



*Sundaram BNP Paribas  
Asset Management  
Company Limited*

*13th Annual Report  
2008-09*



### **Board of Directors**

D N Ghosh	Chairman
S Krishnamurthy	
T N Anantharam Iyer	
T T Srinivasaraghavan	
Guy de Froment	
Max Diulus	
Ashoke Bijapurkar	
T Anantha Narayanan	
Rishiksha T Krishnan	
T P Raman	Managing Director

### **Audit Committee**

S Krishnamurthy	Chairman
T N Anantharam Iyer	
T P Raman	

### **Chief Financial Officer**

T S Sritharan

### **Company Secretary**

P Sundararajan

### **Bankers**

AXIS Bank Ltd.  
BNP Paribas  
Corporation Bank  
HDFC Bank Ltd.  
ICICI Bank Ltd.  
Kotak Mahindra Bank Ltd.

### **Auditors**

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

### **Systems Auditors**

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

### **Registered Office**

No. 21, Patullos Road,  
Chennai - 600 002

### **Corporate Office**

SUNDARAM TOWERS  
II Floor, 46, Whites Road, Chennai - 600 014.  
Tel: 28583362, Fax: 28583156

Website : [www.sundarambnpparibas.in](http://www.sundarambnpparibas.in)

## Other Committees

### Remuneration Committee

D N Ghosh

T P Raman

T T Srinivasaraghavan

Ashoke Bijapurkar

Max Diulus

Chairman

### Executive Committee

T P Raman

T T Srinivasaraghavan

T Anantha Narayanan

Max Diulus

Chairman

### Products & Strategy Committee

K V Krishnamurthy

(Director of Trustee Company)

T P Raman

Ashoke Bijapurkar

T Anantha Narayanan

Chairman

### Risk Management Committee

T Anantha Narayanan

T P Raman

Rishikesha T Krishnan

Chairman

## Sponsors



**SUNDARAM FINANCE**

### Sundaram Finance Limited

Registered Office,

21, Patullos Road,

Chennai 600 002.

&amp;



**BNP PARIBAS**  
ASSET MANAGEMENT

### BNP Paribas Asset Management

14 rue Bergère

75009 Paris FRANCE

## Branches

Agra	Chennai Sales Office	Jabalpur	Nagpur	Thrissur
Ahmedabad	Cochin	Jaipur	Nashik	Trichy
Amristar	Coimbatore	Jalandhar	Patna	Trivandrum
Anand	Dubai	Jodhpur	Pondicherry	Ujjain
Bangalore	Dehradun	Jammu	Pune	Udaipur
Baroda	Delhi	Kanpur	Rajkot	Varanasi
Bhav Nagar	Guwahati	Kolkata	Salem	Vellore
Bhopal	Gwalior	Lucknow	Solan	Vijayawada
Bhubaneshwar	Goa	Ludhiana	Surat	Vizag
Calicut	Hyderabad	Madurai	Tirunelveli	
Chandigarh	Indore	Mumbai		

**Sundaram BNP Paribas Asset Management Company Limited**  
A subsidiary of



**SUNDARAM FINANCE**  
*Enduring values. New age thinking.*

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## Report of the Directors

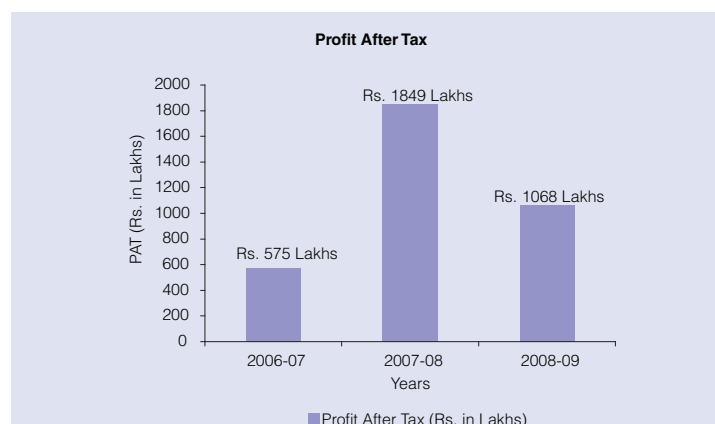
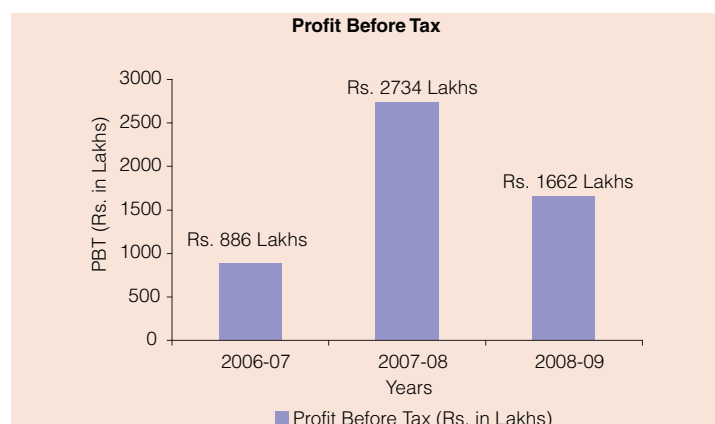
Your Directors have the pleasure of presenting the Thirteenth Annual Report of Sundaram BNP Paribas Asset Management along with the audited financial statement of accounts for the year ended March 31, 2009. The financial performance of your Company in 2008-09 is summarised in the accompanying table:

### Financial Results:

(Rs in lakhs)

Parameter	Year ended	
	March 31, 2009	March 31, 2008
Gross Income	8605.27	8517.56
Profit/(loss) before depreciation and tax	1920.11	2955.40
Less:		
Provision for Depreciation	258.35	221.71
<b>Profit Before Tax</b>	<b>1661.76</b>	<b>2733.69</b>
Provision for Taxation	594.19	884.16
<b>Profit after tax</b>	<b>1067.57</b>	<b>1849.53</b>
Surplus brought forward from the previous year	678.43	269.64
<b>Surplus available for appropriations</b>	<b>1746.00</b>	<b>2119.17</b>
Less: Appropriation:		
Dividend Proposed (Final)	230.00	1073.33
Dividend Distribution Tax	39.09	182.41
Transfer to General Reserve	53.40	185.00
<b>Surplus carried to Balance Sheet</b>	<b>1423.51</b>	<b>678.43</b>

Your Company earned a total income of Rs 8605.27 lakh for the year 2008-09, by way of investment management and advisory fees and other income during the year as compared to Rs. 8,517.56 lakh in 2007-08. Your company reported a profit after tax of Rs 1067.57 lakh for the year as compared to Rs. 1849.53 lakh in the previous year.



Your Directors are pleased to recommend a dividend of 15% on the paid-up capital of the company. The dividend, together with dividend tax, absorbs a sum of Rs. 269.09 lakh. A sum of Rs.53.40 lakh will be transferred to the General Reserve leaving a balance of Rs.1423.51 lakh to be retained as surplus in the profit and loss account.

### Snapshot of the Industry

2008-09 was a difficult year for the mutual fund industry which saw a reversal of trend from October 2008 due to a steep correction in equity market and pull back from short term debt funds in the wake of tightening liquidity. The Assets Under Management (AUM) started declining since October 2008 and at the end of the year, the Average Assets under Management declined by 8.4% to Rs. 4,93,285 crore (Rs. 5,38,508 crore on March 31, 2008).

