Shares		
Unquoted	-	22.68
VII In Bonds / Debentures	14,89.82	2,49.28
Total	<u>472,73.18</u>	<u>335,88.55</u>

SCHEDULES

	31.03.2005		(Rs. in Lakhs) 31.03.2004	
7 Current Assets				
a) Stock-on-hire and bills purchased				
Net Investment in Stock-on-hire		418,90.27		364,21.91
Repossessed assets (net)		5,54.65		5,91.39
Debtors on Securitisation		–		0.13
Trade bills purchased (unsecured, considered good)				
Outstanding for a period exceeding six months	2,26.00		2,26.00	
Others	1,42.21	3,68.21	9,45.14	11,71.14
Net Investment in lease		47,26.32		46,35.74
		475,39.45		428,20.31
b) Interest accrued on investments		8,28.57		4,36.84
c) Cash and bank balances				
With scheduled banks in				
Current Accounts	37,26.17		16,74.47	
Unpaid dividend account	24.73		13.94	
Deposit accounts	101,47.42		65,98.30	
Remittances in Transit	12.20		–	
Cash on hand	13,74.29		6,42.83	
Stamps and Stamp Papers on hand	14.31	152,99.12	12.08	89,41.62
(d) SFL Shares trust		9,74.41		–
		646,41.55		521,98.77

SCHEDULES

	(Rs. in Lakhs)	
	31.03.2005	31.03.2004
8 Loans and Advances		
Unsecured unless otherwise stated:		
Considered good:		
Loans - Secured	4302,31.36	2803,56.58
- Unsecured	12,54.30	8,63.45
Advance Income Tax and Tax Deducted at Source (Net of Provision for Taxation)	63,80.11	55,99.61
Advances and deposits recoverable in cash or kind or for value to be received	38,74.99	14,95.81
Advance for purchase of Investments	-	1,08.90
Advance for purchase of assets		
- Business Assets	118,84.19	100,69.44
- Others	22.98	3,54.82
Income receivable	61,03.73	37,77.78
	<u>4597,51.66</u>	<u>3026,26.39</u>
9 Current Liabilities*		
Sundry Creditors		
- For expenses	138,41.68	55,95.30
- For other finance	128,03.57	121,88.61
- For Unexpired Insurance Risk	108,44.77	39,65.19
Unpaid dividend	24.73	13.94
Interest accrued but not due	92,80.28	82,25.03
	<u>467,95.03</u>	<u>299,88.07</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
10 Provisions		
Against non-performing assets	48,26.46	47,66.03
Against Investments	7,25.77	3,59.93
Interim dividend	-	16,80.00
Final Dividend	4,16.64	-
Dividend Tax and Surcharge	58.44	2,15.25
	<u>60,27.31</u>	<u>70,21.21</u>

SCHEDULES

(Rs. in Lakhs)

	2004-05	2003-04
11 Income from Operations		
Hire Purchase / Hypothecation Loans (net) (tax deducted at source Rs.114.20 lakhs)	358,29.07	282,24.84
Insurance Premium Earned (net)	172,99.29	65,32.51
Interest on Loans (tax deducted at source Rs.1.15 lakhs)	63,60.73	49,34.00
Lease (net) (tax deducted at source Rs.1.35 lakhs)	28,18.63	13,41.64
Investments (tax deducted at source Rs.84.55 lakhs)	33,09.16	26,09.00
Investment Management and advisory fee (tax deducted at source Rs.68.41 lakhs)	12,01.95	15,96.60
Bills Purchased	1,17.05	3,44.86
Loan Processing and other fees	7,68.76	5,39.99
Services (tax deducted at source Rs.113.76 lakhs)	8,63.88	4,65.31
Recovery of Bad debts / Recovery of Loss on Sale of assets	9,80.95	12,77.21
Profit on Sale of Leased Assets	4,36.64	5,74.89
Software Development / Trading	30.57	54.17
Others	4,17.66	2,24.38
	704,34.34	487,19.40
12 Other Income		
Interest receipts (tax deducted at source Rs.18.49 lakhs)	2,64.99	1,65.33
Dividend (tax deducted at source Rs.2.43 lakhs)	7,83.64	6,16.25
Rent receipts (tax deducted at source Rs.87.11 lakhs)	48.17	1,20.46
Profit on sale of assets	5.63	6.96
Miscellaneous income	2,25.20	2,71.46
	13,27.63	11,80.46
13 Financial Expenses		
Interest - Fixed loans	168,68.62	137,42.32
- Debentures	65,53.71	43,38.42
- Others	18,14.96	7,52.28
Other financial expenses	11,14.99	5,13.53
	263,52.28	193,46.55

