

Sundaram Finance Limited
Registered Office: 21, Patullos Road, Chennai 600 002

POSTAL BALLOT NOTICE
(Pursuant to Section 192A of the Companies Act, 1956)

To,

The Members,

Notice is hereby given pursuant to Section 192A read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, for obtaining the consent of the Members through postal ballot:

- (i) for authorising the Board of Directors of the Company under Section 372A of the Companies Act, 1956 to make loans to bodies corporate, from time to time, in excess of the limits prescribed under the said Section and
- (ii) for appointing Sri Harsha Viji as Director (Strategy & Planning).

The draft of Special / Ordinary Resolutions together with the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts and reasons thereto is enclosed.

Chennai 600 002
Date: 29.10.2010

By Order of the Board
P Viswanathan
Deputy Secretary &
Compliance Officer

Notes

1. The Board of Directors has appointed Mr. T.K. Bhaskar, Partner, HSB Partners, Advocates, Chennai, as the Scrutinizer, for conducting the postal ballot process in a fair and transparent manner.
2. A member desiring to exercise vote by postal ballot is requested to carefully read the instructions printed in the Postal Ballot Form and return the Form duly completed, in the attached self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours (17:30 hrs) on 15th December 2010.
3. The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny and the results of the postal ballot will be announced by the Chairman on Monday, 20th December, 2010 at 16:00 hrs, at the Registered Office of the Company at 21, Patullos Road, Chennai 600 002. The date of declaration of the postal ballot result will be taken to be the date of passing the special / ordinary resolutions.

4. The results of the postal ballot will be posted on the Company's website – www.sundaramfinance.in and published in the Business Line and Dinamalar for information of members.

DRAFT RESOLUTIONS

Special Business

1. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company, to make loans to bodies corporate, from time to time, for such amounts, such that the outstanding loans together with investments made, guarantees given, securities provided by the Company, do not exceed Rs.3000 cr. at any one time notwithstanding that the aggregate of the said loans / investments / guarantees / securities, may exceed the limits prescribed under the said Section.

FURTHER RESOLVED THAT the terms and conditions subject to which such loans shall be granted are as under:

- i. The bodies corporate to whom such loans shall be made would be domestic companies, both private and public excepting (a) companies with accumulated losses for a consecutive period of 3 financial years (b) companies which have been referred to Board for Industrial and Financial Reconstruction (c) companies in respect of which a liquidator / administrator / receiver has been appointed in respect of any part or all assets and properties.
 - ii. Such loans shall be against hypothecation of vehicles / equipment, inventories or other assets or for purchase of tyre / fuel / insurance for vehicles or for working capital requirements.
 - iii. The other terms and conditions like maximum amount of loan, interest to be charged, repayment period, margin requirements etc. shall be governed by the credit policy applicable to such loans from time to time, and in any other case, as may be approved by the Board of Directors.
 - iv. The said loans are made out of the owned funds/borrowings, where necessary.
 - v. Maximum amount of such loans shall be subject to a limit of Rs.15 cr. per transaction.”
2. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

“RESOLVED that in accordance with the provisions of Sections 198, 269 read with Schedule XIII, 309 and 317 of the Companies Act, 1956 (the Act) and other applicable provisions, if any, of the Act, the Company hereby accords its approval and consent to the appointment of Sri Harsha Viji as Director (Strategy & Planning) for a period of 5 years with effect from 24th September 2010 and for the payment of remuneration to him for his services as Director (Strategy & Planning), as set out hereunder:

SALARY	Rs.1,75,000/- per month in the scale of Rs.1,75,000 to Rs.3,00,000. Annual increase will be effective 1 st April every year and the quantum will be decided by the Board of Directors.
SPECIAL ALLOWANCE	100% of basic salary per month.
COMMISSION	Subject to a ceiling of 1% on the net profits of the Company the quantum whereof to be determined by the Board of Directors.
PERQUISITES	As detailed in the Annexure to the Explanatory Statement, the annual value of which will be limited to a ceiling of 150% of annual salary.
MINIMUM REMUNERATION	Where in any financial year, during the currency of tenure of the Director (Strategy & Planning), the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, allowances, commission and perquisites not exceeding the limits specified in Part II of Section II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

SPECIAL BUSINESS

ITEM 1

The Company has been giving loans in the ordinary course of its business for purchase of vehicles / equipment / machinery / tyres / fuel / insurance and for working capital needs to its retail customers. Out of this, loans to corporates attract the provisions of Section 372A of the Companies Act, 1956. Section 372A provides that the aggregate of the loans given / investments made / guarantees and securities provided to bodies corporate shall not exceed 60% of the paid-up share capital and free reserves or 100% of the free reserves of the Company, whichever is more. Your Company can make loans, investments, give any guarantee or provide security to bodies corporate in excess of the limits prescribed under this Section **only with the prior approval of shareholders by a Special Resolution.**

The Board of Directors were authorised by the shareholders vide Special Resolution dated 14th March 2007 passed through postal ballot to make loans to bodies corporate, from time to time, for such amounts, such that the outstanding loans together with investments made, guarantees given, securities provided by the Company, do not exceed Rs. 2000 cr. at any one time, notwithstanding that the aggregate of the said loans / investments / guarantees / securities, may exceed the limits prescribed under the said Section. The total of investments made / loans granted / guarantees given / securities provided to bodies corporate under the approved limit, so far, amounts to Rs.1108.02 cr.