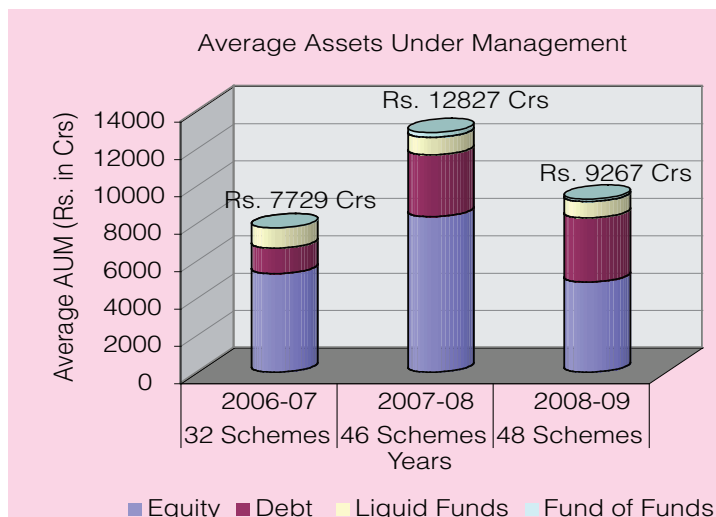
Gross mobilization by the mutual funds during the year amounted to Rs.54,26,353 crore as against Rs.44,64,376 crore in the previous year, registering a growth of 22%. The industry also, witnessed a gross redemption of Rs. 54,54,650 crore representing a 27% increase over the previous year figure of Rs. 43,10,575 crore. On a net basis, there was an outflow of Rs. 28,297 crore in 2008-09; this was a significant change as the mutual fund industry closed 2007-08 with net inflows of Rs. 1,53,801 crore. This is a reflection of the decline in stock prices as well as a pullback from short-term debt funds in the wake of tightening liquidity.

### Company Performance

Your Directors report that during 2008 – 09, the gross mobilisation for Sundaram BNP Paribas Mutual Fund amounted to Rs. 41,012 crore (Rs. 61,971 Crore in 2007-08). This represented a decrease of 34%. Redemption was Rs. 39,871 crore (Rs. 57,693 crore), a decrease of 31%. Net inflow into our funds was Rs.1,141 crore. As compared to industry trend of outflows and negative average growth, this represents a satisfactory performance in a challenging year.

The Average Assets Under Management of Sundaram BNP Paribas Mutual Fund on March 31, 2009 was Rs. 9,267 crore and lower by 28% as compared to Rs. 12,827 crore as on March 31, 2008. The decrease – despite net inflows from deployment of money by investors – is attributable to the decrease in Equity AUM, courtesy the close to 40% decrease in stock prices. The average AUM of the Sundaram BNP Paribas Mutual Fund as on March 31, 2009 represented a share of 1.88% of the average AUM of the industry. The Closing AUM as on March 31, 2009 was Rs. 9379 crore as summarized in Annexure I to the report.

Two new equity funds were launched under the Sundaram BNP Paribas Select Thematic Funds' umbrella to track financial services and entertainment themes. With these two funds, the fund house now has a portfolio of complementary products that will track the key themes of the India growth story over the next decade. The two new funds mobilized Rs. 234 crore during the New Fund Offer period. Your company also launched multiple Fixed-Term Plans with tenure varying from 90 days to 18 months raising Rs 2415 crore in aggregate.



The investor base of the fund house based on number of folios with the registrars rose from 2 million to 2.25 million during the year, indicating rising retail participation and continued confidence reposed by investors in the fund management expertise of Sundaram BNP Paribas Asset Management.

#### Performance

Sundaram BNP Paribas Asset Management handled the challenges of 2008 for equity funds through a combination of enhanced cash calls and defensive allocation to sectors. This helped funds such as Select Focus, Select Mid Cap and Tax Saver, to stay either ahead or close to the benchmark. The portfolio of Sundaram BNP Paribas Mutual Funds stepped into 2008 with an aggressive stance in terms of equity exposure and allocation to high beta sectors/stocks. This resulted in sharp declines relative to benchmark in the first month of the corrective phase.

Once it became clear that the credit crisis – simmering for two years without affecting the equity market – had started to have an impact, the fund house moved to a defensive stance. On an average during FY 2009, cash levels would have been about 20%-25% touching higher levels ahead of the meltdown in October 2008.

This conservative approach helped narrow the gap with the benchmark; a gap that had opened up in the first month of the corrective phase. This contained damage in a difficult environment also helped maintain the track record across different periods in relatively comfortable slots relative to peer group. Despite the deep correction, three of our funds – Select Focus, Select Mid Cap and Tax Saver were among the top 30 funds on a five-year and six-year basis on a comparison with all equity funds.

#### Expertise across cap curve:

Markets in India offer greater depth in terms of sectors as well as market capitalisation. As an early entrant with an emphasis on research, Sundaram BNP Paribas Asset Management has proven expertise in handling the broad-based market in India. Select Focus, a pure large-cap fund, and Select Mid Cap, a pure mid-cap fund, have delivered strong performance since their launch in mid 2002

#### Critical Acclaim

For the fifth year in a row, the performance of Sundaram BNP Paribas Mutual Fund products received critical acclaim from independent fund intelligence outfits. We present a snapshot of key awards/ranking:

- Sundaram BNP Paribas Tax Saver was selected as the Winner of the first Morningstar Award in India for three-year performance in the ELSS (tax-saving funds) category as of December 2008.
- Sundaram BNP Paribas Tax Saver was also awarded ICRA Seven Stars for three-year track record as of December 2008 in the ELSS (tax-saving funds) category as of December 2008.

- Sundaram BNP Paribas Tax Saver was also awarded ICRA Five Stars for one-year performance as of December 2008 in the ELSS (tax-saving funds) category as of December 2008.
- Sundaram BNP Paribas Select Focus was also awarded ICRA Five Stars for one-year performance as of December 2008 in the large-cap funds category as of December 2008.
- Sundaram BNP Paribas Money Fund was one of three nominees for Best Liquid Fund Award (CNBC-TV18 CRISIL) for 2009.
- Sundaram BNP Paribas Tax Saver was one of three nominees for best Tax-Saving Fund Award (CNBC-TV18 CRISIL) for 2009.
- Sundaram BNP Paribas Select Mid Cap maintained Value Research Four Stars rating throughout the year and continues to be the highest-rated pure mid-cap fund in the Value Research ratings.
- Sundaram BNP Paribas Liquid Plus closed the year with Five Stars rating from Value Research and Sundaram BNP Paribas Money Fund with CRISIL CPR~ranking – (both for Super Institutional Plan) and indicating significant moves in improving performance relative to top-end of the competition in the short-term funds space.

As part of the endeavour to optimise performance, Sundaram BNP Paribas Asset Management has strengthened its in-house research team by doubling its resources – the research team is now 10 members strong, tracking both the equity and credit markets. Sundaram BNP Paribas Asset Management has become the first fund house in the country to opt for the state-of-the-art Bloomberg Portfolio Order Management System. This enhances the tools available to fund managers and also facilitates superior quality of risk management. We would continue to enhance fund management skills to ensure an enriching investment experience for our investors.

**Investment process:** Your company has an institutionalized investment process. The broad fund management guidelines for each product are approved by the Board of Directors. This coupled with the offer document sets the broad framework for the portfolio manager. Your company has a team of ten research analysts, including an economist. All your equity fund managers also have extensive experience of tracking and researching India Inc for at least a decade and bring significant value to the table to guide the research team.

Every stock that is included in the portfolio must form part of the approved universe, a power vested with the Internal Investment Committee comprising the CEO and the Fund Manager. The portfolio manager takes the call on whether to include a stock, if so its weight as well as allocation to a sector. The research team and the portfolio managers maintain at least once-a-quarter contact with the companies that are of interest and/or figure in the portfolio. Robust compliance and risk management augment the process.

Portfolio and performance is monitored on a daily and weekly basis for multiple parameters that provide deep insight into factors influencing the fund's NAV. A performance review is also placed before the Board of Directors at least once a quarter. The process is also structured in a manner that provides fund managers leeway to bring to the fore their skill sets. For a detailed view on our investment process, please visit [www.sundarambnpparibas.in](http://www.sundarambnpparibas.in)

#### Portfolio Management Services / Advisory Services Advisory Services

Your company commenced Investment Advisory Services with effect from December 22, 2005. The aggregate value of funds under advice to overseas institutional investors was Rs 1,722 crore.

#### Portfolio Management Services

Sundaram BNP Paribas Portfolio Managers commenced its Portfolio Management Services operations with effect from June 1, 2007. The funds managed under discretionary service as on March 31, 2009 was Rs. 6.33 crore; the PMS arm had assets of Rs 52.39 crore under advisory.

#### Branches

During the year your Company opened a new branch at Dubai taking the total number of branches to 55.