SCHEDULES

	(Rs. in Lakhs)	
	2004-05	2003-04
14 Establishment Expenses		
Salaries, allowances, commission and bonus	74,85.37	43,69.08
Company's contribution to Provident Fund,	3,21.77	2,24.50
Superannuation and Employees' State Insurance Schemes		
Staff welfare expenses	2,74.01	2,09.65
Gratuity	85.01	65.10
	81,66.16	48,68.33
15 Administrative and other expenses		
Rent	1,38.87	1,86.95
Lease rent	-	14.36
Rates and taxes	5,96.19	2,87.84
Communication expenses	10,33.04	7,41.32
Electricity expenses	4,91.11	3,27.58
Travelling and conveyance (net)	11,14.54	8,21.54
Advertisement charges	7,38.49	6,28.59
Marketing and related expenses	1,17.97	1,48.76
Directors' sitting fee	35.55	18.80
Insurance	98.72	82.02
Repairs to buildings	92.87	98.00
Repairs to machinery	3,58.47	4,25.54
Donations	3,56.95	2,81.97
Miscellaneous expenses	40,08.10	17,14.55
	91,80.87	57,77.82
16 Provisions and Write off		
Bad Debts	12,96.39	25,10.17
Loss on Assets sold/written off	7,33.95	4,02.67
Loss on sale of investments	1,96.78	1,89.18
Provision against Investments	2,60.35	3,51.94
	24,87.47	34,53.96
Less: Reversal of-		
Provision against non-performing assets	13,76.58	(97.51)
Diminution in value of investments	2,07.63	-
	9,03.26	35,51.47

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 SIGNIFICANT ACCOUNTING POLICIES:

1.1.1 The parent company M/s Sundaram Finance Ltd. follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies, while the subsidiaries, Sundaram Home Finance Ltd and Royal Sundaram Alliance Insurance Company Limited follow the directions prescribed by the National Housing Bank for Housing Finance Companies and the Insurance Regulatory and Development Authority respectively.

1.1.2 Income Recognition:

- a) Income from Hire Purchase, Hypothecation loan transactions and Housing Finance loan transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per the Accounting Standard - AS 19 - 'Leases' issued by ICAI.
- c) Income from Services, Trading Activities and Insurance Agency Commission 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.

1.1.3 Fixed Assets and Depreciation / Amortisation:

Fixed assets are stated at historical cost less accumulated depreciation. The Value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs. 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 ICAI. Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised.

Cost of assets taken on lease on or after 01st April, 2001 is amortised over the lease tenure as per the Accounting standard (AS 19) - 'Leases' issued by ICAI, based on the capital recovery method.

1.1.4 Valuation of Investments:

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

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

1.1.5 Foreign Currency Loans:

Foreign exchange transactions covered by forward contracts are stated at the forward contract rates while those not so covered are re-stated 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.

1.1.6 Retirement Benefits:

- a) Liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India.
- b) Liability on account of Superannuation benefits to employees is covered by means of a group policy with Life Insurance Corporation of India.
- c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2005.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

1.1.7 Taxation:

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

Deferred tax liability and the timing differences have been fully provided for. Deferred tax assets are recognized on the consideration of prudence.

1.1.8 Intangible Assets:

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

1.1.9 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 greater of the assets' net selling price and value in use.

1.1.10 Provisions:

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

1.2 Basis of Presentation:

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by ICAI, to the extent Applicable.

1.3 Basis of Consolidation:

- a) The Consolidated Financial Statements include the Financial Statements of Sundaram Finance Ltd. and its Subsidiaries, namely Sundaram Home Finance Ltd., Sundaram Finance Distribution Ltd., Sundaram Asset Management Company Ltd., Sundaram Finance Trustee Company Ltd., Royal Sundaram Alliance Insurance Company Ltd. and LGF Services Private Ltd.