The Company's networth as on 31st March 2010 was Rs.1316.36 cr. and the hire purchase and hypothecation loan disbursements for the financial year 2009-10 were Rs.5834 cr.

With the growth in the levels of business, it is expected that the total amount of loans, investments and guarantee / security already made together with loans that are proposed to be made by the company to corporates in the ordinary course of business is likely to exceed the limit approved. Hence, it is considered desirable to raise the said limit to Rs.3000 cr.

Section 192A read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 requires that the said Special Resolution be approved by the shareholders through postal ballot.

Accordingly, the enclosed draft Special Resolution, authorising the making of loans to bodies corporate, from time to time, such that the loans outstanding, together with the investments made, guarantees given, securities provided by the Company under Section 372A of the Companies Act, do not exceed Rs.3000 cr., at any one time, is submitted for consideration of the shareholders and the Board commends that the resolution be passed.

The Register of inter-corporate loans and investments containing the details required to be mentioned therein is open for inspection during the office hours on any working day at the Registered Office of the Company.

Interest of Directors

None of the Directors of the Company is interested in the resolution.

ITEM 2

At the Board Meeting held on 24.09.2010, Sri Harsha Viji, Head – Strategy & Planning, has been co-opted as an Additional Director and appointed as Director (Strategy & Planning) for a period of 5 years with effect from 24.09.2010 on a salary of Rs.1,75,000/- per month in the scale of Rs.1,75,000 to Rs.3,00,000 together with allowances and commission as mentioned

in the resolution. The perquisites provided to Sri Harsha Viji are detailed in the annexure to this statement.

Sri Harsha Viji, ACA, MBA (Ann Arbor, Michigan), aged 35 years, brings with him a brilliant educational background, 4 years of experience in the global consulting firm, M/s. McKinsey & Co. and nearly 5 years of experience in strategy formulation, joint venture negotiations and new business development in your Company. Given his strong credentials and varied exposure, he is likely to contribute significantly to the growth of your Company as well as its subsidiaries and joint ventures.

Sri Harsha Viji has also been appointed as Deputy Managing Director of Sundaram Asset Management Company Limited without any remuneration.

Accordingly, an Ordinary Resolution is submitted for your consent.

Interest of Directors

Sri S. Viji, Chairman of the Company and father of Sri Harsha Viji and Sri Harsha Viji, Director (Strategy & Planning) are interested in the resolution.

Chennai 600 002
Date: 29.10.2010

By Order of the Board
P Viswanathan
Deputy Secretary &
Compliance Officer

**Particulars of the Director seeking appointment
pursuant to Clause 49 of the Listing Agreement**

ITEM 2

Name of Director	Sri Harsha Viji
Date of Birth	August 28, 1975
Expertise in specific functional areas	Has nearly 9 years of experience in strategy formulation, joint venture negotiations and new business development.
Qualifications	B.Com., ACA, MBA (Ann Arbor, Michigan)
List of other companies in which directorship held as on 29 th October 2010	Deputy Managing Director: - Sundaram Asset Management Co. Ltd. Director: - Gulf Outsourcing Services Ltd. - Professional Management Consultants Ltd. - Flometallic India Ltd.
Chairman/Member of the Committees of the Board of other companies in which he is a Director as on 29 th October 2010	Member: Audit Committee - Sundaram Asset Management Co. Ltd.
Shareholding in Sundaram Finance Ltd. as on 29 th October 2010: (a) held individually (b) held jointly with others	6,73,409 shares 1,578 shares
Relationship with other Directors	Son of Sri S. Viji, Chairman

ANNEXURE TO THE EXPLANATORY STATEMENT

Details of perquisites provided payable to Sri Harsha Viji

1. Housing:
 - i) the expenditure incurred by the Company on hiring unfurnished accommodation will be subject to a ceiling of 60% of the salary over and above 10% payable by the managerial person;
 - ii)
 - a) the expenditure incurred by the Company on gas, electricity and water will be evaluated as per Income-tax Rules, 1962.
 - b) perquisites in the form of furniture, furnishings and other utilities in accordance with the rules of the Company, the value of which will be evaluated as per Income-tax Rules, 1962;
 - iii) wherever the Company does not provide accommodation, House Rent Allowance may be paid in accordance with (i) above;
 - iv) where accommodation in a Company-owned house is provided, the Company will charge 10% of his salary by way of rent.
2. Medical reimbursement: Expenses incurred for self and family including premium payable for medical insurance in accordance with the rules of the Company.

Explanation: "Family" means the spouse, dependant children and dependant parents of the appointee.
3. Personal Accident Insurance as per the rules of the Company.
4. Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
5. Payment of company's contributions to Provident Fund/Pension Fund/Superannuation Fund/Gratuity Fund and encashment of leave (at the end of the tenure) shall not be included in the computation of remuneration or ceiling on the perquisites.
6. Fees for clubs, subject to a maximum of two clubs excluding admission and life membership fee.
7. Sitting fee for attending the meeting of Board of Directors and Committee thereof as applicable to other Directors.
8. Provision of chauffeur driven company car(s).

9. Provision of telephone(s) at the residence of the Director.
10. Such other allowances, perquisites, benefits and amenities as may be provided by the company to other senior executives from time to time.
11. Benefits under the loan and other schemes in accordance with the practices, rules and regulations in force in the Company from time to time, subject to the provisions of the Companies Act, 1956.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, the same shall be evaluated at actual cost.

The above said remuneration and perquisites shall be subject to the ceiling laid down in Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 as may be amended from time to time.