### Prospects

Investors are likely to be cautious in the wake of the experience in 2008. This has been the trend over the past 20 years with interest in equity funds ebbing and flowing in line with market trends. Given the low penetration levels, we expect the industry to grow over the long term, as investors allocate a greater proportion of their investment in equities. Even a modest rise over the next five-to-ten years could translate into healthy numbers for the industry. As far as fixed-income funds are concerned, the market continues to be dominated by institutional money and this trend may not change any time soon.

Your company will strive to provide well-defined products that cater to a diverse range of risk, return and liquidity preferences of investors. Your company is confident of robust growth in AUM over the next several years on the back of consistent performance, a well thought-out marketing and distribution strategy, enhanced geographical reach and quality customer service.

### Directors

Mr T N Anantharam Iyer, Mr T T Srinivasaraghavan and Mr Ashoke Bijapurkar retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election. Necessary resolutions for their re-appointment are submitted for your approval. None of the directors is disqualified from being appointed as directors as specified in Section 274 of the Companies Act, 1956.

The Board of Directors of Sundaram BNP Paribas Asset Management met five times in 2008-09.

### Tribute to Dr Raja J Chelliah

Dr. Raja Jesudoss Chelliah, a renowned economist, a doyen among Indian public finance scholars and the architect of tax reforms in the country passed away on April 7, 2009, in Chennai, after a brief period of illness. Dr Chelliah served as Chairman of the Sundaram Mutual fund and the Trustee Company since its inception in 1996 till June 30, 2004. His erudition in the field of Economics in general and Public Finance in particular was available to the management at all times and his perceptions and advice were invaluable in charting the progress of the fundhouse. He guided the affairs of the fundhouse with practical wisdom.

In his long and illustrious career, he served the Government and many other institutions with great distinction and the numerous awards that he received are a testimony to his high achievements.

With his passing away, we have lost a scholar of eminence, a passionate reformer, an institution builder and, above all, a genial human being. Your Directors place on record the immense contributions of Dr. Raja J Chelliah to the growth of your company.

### Committees of the Board

#### Audit Committee

The Audit Committee of the Board consists of Mr. S. Krishnamurthy, Mr. T. N. Anantharam Iyer, Directors and Mr. T.P. Raman, Managing Director. Mr. S. Krishnamurthy chaired the Meetings of the Committee. The Statutory Auditor, Internal Auditor, Compliance Officer & Secretary and Manager-Finance are invited to the meetings of the Committee. During the year this Committee met five times and reviewed the financial accounts/policies, adequacy of internal control systems and interacted with Statutory Auditors, Internal Auditors and Systems Auditors. The Committee also reviewed audit plans, unaudited/audited financial results, and observations as well as related follow-up reports of the management.

#### Remuneration Committee

The Remuneration Committee comprises Mr. D.N. Ghosh, the Chairman, Mr. T.P.Raman, the Managing Director, Mr. T.T.Srinivasaraghavan, Mr. Ashoke Bijapurkar and Mr. Max Diulius, Directors. Mr. D.N.Ghosh is the Chairman. The Committee decides on the broad parameters governing the remuneration policy for the key employees of Sundaram BNP Paribas Asset Management. This committee met twice in 2008-09.

### Products and Strategy Committee

The Products and Strategy Committee evaluates new products proposed by the Company and recommends launch of funds. It also reviews the marketing and distribution strategy adopted for promoting the growth of the company. The Committee comprises Mr T P Raman, Managing Director, Mr Ashoke Bijapurkar, Mr. T Anantha Narayanan, Directors of Sundaram BNP Paribas Asset Management and Mr K V Krishnamurthy, Director of Sundaram BNP Paribas Trustee Company Ltd. as members. Mr K V Krishnamurthy, Director of the Trustee Company, chairs the committee. The committee met twice in 2008-09 in Chennai and connected on a conference call on a third occasion.

### Executive Committee

This committee looks into investment strategy, fund performance and fund management guidelines for new products. Its scope included review of the business plan of the company, performance of funds and the company, human resource policy and strategy, systems and process for key activities of the organization and services rendered by business partners such as distributors, registrar & transfer agents, custodians, and other service providers.

The members of the committee are Mr. T P Raman, Managing Director, Mr. T. T. Srinivasaraghavan, Mr. T. Anantha Narayanan and Mr. Max Diulius, Directors. The committee is chaired by Mr. T. P. Raman. Senior management personnel of the Company attend the meetings of the Committee. This committee met once during the year under review.

### Risk Management Committee

The Board has constituted a Risk Management Committee comprising Mr. T Anantha Narayanan, Director, Mr. Rishikesh T. Krishnan and Mr. T P Raman, Managing Director. Mr T Anantha Narayanan chairs the meetings of the committee. The Heads of Equity and Fixed Income, the Risk Officer and the Executive Director-Sales & Marketing are the permanent invitees to the Committee. The Compliance Officer acts as the Secretary to the Committee. The Committee reviews the enterprise risk management guidelines, set/modify the limits of issuers, counter party exposure and review exceptions and overrides and suggest improvements to the framework/formats from time to time. The committee met twice during the year.

### Public Deposits

Your Company has not accepted any deposits.

### Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

(a) As the Company does not carry out any manufacturing activity, particulars required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

(b) Foreign Exchange, earnings and expenditure during the year. –

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Foreign Exchange Earnings	8,13,06,156.00	6,58,37,963.00
Foreign Exchange Expenditure	1,36,10,922.00	62,93,741.00
Dividend Paid to Non – Resident Shareholder – BNP Paribas Asset Management	5,35,58,968.89	1,14,76,922.16

### Personnel

Your company had 251 employees on its rolls as on March 31, 2009. Your company continues to invest in enhancing the skill-sets of employees.

### Particulars of Employee Remuneration

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are set out in the annexure to the Directors' Report. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.



## Directors' Responsibility Statement pursuant to Section 217(2AA) of Companies Act, 1956

### The Directors confirm:

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

### Auditors

Messrs Brahmaya & Co., firm of Chartered Accountants, retire at the ensuing Annual General Meeting and is eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956, has been received from the firm.

### SEBI Regulations

As always, your Company complied with SEBI (Mutual Fund) Regulations, 1996.

### Acknowledgement

Your Directors wish to place on record their deep appreciation of the professional support and guidance received from the Trustee of Sundaram BNP Paribas Mutual Fund and the Sponsors - Sundaram Finance Limited and BNP Paribas Asset Management.

Your Board of Directors also thank the Securities and Exchange Board of India, Association of Mutual Funds of India, the company's bankers, distributors and others for their unstinted support.

Your Directors place on record their deep appreciation of the dedication and commitment displayed by the officer and staff of your Company.

For and on behalf of the Board

Place: Chennai

D N Ghosh

Date: May 6, 2009

Chairman

## Annexure – I

### Annexure to the Directors Report

Sl. No.	Name of the Schemes	AUM (Rs. in Crore)
<b>Equity Schemes</b>		
1	Sundaram BNP Paribas – Select Thematic Funds – Capex Opportunities Fund (Dividend)	293
2	Sundaram BNP Paribas – Select Thematic Funds – Capex Opportunities Fund (Growth)	307
3	Sundaram BNP Paribas Select Mid Cap	855
4	Sundaram BNP Paribas Select Focus	801
5	Sundaram BNP Paribas Growth Fund	93
6	Sundaram BNP Paribas Balanced Fund	28
7	Sundaram BNP Paribas Select Small Cap (Closed-end)	145
8	Sundaram BNP Paribas Equity Multiplier Fund (Closed-end)	325
9	Sundaram BNP Paribas India Leadership Fund	107
10	Sundaram BNP Paribas S.M.I.L.E Fund	115
11	Sundaram BNP Paribas – Select Thematic Funds – Rural India Fund	181
12	Sundaram BNP Paribas Tax Saver	620
13	Sundaram BNP Paribas Global Advantage – Fund of Funds	142
14	Sundaram BNP Paribas – Select Thematic Funds – Energy Opportunities (Closed-end)	1153
15	Sundaram BNP Paribas – Select Thematic Funds – Financial Services Opportunities	106
16	Sundaram BNP Paribas – Select Thematic Funds – Entertainment Opportunities	72
<b>Total AUM – Equity Schemes</b>		<b>5343</b>
<b>Debt Schemes</b>		
17	Sundaram BNP Paribas Select Debt – Dynamic Asset Plan	0.02
	Sundaram BNP Paribas Select Debt – Short Term Asset Plan	0.27
18	Sundaram BNP Paribas Floating Rate Fund – Long Term Plan	3
19	Sundaram BNP Paribas Floating Rate Fund – Short Term Plan	25
20	Sundaram BNP Paribas Gilt Fund	3
21	Sundaram BNP Paribas Money Fund	1031
22	Sundaram BNP Paribas Income Plus	1
23	Sundaram BNP Paribas Monthly Income Plan (Not an assured Income Scheme)	21
24	Sundaram BNP Paribas Bond Saver	97
25	Sundaram BNP Paribas Ultra Short Term Fund	678
26	Sundaram BNP Paribas Capital Protection Oriented Fund – Series 1 – 3 Years (Closed-end Scheme)	18
27	Sundaram BNP Paribas Capital Protection Oriented Fund – Series 1 – 5 Years (Closed-end Scheme)	7
	Sundaram BNP Paribas Fixed Term Plans (including Interval Funds) (21 schemes)	2,152
<b>TOTAL AUM – Debt &amp; Liquid Schemes</b>		<b>4036</b>
<b>GRAND TOTAL</b>		<b>9379</b>