Name of the Subsidiary	Country of incorporation	Proportion of ownership interest(%)
Sundaram Home Finance Limited	India	75.00
Sundaram Finance Distribution Limited	India	100.00
Sundaram Asset Management Company Limited	India	100.00
Sundaram Finance Trustee Company Limited	India	100.00
Royal Sundaram Alliance Insurance Co. Limited (Royal Sundaram)**	India	55.98
LGF Services Private Limited	India	100.00

** In the previous year, the accounts were consolidated as a Joint Venture following Accounting Standard - AS-27-Financial Reporting of Interests in Joint Ventures issued by ICAI. Consequent to the amalgamation of LGF, Royal Sundaram has become the subsidiary of the company. Accordingly, in the current year, the accounts of Royal Sundaram has been consolidated as per Accounting Standard - AS-21-Consolidated Financial Statements issued by ICAI.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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

Name of the Associates	Country of Incorporation	Proportion of ownership interest(%)
Axles India Ltd.*	India	23.77
Turbo Energy Ltd.*	India	32.00
Transenergy Ltd.*	India	42.31
Sundaram Dynacast Pvt. Ltd.	India	26.00
InFreight Technologies India Ltd.	India	40.00

* Considered on the basis of Unaudited financial statements

- c) 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 the subsidiary, Royal Sundaram Alliance Insurance Company Ltd., which depreciates information technology software using straight-line method of depreciation.
 - The associate, Sundaram Dynacast Pvt. Ltd.'s reporting date was 31.12.2004 and the Financial statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.

2. General

2.1 Amalgamation:

- a) Lakshmi General Finance Ltd (LGF), a Non Banking Financial Company was amalgamated with Sundaram Finance Ltd. with effect from 01.04.2004 in accordance with the Order of the Hon'ble High Court of Judicature at Madras dated 25.02.2005.

The business of LGF primarily comprise Hire Purchase finance and Hypothecation Loans.

The amalgamation has been accounted for under the "Pooling of Interests method" prescribed by Accounting Standard (AS - 14) - Accounting for Amalgamations issued by ICAI.

- b) The scheme of amalgamation has been given effect to in the accounts. The assets and liabilities of LGF have been transferred to and vest with the Company with effect from 01.04.2004. The shareholders of LGF (other than Sundaram Finance Ltd.) are entitled to 1 Equity Share of face value of Rs.10/- each in the Company for 1.52 Equity Shares of face value of Rs.10/- each held in LGF. Accordingly, 37,75,965 Equity Shares of face value of Rs.10/- each amounting to Rs.377.60 lakhs to be allotted to the share holders of LGF have been reflected in the balance sheet under "Share Capital Suspense Account". An amount of Rs.433.92 lakhs has been reduced from the General Reserve of the Company on account of amalgamation.
- c) The equity shares held by the Company in LGF have been cancelled and 7,12,012 Equity Shares held by LGF in the Company at a cost of Rs. 974.41 lakhs have been transferred to a Trust - SFL Shares Trust, which is included under "Current Assets" in the Balance Sheet.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.2 Brokerage paid on Equity Schemes by Sundaram Asset Management Company Limited (SAM)

SAM discontinued the levy of entry load for the following Sundaram Mutual Fund Equity Schemes with effect from 1st November, 2004:

- i) Sundaram Select Midcap
- ii) Sundaram Select Focus
- iii) Sundaram Tax Saver (Open Ended)
- iv) Sundaram India Leadership Fund
- v) Sundaram Growth Fund

Upfront brokerage and incentive paid on the above Schemes and borne by the company were accounted for as an expense at the time of subscription to the schemes upto 31st October, 2004 and with effect from 1st November 2004 are amortised over a period of twenty four months or the period of investment, whichever is earlier. Consequent to this change in the method of accounting, the profit before depreciation and tax of the company for the year is higher by Rs.141.02 lakhs and Brokerage and Commission expenses under 'Scheme expenses borne by the Company' are lower by a corresponding amount.

2.3 Initial Issue Expenses of Schemes launched by Sundaram Mutual Fund and accounted by SAM:

In the earlier years, initial issue expenses of schemes launched by Sundaram Mutual Fund, borne by the company, were written off in the books of account in the respective year. From the current year, the company decided to amortise such initial issue expenses over a period of five years. Consequent to this change in the method of accounting of initial issue expenses of schemes, the profit for the year is higher by Rs.5.54 lakhs and "Schemes expenses borne by the Company" are lower by a corresponding amount.

2.4 Business Origination Cost of Sundaram Finance Limited:

Income from Hire Purchase / Hypothecation Loans is net of business origination cost of Rs. 435.19 lakhs (previous year – Rs.1328.40 lakhs).

The company has changed the method of accounting of business origination cost during the year, by apportioning this cost over the tenure of the contract in respect of contracts entered into with effect from 01.04.2004 instead of writing off the cost in the year of incurring. Consequent to this change, the charge to the Profit and Loss account is lower by Rs.970.67 lakhs and the profit before tax for the year is higher by Rs.970.67 lakhs.

2.5 Contribution to the Solatium Fund by Royal Sundaram :

The General Insurance Council at its meeting held on May 6th 2005, revised the provision towards Solatium Fund by the new insurers from 1% to 0.1% of the Gross Written Premium on motor business since inception. Accordingly, Royal Sundaram has revised the provision made in the earlier year and has created the provision at 0.1% since commencement of business upto March 31st 2005.

Consequently, the operating loss from Miscellaneous business (in the Revenue Account) for the year is lower by Rs. 80.69 lakhs and the profit for the year before tax (in the profit and loss account) is higher by a corresponding amount.

2.6 Provisions and Write Off made by Sundaram Home Finance Limited :

The National Housing Bank has stipulated that a loan becomes non-performing if the interest or instalment is overdue for 90 days or more (instead of 180 days) commencing from 31st March 2005 and has permitted phasing out of the additional provision so required over a period of three years commencing from the year ending 31st March, 2005 each year. Accordingly, Sundaram Home Finance Limited decided to make the additional provision over the period of three years and has made one third of such provision in the books of account for the year amounting to Rs.41.25 lakhs.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.7 Segmental Reporting

(Rs. in Lakhs)

Business Segments	Assets Financing		Insurance		Other Operations		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE								
Segment Revenue	500,18.71	391,80.28	186,76.48	74,31.32	66,26.82	40,90.23	753,22.01	507,01.83
Less: Inter Segment	3,73.06	41.60	67.86	9.59	31,19.12	7,50.78	35,60.04	8,01.97
Total Revenue	496,45.65	391,38.68	186,08.62	74,21.73	35,07.70	33,39.45	717,61.97	498,99.86
RESULT								
Segment Result	109,83.66	84,72.66	5,46.75	4,02.59	14,65.91	8,96.74	129,96.32	97,71.99
Income tax	–	–	–	–	–	–	48,01.66	28,30.68
Unallocated items-Income	–	–	–	–	–	–	6,94.63	5,59.47
Net Profit	–	–	–	–	–	–	88,89.29	75,00.78
OTHER INFORMATION								
Segment Assets	5508,36.85	3920,92.82	326,38.80	126,98.04	24,43.55	12,45.27	5859,19.20	4060,36.13
Segment Liabilities	4927,33.73	3493,95.71	223,56.63	78,69.67	2,88.58	1,81.54	5153,78.94	3574,46.92
Capital Expenditure	73.98	1,06.79	99.27	3.01	–	0.44	1,73.25	1,10.24
Depreciation	20,07.92	18,85.22	4,52.06	2,23.53	3,33.01	39.45	27,92.99	21,48.20
Non-cash expenses other than depreciation	–	1.52	10.32	5.10	0.77	0.31	11.09	6.93

2.8 Related Party Disclosures

2.8.1 Related parties:

Associates

Axles India Limited

Turbo Energy Limited

Sundaram Mutual Fund

InFreight Technologies India Ltd

Sundaram Medical Foundation

Transenergy Limited

Sundaram Dynacast Pvt. Ltd.