## Auditors' Report

### TO THE MEMBERS OF SUNDARAM BNP PARIBAS ASSET MANAGEMENT COMPANY LIMITED

1. We have audited the attached Balance Sheet of Sundaram BNP Paribas Asset Management Company Limited (the company) as at 31st March 2009, the Profit and Loss Account and the Cash Flow Statement of the company for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, (the Act) and based on the information and explanation given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
  - (iii) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
  - (v) on the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,
    - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2009;
    - (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

**P.BABU**

Place : Chennai

Partner

Date : 6th May, 2009

Membership No.203358

## ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b) Fixed assets have been physically verified by the management during the year in accordance with a phased plan of verification, which in our opinion is reasonable having regard to the size of the company and the nature of fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of accounts.  
c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed off by the company during the year.
2. In our opinion and according to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, clauses (iii)b, (iii)c, (iii)d, (iii)f and (iii)g of paragraph 4 of the Order are not applicable to the company for the year.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 of the Act have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakh in respect of any party during the year have, prima facie, been made at prices which are reasonable having regard to the nature of services and the prevailing market prices at the relevant time.
5. The company has not accepted deposits from public.
6. The company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
8. According to the records of the company and the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Wealth Tax, Service Tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March, 2009 for a period of 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 Provident Fund, Employees State Insurance, Income tax, Wealth tax and Service tax which have not been deposited on account of any dispute.
10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the current and immediately preceding financial year.
11. During the year, the company availed and repaid a short term working capital loan from a scheduled bank in accordance with the terms of sanction. The company does not have any other borrowing from financial institutions, banks or on issue of debentures.
12. According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
14. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and other investments and timely entries have been made therein. The securities and other investments have been held by the company in its own name.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The short term working capital loan has been utilized for the purpose for which the loan has been obtained.
17. According to the information and explanations given to us, the company has not utilized the funds raised on short term basis for long term investment.
18. The company has not issued debentures during the year.
19. The company has not raised monies by public issue during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the year have been such that clauses ii and xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

For **BRAHMAYYA & CO.,**

Chartered Accountants

**P.BABU**

Partner

Place : Chennai

Date : 6th May, 2009

Membership No.203358

**Balance Sheet**

as at 31st March, 2009

	Schedule	31.03.2009 Rs.	31.03.2008 Rs.
<b>I.Sources of Funds</b>			
<b>1.Shareholders' Funds</b>			
(a) Capital	1	15,33,32,290	15,33,32,290
(b) Reserves and Surplus	2	21,34,48,765	13,36,00,088
		36,67,81,055	28,69,32,378
<b>2. Deferred Tax Liability (Net)</b>	3	6,58,56,402	3,30,23,519
<b>3. Loan Funds</b>			
a) Secured Loans		-	-
b) Unsecured Loans		-	-
<b>Total</b>		<b>43,26,37,457</b>	<b>31,99,55,897</b>
<b>II. Application of Funds</b>			
<b>1.Fixed Assets</b>			
(a) Gross Block	4	12,67,28,332	11,99,66,916
(b) Less: Depreciation		7,68,69,775	5,23,08,103
(c) Net Block		4,98,58,557	6,76,58,813
<b>2.Investments</b>	5	4,98,75,756	16,89,69,918
<b>3.Current Assets, Loans and Advances</b>			
(a) Current Assets	6	63,80,947	1,53,55,194
(b) Loans and Advances	7	42,25,15,127	30,97,74,271
(A)		42,88,96,074	32,51,29,465
Less: Current Liabilities and Provisions			
(a) Current Liabilities	8	6,61,97,748	11,22,03,520
(b) Provisions	9	2,97,95,182	12,95,98,779
(B)		9,59,92,930	24,18,02,299
Net Current Assets	(A-B)	33,29,03,144	8,33,27,166
<b>Total</b>		<b>43,26,37,457</b>	<b>31,99,55,897</b>

Notes to the accounts 15

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our report of even date

For **BRAHMAYYA & CO.**  
Chartered Accountants**P.BABU**  
Partner  
Membership No.203358  
Chennai  
06th May, 2009**D.N.GHOSH**  
Chairman**S KRISHNAMURTHY**  
Director**ASHOKE BIJAPURKAR**  
Director**T.ANANTHA NARAYANAN**  
Director**T P RAMAN**  
Managing Director**T N ANANTHARAM IYER**  
Director**T T SRINIVASARAGHAVAN**  
Director**RISHIKESHA T KRISHNAN**  
Director**P. SUNDARARAJAN**  
Company Secretary

## Profit and Loss Account

for the year ended 31st March 2009

	Schedule	2008-09		2007-08	
		Rs.	Rs.	Rs	Rs
<b>Income</b>					
Income from operations	10		85,25,55,865		83,14,23,121
Other Income	11		79,70,846		2,03,33,110
<b>Total</b>	<b>(A)</b>		<b>86,05,26,711</b>		<b>85,17,56,231</b>
<b>Expenditure</b>					
Establishment expenses	12		25,66,18,427		22,57,00,065
Administrative and other expenses	13		18,67,83,541		16,64,01,089
Scheme expenses borne by the company	14		22,20,10,670		16,41,14,706
Interest - fixed loan			31,02,740		-
<b>Total</b>	<b>(B)</b>		<b>66,85,15,378</b>		<b>55,62,15,860</b>
Profit before depreciation and tax	(A-B)		19,20,11,333		29,55,40,371
<b>Less: Depreciation</b>			2,58,34,591		2,21,71,531
Profit before taxation			16,61,76,742		27,33,68,840
<b>Less : Taxation</b>					
Current Tax		2,37,00,000		7,24,00,000	
Minimum Alternate Tax Credit		-		(38,65,662)	
Deferred Tax		3,28,32,883		1,58,53,226	
Wealth Tax		-		3,500	
Fringe Benefit Tax		28,86,509	5,94,19,392	40,25,000	8,84,16,064
<b>Profit after Tax</b>			<b>10,67,57,350</b>		<b>18,49,52,776</b>
Balance of profit brought forward from the previous year			6,78,43,037		2,69,64,040
<b>Amount available for Appropriation</b>			<b>17,46,00,387</b>		<b>21,19,16,816</b>
<b>Appropriations</b>					
Dividend					
- Final ( Proposed )			2,29,99,844		10,73,32,603
- Dividend Distribution Tax			39,08,829		1,82,41,176
- General Reserve			53,40,000		1,85,00,000
Surplus - Balance carried to Balance Sheet			14,23,51,714		6,78,43,037
			<b>17,46,00,387</b>		<b>21,19,16,816</b>
<b>Earnings per Equity Share</b>					
Number of Shares			1,53,33,229		1,53,33,229
Earnings per Equity Share			6.96		12.06
Notes to the accounts	15				

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our report of even date

For **BRAHMAYYA & CO.**  
Chartered Accountants**D.N.GHOSH**  
Chairman**T N ANANTHARAM IYER**  
Director**P.BABU**  
Partner  
Membership No.203358  
Chennai  
06th May, 2009**S KRISHNAMURTHY**  
Director**T T SRINIVASARAGHAVAN**  
Director**ASHOKE BIJAPURKAR**  
Director**RISHIKESHA T KRISHNAN**  
Director**T.ANANTHA NARAYANAN**  
Director**T P RAMAN**  
Managing Director**P. SUNDARARAJAN**  
Company Secretary