Key Management Personnel

Sri T.T.Srinivasaraghavan, Managing Director

Sri G.K.Raman, Wholetime Director

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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

Nature of Transactions	(Rs. in Lakhs)				
	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total 2004-05	Previous Year 2003-04
INCOME					
Income from Lease	22.33	–	–	22.33	35.42
Income From Bills Discounting	38.03	–	–	38.03	1,67.47
Income from Services rendered	1,28.52	–	–	1,28.52	36.81
Dividend	3,75.81	–	–	3,75.81	79.17
Rent Receipts	11.51	–	–	11.51	14.01
Interest Receipts	–	1.20	–	1.20	1.72
EXPENSES					
Donations	2,50.00	–	–	2,50.00	2,00.00
Interest	–	5.25	6.18	11.43	3.68
Remuneration	–	1,07.08	–	1,07.08	1,18.62
Others	2.10	–	–	2.10	0.80
ASSETS					
Investments in Trust Securities	136,75.00	–	–	136,75.00	57,30.00
Disinvestments in Trust Securities	143,11.77	–	–	143,11.77	55,46.79
Investment in Trust Securities - at the end of the year	5,00.00	–	–	5,00.00	11,36.77
Housing Loan- at the end of the year	–	11.11	–	11.11	32.32
Bills Purchased - at the end of the year	–	–	–	–	4,99.62
Future Lease Receivables	38.04	–	–	38.04	49.99
LIABILITIES					
Deposits	–	65.55	83.85	1,49.40	33.40
Advance Received	5.60	–	–	5.60	–

No amount has been written off / written back during the year relating to the above transactions.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.9 Earnings per Share (Basic and diluted)	2004-05	2003-04
A Profit for the year after taxation (Rs. in lakhs)	88,89.29	75,00.78
B Number of equity shares of Face Value of Rs.10/- outstanding (in numbers)	2,40,00,000	2,40,00,000
C Share Capital Suspense Account (in terms of number of shares)	37,75,965	–
D Total (B + C)	2,77,75,965	2,40,00,000
E Basic and diluted earnings per share (A/D) (in Rs.)	32.00	31.25

2.10 Contingent liabilities in respect of	(Rs. in lakhs)	
	As at 31.03.2005	As at 31.03.2004
a) Liability:		
To Banks - On Cheques discounted	17,17.11	17,44.88
- On Counter Guarantee	58.73	39.92
- On letters of credit	9.46	Nil
To Sales Tax Authorities	11.12	6.45
b) Claims against the company not acknowledged as debts	12,90.84	1,64.68

2.11 The figures of the current year include figures of LGF merged with Sundaram Finance Limited during the year. Therefore, the figures of the current year are not comparable with those of the previous year.

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

Signatures to Schedules 1 to 17

As per our report of even date
attached

For Brahmayya & Co.,
Chartered Accountants

L. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholetime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Consolidated Cash Flow Statement

(Rs. in Lakhs)

	2004-05	2003-04	
A) CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit	88,89.29	75,00.78	
Add: Lease Equalisation Account	41,32.89	31,76.81	
Provision for Taxation (Including Wealth Tax)	48,01.67	28,30.68	
	<u>178,23.85</u>	<u>135,08.27</u>	
Add: Financial Expenses	263,96.44	193,46.55	328,54.82
Dividend received from Associates			3.00
Depreciation	46,55.00		49,15.29
Profit attributable to Minority Interests	3,20.74		1,96.00
Provision against Investments	2,60.35		-
Diminution- Value of investments	(2,07.63)		3,51.94
Provision against Non - Performing assets	(13,76.59)		97.51
(Profit) loss on assets	(1,60.07)		(4,73.57)
(Profit) loss on Investments	(5,33.11)		(5,29.54)
Interest / Dividend Received	(34,44.74)		(23,66.72)
Less: Share of Profits from Associates	(10,15.37)		(7,55.47)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	430,89.65		342,93.26
(Increase) Decrease in net stock on hire	11,93.47	265,26.40	
(Increase) Decrease in leased assets - net of sales	1,67.89	7,18.85	
(Increase) Decrease in Trade Bills purchased	8,02.93	14,11.53	
(Increase) Decrease in Net Investment in Lease	(31.76)	(7,26.82)	
(Increase) Decrease in Loans and Advances	(964,51.42)	(992,65.77)	
(Increase) Decrease in Other Receivables	(18,19.75)	50.89	
(Increase) Decrease in Bank Deposits (net)	(33,13.12)	(5,93.52)	
(Increase) Decrease in SLR Investments - net of sales	3,83.43	15,71.12	
Increase (Decrease) in Current Liabilities	59,52.83	38,23.06	(664,84.26)
Cash generated from Operations	(500,25.85)		(321,91.00)
Financial Expenses	(263,96.44)	(193,46.55)	
Advance Taxes Paid	(67,67.88)	(60,34.60)	(253,81.15)
NET CASH FROM OPERATING ACTIVITIES (A)	(831,90.17)		(575,72.15)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Loans-Secured	(11.30)		-
Purchase of Fixed Assets	(21,77.85)		(33,58.92)
Sale of Fixed Assets	75.06		85.48
Purchase of Investments	(1614,81.07)		(589,11.70)
Sale of Investments	1592,46.87		526,58.49
Interest Received	26,60.54		15,94.57
Dividend Received	7,84.20		7,72.15
NET CASH FROM INVESTING ACTIVITIES (B)	(9,03.55)		(71,59.93)
C) CASH FROM FINANCING ACTIVITIES			
Proceeds from issue of debentures	1065,00.00		834,00.00
Debentures Redeemed	(808,00.00)		(638,80.00)
Increase (Decrease) in long term borrowings	375,83.74		562,90.47
Increase (Decrease) in Fixed Deposits	(115,82.92)		(25,44.51)
Increase (Decrease) in short term loans and advances	371,56.68		(66,40.90)
Dividend paid (including Corporate Dividend Tax)	(42,25.36)		(20,30.62)
NET CASH FROM FINANCING ACTIVITIES (C)	846,32.14		645,94.44
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)	5,38.42		(1,37.64)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	46,13.29		24,80.96
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	51,51.71		23,43.32
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Current Account with Banks	37,50.90		16,88.41
Cash, Stamps and Stamp Papers on Hand	14,00.81		6,54.91