## Schedules

	31.03.09 Rs.	31.03.08 Rs.
<b>1. Share Capital</b>		
Authorised		
2,00,00,000 Equity Shares of Rs 10/- each	20,00,00,000	20,00,00,000
5,00,000 Redeemable Preference Shares of Rs.100/- each	5,00,00,000	5,00,00,000
	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and fully paid up		
1,53,33,229 Equity Shares of Rs 10/- each	15,33,32,290	15,33,32,290
76,81,948 equity shares (previous year 76,81,948 shares) are held by Sundaram Finance Ltd., the Holding Company and its nominees.	<u>15,33,32,290</u>	<u>15,33,32,290</u>
<b>2. Reserves and Surplus</b>		
Securities Premium account	4,13,57,051	4,13,57,051
General Reserve		
As per last Balance Sheet	2,44,00,000	59,00,000
Add: Transferred during the year	<u>53,40,000</u>	<u>1,85,00,000</u>
Surplus - Balance in Profit and Loss Account	14,23,51,714	6,78,43,037
	<u>21,34,48,765</u>	<u>13,36,00,088</u>
<b>3. Deferred Tax Liability (Net)</b>		
Deferred Tax Liability:		
Depreciation	61,77,742	76,76,040
Amortisation of Brokerage	<u>6,52,76,693</u>	<u>2,96,80,643</u>
	7,14,54,435	3,73,56,683
Less :Deferred Tax Asset:		
Employee Benefits	55,98,033	43,33,164
	<u>6,58,56,402</u>	<u>3,30,23,519</u>

(In Rupees)

## 4. FIXED ASSETS

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions	Deductions	As at 31.03.2009	Upto 31.03.2008	Additions	Deductions	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Office Equipment	1,30,88,923	4,90,084	5,27,500	1,30,51,507	48,10,174	12,73,645	3,55,334	57,28,485	73,23,022	82,78,749
Electrical Equipment	1,07,81,475	11,27,650	24,034	1,18,85,093	31,63,063	11,91,263	14,333	43,39,993	75,45,100	76,18,412
Computers	3,99,97,444	40,20,672	1,01,005	4,39,17,111	2,09,09,163	88,57,442	67,597	2,96,99,008	1,42,18,103	1,90,88,281
Furniture and fixtures	1,46,63,138	6,71,042	2,82,720	1,50,51,460	90,19,829	16,27,583	2,82,658	1,03,64,753	46,86,707	56,43,309
Vehicles	33,10,566	92,956	10,59,858	23,43,660	14,98,170	3,63,041	5,52,995	13,08,216	10,35,444	18,12,396
Improvement to rented premises	2,40,79,018	17,20,406	-	2,57,99,424	77,32,939	87,93,499	-	1,65,26,438	92,72,986	1,63,46,079
<b>Intangible Assets</b>										
Computer Software	1,40,46,352	6,33,725	-	1,46,80,077	51,74,764	37,28,118	-	89,02,882	57,77,195	88,71,588
<b>Total as of 31/03/2009</b>	<b>11,99,66,916</b>	<b>87,56,535</b>	<b>19,95,117</b>	<b>12,67,28,332</b>	<b>5,23,08,103</b>	<b>2,58,34,591</b>	<b>12,72,917</b>	<b>7,68,69,775</b>	<b>4,98,58,557</b>	<b>6,76,58,813</b>
<b>Previous year 31/03/2008</b>	<b>5,82,76,187</b>	<b>6,27,82,693</b>	<b>10,91,964</b>	<b>11,99,66,916</b>	<b>3,09,97,265</b>	<b>2,21,71,531</b>	<b>8,60,694</b>	<b>5,23,08,103</b>	<b>6,76,58,813</b>	<b>2,72,78,922</b>

## SCHEDULES

## 5. INVESTMENTS

	Face Value Rs.	31.03.09 Rs.	31.03.08 Rs.
<b>I. Long Term Investments</b>			
<b>At Cost - Fully paid up</b>			
<b>Unquoted</b>			
<b>A. In Trust Securities:</b>			
<b>In Mutual Funds</b>			
Units of Sundaram BNP Paribas India Leadership fund - 3,20,751 units under Dividend option	32,07,510	75,00,000	75,00,000
Units of Sundaram BNP Paribas Growth Fund - 3,18,420 units under Dividend option	31,84,200	75,00,000	75,00,000
Units of Sundaram BNP Paribas Select Focus - 3,47,966 units under Dividend option	34,79,660	75,00,000	75,00,000
Units of Sundaram BNP Paribas Midcap - 1,22,099 units under Dividend option	12,20,990	23,69,387	23,69,387
Units of Sundaram BNP Paribas Smile Fund - 3,07,346 units under Dividend option	30,73,460	75,00,000	75,00,000
Units of Sundaram BNP Paribas Capex Opportunities Fund - 3,81,706 units under Dividend option	38,17,060	1,00,00,000	1,00,00,000
<b>Sub-total(A)</b>		<b><u>4,23,69,387</u></b>	<b><u>4,23,69,387</u></b>
<b>B. In Bonds :</b>			
10, Series II 14.30% Unsecured Redeemable Non Convertible subordinated Bonds of Rs.1,00,000 each in Bank of Baroda	10,00,000	10,00,000	10,00,000
<b>Sub-Total(B)</b>		<b><u>10,00,000</u></b>	<b><u>10,00,000</u></b>
<b>Total (I) — (A+B)</b>		<b><u>4,33,69,387</u></b>	<b><u>4,33,69,387</u></b>



	Face Value Rs.	31.03.09 Rs.	31.03.08 Rs.
<b>II Current Investments</b>			
In Trust Securities - In Mutual Funds			
Units of Sundaram BNP Paribas Fixed Term Plan - Nil Units under Fixed Term Series XXI (opening balance of 7,50,000 redeemed during the year)	-	-	75,00,000
Units of Sundaram BNP Paribas Fixed Term Plan - Nil Units under Fixed Term Series 367 days - Plan II (opening balance of 30,00,000 units redeemed during the year)	-	-	3,00,00,000
Units of Sundaram BNP Paribas Fixed Term Plan - Nil Units under Fixed Term Series 90 days - Series III (opening balance of 35,00,000 units redeemed during the year)	-	-	3,50,00,000
Units of Sundaram BNP Paribas Capital Protection Fund - 6,50,000 units under 3 Years Plan	65,00,000	65,00,000	65,00,000
Units of Sundaram BNP Paribas Liquid Plus - 635 units under Daily dividend institutional reinvestment option (opening balance of 46,60,042 units, 1,80,44,888 units were purchased, 46,417 units were reinvested and 2,27,50,712 units were redeemed during the year)	6,350	6,369	4,66,00,531
<b>Total (II)</b>		<b>65,06,369</b>	<b>12,56,00,531</b>
<b>Grand Total (I) + (II)</b>		<b>4,98,75,756</b>	<b>16,89,69,918</b>
	Face Value per unit Rs.	Units in Nos.	Cost Rs.
Mutual Fund Units subscribed and redeemed during the year			
Units of Sundaram BNP Paribas Entertainment Opportunities Fund	10.0	1,00,000	10,00,000
Units of Sundaram BNP Paribas Financial Opportunities Fund	10.0	1,00,000	10,00,000
		<b>31.03.09 Rs.</b>	<b>31.03.08 Rs.</b>
<b>Summary of Investments :</b>			
<b>I . Long Term Investments</b>			
<b>Unquoted</b>			
In Bonds		10,00,000	10,00,000
In Trust Securities		4,23,69,387	4,23,69,387
<b>II. Current Investments</b>			
Trust Securities		65,06,369	12,56,00,531
<b>Grand Total</b>		<b>4,98,75,756</b>	<b>16,89,69,918</b>
		<b>Cost Rs.</b>	<b>Market Value * Rs.</b>
<b>Aggregate of unquoted Investments - Long Term</b>			
In Bonds		10,00,000	10,00,000
<b>Aggregate of unquoted Investments - Long Term</b>			
In Trust Securities		4,23,69,387	1,38,33,191
<b>Aggregate of unquoted Investments - Current</b>			
In Trust Securities		65,06,369	71,74,967
<b>Total</b>		<b>4,98,75,756</b>	<b>2,20,08,158</b>