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

L. Ravi Sankar
Partner

Chennai,
6th June, 2005

S. Viji
Chairman

G.K. Raman
Wholetime Director

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

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

We have examined the attached consolidated balance sheet of Sundaram Finance Limited, Chennai (comprising of the accounts of Lakshmi General Finance Limited merged with the company with effect from 1st April, 2004 as per the order of the Hon'ble High Court of Judicature of Madras.) its subsidiaries and associate companies as at 31st March, 2005, the Consolidated Profit and Loss Account for the year ended on that date and the consolidated cash flow statement for the year ended on that date annexed thereto . These financial statements are the responsibility of the management of Sundaram Finance Limited. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of six subsidiary companies and five associate companies have been considered for the purposes of consolidation. The financial statements of one subsidiary company reflecting total assets of Rs.10.83 lakhs as at 31st March, 2005 and total revenue of Rs.19.27 lakhs for the period ended on that date, the financial statements of one associate company reflecting total assets of Rs.757.31 lakhs as at 31st December, 2004 and total revenue

of Rs.925.30 lakhs for the year ended on that date and the financial statements of one associate company reflecting total assets of Rs.134.78 lakhs as at 31st March, 2005 total revenue of Rs.19.42 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 report for the purpose of the amounts included in respect of the above companies in the consolidated financial statements.

The financial statements of three other associate companies reflecting total assets of Rs.25741.32 lakhs as at 31st March, 2005 and total revenue of Rs.42715.79 lakhs for the year ended on that date are based on there unaudited financial statements as on 31st March, 2005.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard -

AS 21 – Consolidated Financial Statements

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

issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sundaram Finance Limited, its subsidiaries and the audited/ unaudited financial statements of its five associate companies, as mentioned above, included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports of individual audited financial statements of Sundaram Finance Limited, its subsidiaries and the audited / unaudited financial statements of 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 and associate companies as at 31st March, 2005,
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Sundaram Finance Limited, its subsidiaries and associate companies for the period ended 31st March, 2005 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 associate companies for the year ended 31st March, 2005.

For BRAHMAYYA & CO.,
Chartered Accountants

Place : Chennai

Dated : 6th June, 2005.