\* Cost has been considered wherever market value is not available and in case of units of mutual funds, the net asset value has been considered on the Balance Sheet date

	31.03.09		31.03.08	
	Rs.	Rs.	Rs.	Rs.
<b>6. CURRENT ASSETS</b>				
Interest accrued on Investments		8,841		4,80,668
Cash and Bank Balances				
With Scheduled Banks in				
Current Accounts	42,73,445		41,72,184	
Fixed Deposits	-	42,73,445	1,00,00,000	1,41,72,184
With Others				
Current Accounts	11,96,749		-	
Fixed Deposits	7,04,419	19,01,168	5,50,000	5,50,000
(Refer point on 2.1.1 in notes to the accounts)				
Cash on Hand		1,97,493		1,52,342
		<u>63,80,947</u>		<u>1,53,55,194</u>
<b>7. Loans and Advances</b>				
Unsecured unless otherwise stated				
Considered Good				
Advances and Deposits recoverable in cash or kind				
Other Advances		26,79,62,661		13,48,09,245
Loans to Staff		20,22,383		27,07,432
Advance Income Tax and Tax Deducted at Source (net of provision for taxation)		10,73,82,973		7,49,43,083
Advance Fringe Benefit Tax		30,00,000		35,01,364
Income Receivable ( Less than six months )				
- Asset Management Fee	2,72,96,258		5,74,54,442	
- Advisory Fee	1,47,67,554		3,60,62,933	
- Portfolio Management Fee	83,298	4,21,47,110	2,95,772	9,38,13,147
		<u>42,25,15,127</u>		<u>30,97,74,271</u>
<b>8. Current Liabilities</b>				
Sundry Creditors				
For expenses		4,09,57,449		7,86,24,257
For others		2,52,40,299		3,35,79,263
		<u>6,61,97,748</u>		<u>11,22,03,520</u>
<i>There are no outstanding due payable to Micro &amp; Small Enterprises for more than 45 days.</i>				
<b>9. Provisions</b>				
Dividend				
- Final (Proposed)		2,29,99,844		10,73,32,603
- Dividend Distribution tax		39,08,829		1,82,41,176
- Provision for Fringe Benefit Tax		28,86,509		40,25,000
		<u>2,97,95,182</u>		<u>12,95,98,779</u>

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

	2008-2009 Rs.	2007-2008 Rs.
<b>10. INCOME FROM OPERATIONS</b>		
Investment Management Fees ( Net )	76,81,55,272	75,91,65,800
[Tax Deducted at Source Rs. 6,87,13,217 /-]		
Advisory Fees	8,39,44,433	7,17,11,016
[Tax Deducted at Source Rs. 1,68,357 /-]		
Portfolio Management Service Fees	4,56,160	5,46,305
[Tax Deducted at Source Rs. 36,945/-]		
	<u>85,25,55,865</u>	<u>83,14,23,121</u>
<b>11. Other Income</b>		
Interest receipts	33,45,708	16,98,315
[Tax Deducted at Source Rs. 1,15,938 /-]		
Dividend Income	17,76,120	1,21,62,445
Profit on sale of Investments	5,30,175	63,41,048
Profit on Sale of Assets	80,598	48,870
Gain on Exchange Fluctuation	13,62,874	2,082
Miscellaneous income	8,75,371	80,350
	<u>79,70,846</u>	<u>2,03,33,110</u>
<b>12. Establishment Expenses</b>		
Salaries and allowances	23,47,01,080	20,66,26,572
Company's contribution to Provident Fund and Employees State Insurance	1,07,06,595	81,01,983
Staff welfare expenses	56,56,398	62,18,636
Gratuity	55,54,354	47,52,874
	<u>25,66,18,427</u>	<u>22,57,00,065</u>

	2008-2009 Rs.	2007-2008 Rs.
<b>13. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	4,62,73,187	3,89,85,354
Rates and Taxes	15,10,547	27,61,887
Communication Expenses	1,84,76,487	2,29,28,682
Subscription	1,31,70,702	74,13,337
Printing and Stationery	62,71,666	76,37,496
Electricity charges	57,70,311	57,57,641
Lease Rental	10,71,915	-
Travelling and conveyance	1,77,63,373	2,27,49,769
Directors' sitting fee	5,80,000	4,60,000
Insurance	23,60,431	19,24,843
Professional and Consultancy fees	46,06,318	34,27,299
Business Development Expenses	51,74,905	84,07,166
Repairs and Maintenance		
- Building	65,26,413	61,98,933
- Others	53,28,577	34,02,571
Software charges	47,75,892	27,33,219
Database and Networking Expenses	99,28,364	78,23,420
Loss on exchange fluctuation	50,67,902	11,47,267
Outsourcing Cost	1,95,99,078	1,28,08,737
Donations	-	10,00,000
Miscellaneous expenses	1,22,84,873	85,81,024
Loss on sale of investments	11,617	1,30,613
Loss on sale of assets	2,30,983	1,21,831
	<b><u>18,67,83,541</u></b>	<b><u>16,64,01,089</u></b>
<b>14. Scheme Expenses Borne By The Company</b>		
Upfront Brokerage and Other Marketing Expenses	22,20,10,670	16,41,14,706
	<b><u>22,20,10,670</u></b>	<b><u>16,41,14,706</u></b>

## SCHEDULES

## 15 Notes to the Accounts

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

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

## 1.2 Income Recognition:

Investment Management Fees, Advisory Fees and Portfolio Management Services Fees are accounted on accrual basis.

## 1.3 Fixed Assets and Depreciation:

Fixed Assets are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs.5000 or less acquired during the year are written down to Re.1.

Expenditure incurred towards renovation, interior decoration etc. in respect of leased office premises is capitalised under "Improvement to rented premises" and amortised over the primary lease period.

Vehicles taken on lease: Operating Lease payments are recognised as expenditure in the Profit and Loss Account on a straight line basis over the lease term.

## 1.4 Valuation of Investments:

Long Term investments are carried at cost and provision for decline 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 Transactions in Foreign Currency:

Transactions in foreign currency are accounted for at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies are restated at the Prevailing rates of exchange at the Balance Sheet date. Gain or loss arising out of fluctuations in exchange rates is accounted for in the Profit and Loss Account.

## 1.6 Employee Benefits:

A) Short Term Employee Benefits:

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

B) Post employment benefits:

Defined Contribution Plan

i) Provident Fund

The Company contributes to a Government-administered Provident Fund and Pension Fund.

Defined Benefit Plan

i) Gratuity

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India. The company accounts its liability for future gratuity benefits based on actuarial valuation, as at Balance Sheet date, determined every year by Life Insurance Corporation of India using the Projected Unit Credit method.

ii) Leave Encashment

Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation.

The expenses and actuarial gain / loss on account are recognised in the Profit and Loss on the basis of actuarial valuation.

## 1.7 Taxation:

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

## 1.8 Intangible Assets:

Computer Software acquired is recorded as an intangible asset and the cost is amortised over the 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 amount recoverable is higher of the net selling price of assets and their value in use.

## 1.10 Provisions:

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

## 2. BALANCE SHEET

## 2.1 Current Assets:

2.1.1 Cash and bank balances with others:

Represents balances held in BNP Paribas, Dubai, a non-scheduled bank. Maximum balance during the year in deposit account Rs. 7,04,419 /- (31.03.08 – Rs.5,50,000 /-). A lien has been created on the deposit for issue of a guarantee.

The current account was opened during the year. Maximum balance during the year Rs.11,96,749 /-.

## Notes to the Accounts continued

2.2 Disclosures in respect of operating lease contracts as per AS 19 – “Leases”:

2.2.1 The future minimum lease payments payable under non-cancellable operating lease are as follows:

(In Rs)

Particulars	31.03.2009	31.03.2008
Not later than one year	18,28,920	Nil
Later than one year and not later than five years	40,15,240	Nil
Later than five years	Nil	Nil

2.2.2 The leases can be renewed after completion of the primary lease period, after mutually discussing the renewal terms with the lessor.

2.3 Loans and Advances:

2.3.1 Loans to staff includes Rs. Nil ( 31.03.08 – Rs. 83,333 /-) due from an officer of the Company. Maximum amount due at any time during the year was Rs. 83, 333/- (31.03.08 – Rs. 1, 00,000/-).

2.4 Advance Income tax and Tax Deducted at Source is net of Provision for Tax of Rs. 10, 37, 33,918/ - (31.03.08 - Rs. 8, 02, 33,918/-).

2.5 Current Liabilities:

2.5.1 Sundry Creditors for expenses include Rs. 18,60,000/- (31.03.08 – Rs. 25,70,000/-) payable to Directors.

### 3. PROFIT AND LOSS ACCOUNT:

3.1 Investment Management fees is net of Rs. 34,54,907/- (31.03.08–Rs. 33,48,666/-) towards Advisory fees paid.

3.2 Profit / Loss on sale of investments comprise of:

(In Rupees)

	2008 – 2009		2007 – 2008	
	Profit	Loss	Profit	Loss
Long Term Investments	NIL	NIL	63,17,101	1,30,613
Current Investments	5,30,175	11,617	23,947	NIL
<b>Total</b>	<b>5,30,175</b>	<b>11,617</b>	<b>63,41,048</b>	<b>1,30,613</b>

3.3 Remuneration to Directors:

(In Rupees)

Particulars	2008 – 2009	2007 – 2008
Salary and Allowance	66,00,000	49,50,000
Contribution to Provident Fund and Gratuity	4,53,047	3,02,538
Commission		
-Whole Time Directors	5,00,000	Nil
-Non-whole time Directors	5,00,000	5,00,000
Other Allowances and Perquisites	4,13,944	1,72,806
<b>Total</b>	<b>84,66,991</b>	<b>59,25,344</b>

Computation of net profit for calculation of commission to directors.

Rs.in Lakhs

Net Profit		1067.57
Add:		
Directors remuneration	84.67	
Directors sitting fees (non whole time directors)	5.80	
Depreciation as per books	258.35	
Loss on sale of investment	0.12	
Provision for Taxation including wealth tax	594.19	943.13
Less:		
Depreciation as per Sec 350 of the Companies Act	258.35	
Profit on sale of investments	5.30	263.65
Nett profit as Sec 198 of the Companies Act 1956		1747.05
Commission to Managing Director		5.00
Commission to Non-whole time Independent Directors		5.00

3.4 A sum of Rs. 5,00,000/- has been provided in the accounts towards payment of commission to non-whole time independent directors of the Company. This proposal is subject to the approval of the members.

3.5 Employee Benefits:

1. Defined Contribution Plan:

Company Contribution to	Amt in Rs.
1. Provident Fund	1,06,53,485

2. Defined Benefit Plan:

Gratuity

A. Reconciliation of opening and closing balances of present value of the defined benefit obligation

(In Rupees)

Present Value of obligations at the beginning of the Year	83,43,296	50,90,427
Interest Cost	5,61,925	3,08,349
Current Service Cost	20,39,816	19,53,410
Benefit Paid	26,38,462	19,58,221
Actuarial Loss on obligation	35,98,703	-29,49,331
Present value of obligation at the end of the Year	1,19,05,278	83,43,296

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

(In Rupees)

Fair Value of Plan asset at the beginning of the Year	42,37,202	55,54,916
Expected return on plan assets	4,18,773	3,50,021
Contribution	46,33,372	1,82,291
Benefit Paid	26,38,462	19,58,221
Actuarial Gain on obligation	2,27,317	1,08,195
Fair Value of plan asset at the end of the Year	68,78,202	42,37,202

## Notes to the Accounts continued

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

	(In Rupees)	
Present Value of obligations at beginning of the Year	1,19,05,278	83,43,296
Fair Value of Plan asset at the end of the Year	68,78,202	42,37,202
Net Liability recognised in the balance sheet	50,27,076	41,06,094

## D. Expenses recognised in the profit and loss account

	(In Rupees)	
Current Service Cost	20,39,816	19,53,410
Interest Cost	5,61,925	3,08,349
Expected return on plan assets	4,18,773	3,50,021
Net Actuarial loss recognised in the year	33,71,386	28,41,137
Expenses to be recognised in the Profit and Loss Account	55,54,354	47,52,874

## E. Details showing the fair value of the plan assets

	(In Rupees)	
Fair Value of plan assets at the beginning of the Year	42,37,202	55,55,916
Actual return on plan assets	6,46,090	4,58,216
Contributions	46,33,372	1,82,291
Benefits Paid	26,38,462	19,58,221
Fair Value of plan assets at the end of the Year	68,78,202	42,37,202

## F. Actuarial Gain / Loss recognised

	(In Rupees)	
Actuarial loss on obligation	35,98,703	29,49,331
Actuarial gain on plan assets	2,27,317	1,08,195
Total Loss for the year	33,71,386	28,41,137
Actuarial loss recognised in the year	33,71,386	28,41,137

## G. Actuarial Assumption

	Per Annum	
Actuarial Assumption	31.03.2009	31.03.2008
Discount Rate	8.00%	8.00%
Salary Increment	7.00 %	7.00%

3.6 Miscellaneous expenses under "Administrative and other expenses" include remuneration to Auditors towards:

	(In Rupees)	
	2008- 2009	2007 -2008
Statutory Audit	2,00,000	2,00,000
Tax Audit	80,000	80,000
Certification	1,49,000	1,32,000
Service Tax	44,187	50,923

## 4. GENERAL

4.1 The Company has identified Asset Management, Investment Advisory Service and Portfolio Management Services as the only business segment.

4.2 In accordance with the Accounting Standard AS – 18 on "Related party Disclosures"

## Related Parties

## Joint Venture Promoters

	Percentage of Share Holding
Sundaram Finance Limited	50.10%
BNP Paribas Asset Management, France	49.90%

## Fellow Subsidiaries:

Sundaram BNP Paribas Home Finance Limited.  
Sundaram BNP Paribas Trustee Company Limited.  
LGF Services Limited.  
Sundaram Finance Distribution Limited.  
Sundaram Infotech Solutions Limited.  
Sundaram Business Services Limited.  
Infreight Logistics Solutions Limited.  
Professional Management Consultants (P) Ltd.  
Sundaram Securities Services Ltd

**Associate:** Sundaram BNP Paribas Mutual Fund

**Key Management Personnel:** Mr T P Raman – Managing Director

4.3 The details of transactions with related parties are given below

Particulars	Joint Venture Promoters Rs.	Fellow Subsidiaries/ Associate Rs.	Key Management Personnel Rs.	Total Rs.
<b>Income</b>				
Investment Management and Advisory Fees		77,16,10,179		77,16,10,179
Sundaram BNP Paribas Mutual Fund		(76,25,14,465)		(76,25,14,465)
Service Income				
Sundaram BNP Paribas Trustee Company Ltd		9,00,000	-	9,00,000
		(4,80,000)		(4,80,000)
<b>Expenses</b>				
Rent and Office maintenance				
Sundaram Finance Limited	1,38,65,404			1,38,65,404
	(14,048,400)			(14,048,400)
Sundaram BNP Paribas Home Finance Limited		1,28,088	-	1,28,088
		(134,000)		(134,000)
Collection centre charges				
Sundaram Finance Limited	51,18,132			51,18,132
Vehicle Lease Rental				
Sundaram Finance Limited	10,71,915			10,71,915