L. RAVI SANKAR

Partner

Membership No. 25929

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31.03.2005

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

(Rs. in Lakhs)

Description	Sundaram Home Finance Ltd.	Royal Sundaram Alliance Insurance Company Ltd	Sundaram Asset Management Company Ltd.	Sundaram Finance Distribution Ltd.	Sundaram Finance Trustee Company Ltd.	IGF Services Private Ltd.
Share Capital	70,00.00	130,00.00	15,00.00	1,50.00	5.00	5.00
Reserves	23,63.33	(27,37.95)*	42.49	1,12.61	2.42	27.60
Total Assets	917,80.88	102,88.19	15,44.28	2,62.61	7.54	32.60
Total Liabilities	824,17.55	26.14	1.79	–	0.12	–
Investment	31,17.12	258,24.65	3,88.05	1,78.38	0.60	20.00
Turnover	73,29.76	186,79.64	13,42.67	1,30.78	19.27	65.71
Profit Before Taxation	5,03.07	5,34.68	36.14	26.75	4.32	44.10
Provision for Taxation	1,02.29	33.68	–	7.88	1.90	16.50
Profit After Taxation	4,00.78	5,01.00	36.14	18.87	2.42	27.60
Proposed Dividend	–	–	–	–	–	5.00

* Represents Debit balance in P & L Account

Nationwide Network of 158 Branches

- TAMIL NADU** : Chennai (Adyar, Anna Nagar, Whites Road - two branches, T. Nagar, Tambaram), Chengalpattu, Coimbatore (Avanashi Road, R S Puram), Dharmapuri, Dindigul, Erode, Hosur, Kancheepuram, Karaikudi, Karur, Kumbakonam, Madurai, Nagapattinam, Namakkal, Ooty, Pattukottai, Perambalur, Pollachi, Pudukkottai, Ramnad, Ranipet, Salem, Sankari, Sivakasi, Tiruvannamalai, Thanjavur, Theni, Tiruchengode, Tiruchy, Tirunelveli, Tiruppur, Tiruvellore, Tuticorin, Vellore (TKM Complex, G D S Complex), Villupuram.
- PONDICHERRY** : Pondicherry
- ANDHRA PRADESH** : Anantapur, Bhimavaram, Chittoor, Cuddapah, Guntur, Hanuman Junction, Hyderabad (Raj Bhavan Road, Somajiguda), Kakinada, Kanchikacherala, Karimnagar, Khammam, Kodad, Kothagudem, Kurnool, Nellore (Dargamitta, Ravulla Shopping Arcade), Nizamabad, Ongole, Rajahmundry, Secunderabad, Srikakulam, Tirupathi, Vijayawada - Chandramoulipuram (two branches), Visakhapatnam (Dwaraka Nagar, CBM Compound), Warangal.
- KARNATAKA** : Bangalore (Manipal Centre, Jayanagar, Wilson Garden), Basavakalyan, Belgaum, Bellary, Gulbarga, Hassan, Hubli, Mangalore, Mysore, Raichur, Shimoga, Udipi.
- KERALA** : Alapuzha, Attingal, Ernakulam (P T Usha Road, Chittoor Road), Kannur, Kattapana, Kayamkulam, Kollam, Kottayam, Kozhikode, Manjeri, Muvattupuzha, Palakkad, Pathanamthitta, Perinthalmanna, Sulthan Bathery, Thalassery, Thiruvananthapuram, Thrissoor, Tirur, Vadakara.
- MAHARASHTRA** : Mumbai - R.O (Carnac Bunder, Chembur, Nariman Point, Vashi (Navi Mumbai)), Amaravathi, Aurangabad, Jalgaon, Kolhapur, Nagpur, Nanded, Nasik, Pune.
- GOA** : Panjim
- GUJARAT** : Ahmedabad, Baroda, Gandhidham, Rajkot, Surat.
- MADHYA PRADESH** : Bhopal, Gwalior, Indore (South Tukoganj, Geetha Bhavan Square), Jabalpur.
- NEW DELHI** : New Delhi - R.O (Ashoka Estate, Punjabi Bagh, Rajendra Place & East Delhi).
- HARYANA** : Ambala, Faridabad, Gurgaon, Yamunanagar.
- PUNJAB** : Bhatinda, Jullundhar, Ludhiana, Moga, Sangrur.
- CHANDIGARH** : Chandigarh
- RAJASTHAN** : Ajmer, Bhilwara, Chittorgarh, Jaipur, Jodhpur, Udaipur.
- UTTAR PRADESH** : Kanpur
- WEST BENGAL** : Asansol, Durgapur, Kolkatta, Siliguri.
- JARKHAND** : Jamshedpur.
- UTTARANCHAL** : Dehra Dun