## Notes to the Accounts continued

Particulars	Joint Venture Promoters Rs.	Fellow Subsidiaries/ Associate Rs.	Key Management Personnel Rs.	Total Rs.
Remuneration				
Key Managerial Personnel ( Mr. T.P.Raman)			79,66,991 (54,25,344)	79,66,991 (54,25,344)
Payroll processing fees				
Sundaram Business Services Limited		1,44,000 (3,13,000)		1,44,000 (3,13,000)
Sundaram Finance Limited	1,44,000			1,44,000
	-			-
Maintenance of website				
Sundaram Finance Limited	2,20,000 (1,59,949)			2,20,000 (1,59,949)
Internal, Concurrent Audit Fees				
Sundaram Finance Limited	5,00,000 (5,00,000)			5,00,000 (5,00,000)
Database, connectivity and other technical charges				
Sundaram Finance Limited	90,000 (1,905,519)			90,000 (1,905,519)
<b>Assets</b>				
Investment management fees receivable		2,72,96,258		2,72,96,258
Sundaram BNP Paribas Mutual Fund		(5,74,54,442)		(5,74,54,442)
Investment in trust securities				
Sundaram BNP Paribas Mutual Fund		21,85,32,000 (76,74,41,507)		21,85,32,000 (76,74,41,507)
Disinvestment in trust securities				
Sundaram BNP Paribas Mutual Fund		33,80,34,000 (68,10,81,334)		33,80,34,000 (68,10,81,334)
Investment in trust securities at the end of the year				
Sundaram BNP Paribas Mutual Fund		4,88,75,000 (16,79,70,000)		4,88,75,000 (16,79,70,000)

As per our report of even date attached

For **BRAHMAYYA & CO.**  
Chartered Accountants**P.BABU**  
Partner  
Membership No.203358  
Chennai  
06th May, 2009**D.N.GHOSH**  
Chairman**S KRISHNAMURTHY**  
Director**ASHOKE BIJAPURKAR**  
Director**T.ANANTHA NARAYANAN**  
Director**T P RAMAN**  
Managing Director**T N ANANTHARAM IYER**  
Director**T T SRINIVASARAGHAVAN**  
Director**RISHIKESHA T KRISHNAN**  
Director**P. SUNDARARAJAN**  
Company Secretary

Particulars	Joint Venture Promoters Rs.	Fellow Subsidiaries/ Associate Rs.	Key Management Personnel Rs.	Total Rs.
<b>Liabilities</b>				
Other payables	3,27,945			3,27,945
Sundaram Finance Limited	(4,28,121)			(4,28,121)
Sundaram Business Services Limited		24,000 (26,966)		24,000 (26,966)
Payable to Managing Director			8,60,000 (20,70,000)	8,60,000 (20,70,000)
Final Dividend ( Proposed )	22,999,844 (10,73,32,603)			22,999,844 (10,73,32,603)

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

Figures in brackets relates to previous year.

## 4.4 Earnings per Share (Basic and diluted)

		2008-2009	2007-2008
1. Number of shares (nominal value of Rs.10/- each)	(A)	1,53,33,229	1,53,33,229
2. Profit after tax Rs.	(B)	10,67,57,350	18,49,52,776
3. Earnings per share (Basic and diluted) – Rs.	(B)/(A)	6.96	12.06

4.5 The company does not owe any sum to a Small Scale Industrial undertaking (31-03-2008 – Nil).

4.6 Expenditure in foreign Currency (On Payment Basis):  
Rs. 1,36,10,922/- (31.03.08 – Rs. 62,93,741 )4.7 Earnings in Foreign in Currency – Advisory fees earned  
Rs. 8,13,06,156/- (31-03-08 – Rs. 6,58,37,963/-)

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

4.9 Figures have been rounded off to the nearest rupee.

Signature to schedule 1 to 15



## Cash Flow Statement

	2008-09		2007-08	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash Flow from Operating Activities</b>				
Profit/(Loss) after tax	10,67,57,350		18,49,52,776	
Add: Profit on sale of assets	(80,598)		(48,870)	
Profit on sale of investments	(5,30,175)		(63,41,048)	
Loss on sale of assets	2,30,983		1,21,831	
Loss on sale of investments	11,617		1,30,613	
Provision for tax relating to earlier year	-		-	
Depreciation	2,58,34,591		2,21,71,531	
Income Tax	2,37,00,000		6,85,34,338	
Wealth Tax	-		3,500	
Fringe Benefit Tax	-		5,23,636	
Interest on fixed loan	31,02,740		-	
Deferred Tax	3,28,32,883		1,58,53,226	
Interest income	(33,45,708)		(16,98,315)	
Dividend Income	(17,76,120)		(1,21,62,445)	
Others - Adjustments in General Reserve (Towards AS 15)	-		-	
<b>Operating Profit before working capital changes</b>		<b>18,67,37,563</b>		<b>27,20,40,773</b>
- (Increase) / Decrease in Current assets	4,71,827		4,75,373	
- (Increase) / Decrease in Loans and advances	(11,27,40,856)		(11,56,42,142)	
- Increase / (Decrease) in Current Liabilities	(6,68,19,263)	(17,90,88,293)	(3,03,08,226)	(14,54,74,995)
Cash generated from Operations		<u>76,49,270</u>		<u>12,65,65,778</u>
<b>Net cash used in operating activities (A)</b>		<b>76,49,270</b>		<b>12,65,65,778</b>
<b>B. Cash flow from Investing Activities</b>				
- Purchase of investments	(20,00,000)		(15,67,86,807)	
- Sale of investments	12,10,94,162		70,426,879	
- Purchase of fixed assets	(87,56,535)		(6,27,82,693)	
- Sale of fixed assets	5,71,816		1,58,306	
- Profit on Sale of Investments	5,30,175		63,41,048	
- Loss on Sale of Investments	(11,617)		(1,30,613)	
- Dividend income	17,76,120		1,21,62,445	
- Interest income	33,45,708		16,98,315	
<b>Net cash used in Investing activities (B)</b>		<b>11,65,49,829</b>		<b>(12,89,13,120)</b>
<b>C. Cash Flow from Financing Activities</b>				
-Interest on fixed loan	(31,02,740)			
-Dividend paid (including corporate dividend tax)	(12,95,98,779)		(2,69,08,667)	
<b>Net Cash from Financing activities (C)</b>		<b>(13,27,01,519)</b>		<b>(2,69,08,667)</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>		<b>(85,02,420)</b>		<b>(2,92,56,009)</b>
Cash and Cash Equivalents at the beginning of the Year		1,48,74,526		4,41,30,535
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>63,72,106</b>		<b>1,48,74,526</b>

Note : Cash & Cash Equivalents comprise the following :

a. Cash on hand	1,97,493	1,52,342
b. Balances with Banks in Current accounts	54,70,194	47,22,184
c. Fixed Deposits at our Dubai Branch	7,04,419	1,00,00,000
<b>Total</b>	<b>63,72,106</b>	<b>1,48,74,526</b>

For **BRAHMAYYA & CO.**  
Chartered Accountants

**P.BABU**  
Partner  
Membership No.203358  
Chennai  
06th May, 2009

**D.N.GHOSH**  
Chairman

**S KRISHNAMURTHY**  
Director

**ASHOKE BIJAPURKAR**  
Director

**T.ANANTHA NARAYANAN**  
Director

**T P RAMAN**  
Managing Director

**T N ANANTHARAM IYER**  
Director

**T T SRINIVASARAGHAVAN**  
Director

**RISHIKESHA T KRISHNAN**  
Director

**P. SUNDARARAJAN**  
Company Secretary

## 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. U 9 3 0 9 0 T N 1 9 9 6 P L C 0 3 4 6 1 5

State Code 1 8

Balance Sheet Date 3 1 0 3 2 0 0 9

Date Month Year

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

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

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

Total Liabilities

4 3 2 6 3 7

Sources of Funds

Paid up Capital

1 5 3 3 3 2

Secured Loans

N I L

Applications of Funds

Net Assets

4 9 8 5 9

Net Current Assets

3 3 2 9 0 3

Accumulated Losses

N I L

Total Assets

4 3 2 6 3 7

Reserves & Surplus

2 1 3 4 4 9

Unsecured Loans\*

6 5 8 5 6

Investments

4 9 8 7 5

Misc. Expenditure

N I L

### IV Performance of Company (Amount in Rs. Thousands)

Turnover

8 6 0 5 2 7

+ - Profit / (Loss) Before Tax

1 6 6 1 7 7

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

Earnings Per Share in Rs.

6 - 9 6

Total Expenditure

6 9 4 3 5 0

+ - Profit / (Loss) After Tax

1 0 6 7 5 7

Dividend Rate in %

1 5

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

Item Code No. (ITC Code)

Product / Service Description

Not Applicable

I N V E S T M E N T

M A N A G E M E N T

A N D

A D V I S O R Y

S E R V I C E S

\*Deferred Tax Liability



