Shriram City

MONEY WHEN YOU NEED IT MOST

Shriram City Union Finance Limited

22nd Annual Report 2007-08

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FORWARD-LOOKING STATEMENT

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as `anticipate', `estimate', `expects', `project', `intends', `plans', `believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ABOUT SHRIRAM CITY UNION FINANCE LIMITED

LINEAGE

Shriram City Union Finance Limited is a part of three decade-old Chennai-based Shriram Group - India's premier financial services chain – which ranks amongst one of the largest player in the Indian sub-continent in Truck Financing and Chit Funds business.

The Group also has a significant presence in Insurance Consultancy, Retail Asset Financing, Life Insurance, Re-insurance, Stock Broking and General Insurance.

GROUP PRESENCE

With a wide reach and penetration in the most remote parts of the country: employee strength of over 11,000 across the country and presence of more than 75,000 agents nationwide, the Group has an extensive visibility in the retail segment with over 1.20 million investors in the Chit Fund business and almost 1 million holders of fixed deposits/debentures.

COMPANY OVERVIEW

Incorporated in 1986, Shriram City is a Deposit-accepting Asset Financing Company with a presence in 622 locations across India.

PRODUCT OFFERINGS

Prior to 2002, the Company was exclusively engaged in transport finance with special emphasis on financing pre-owned commercial vehicles to small road transport operators. However, since 2002, the Company expanded its product lines substantially and these today comprise financing of consumer durables, two-wheelers, commercial vehicles older than 10 years and non-commercial vehicles, Personal Loans, Small Business Loans and Gold Loans. As on 31st March, 2008, the Company's portfolio (Assets under Management) stood at approximately Rs. 33689 million.

PROMOTERS & MANAGEMENT BANDWIDTH

The Company has been promoted by the Shriram Group of South India, and has M/s Shriram Capital Ltd. and M/s Shriram Retail Holdings Pvt. Ltd. as its Holding Companies. Since the late 1990s, the Company's strategic direction has been steered by the Board of Directors consisting of employees and independent/professional/ nominee directors.

SHAREHOLDING PATTERN

Leading investment agencies such as ICICI Venture, ChrysCapital, Bessemer Venture Partners and Asiabridge Fund have acquired stakes in the Company.

CORPORATE INFORMATION

CHAIRMAN: Sri Arun Duggal

MANAGING DIRECTOR: Sri R. Kannan

DIRECTORS:
Sri S. Venkatakrishnan
Sri S. Krishnamurthy
Sri V. Parthasarathi
Sri Mukund Govind Diwan
Sri Vipen Kapur
Sri T. S. Sethurathnam
(Nominee of IREDA Ltd.)
Sri Sunil Varma

COMPANY SECRETARY: Sri J. Radhakrishnan

AUDITORS:
Pijush Gupta & Co.
Chartered Accountants

SHARE TRANSFER AGENTS:
Integrated Enterprises (India) Ltd.
II Floor, "Kences Towers"
No. 1, Ramakrishna Street
Off North Usman Road
T. Nagar, Chennai - 600 017
Ph.: +91-44-2814 0801 - 0803

REGISTERED OFFICE:
123, Angappa Naicken Street
Chennai 600 001
Ph: +91-44-2534 1431

SECRETARIAL OFFICE:
4th Floor, "Mookambika Complex"
4, Lady Desika Road, Mylapore
Chennai – 600 004
Ph.: +91-44-2499 0356,
2499 0960
Fax: +91-44-2499 3272

ADMINISTRATIVE OFFICE:
New No. 221 (Old No. 229)
Royapettah High Road
Mylapore, Chennai 600 004
Ph.: +91-44-4391 5300 - 04
Fax: +91-44-4391 5351

BANKS:
ABN AMRO Bank N.V.
Axis Bank Ltd.
Bank of America
Bank of India
Bank of Maharashtra
Bank of Rajasthan Ltd.
Calyon Bank Ltd.

Canara Bank
Central Bank of India
Centurion Bank of Punjab Ltd.
City Union Bank Ltd.
Corporation Bank
DBS Bank Ltd.
Dena Bank
HDFC Bank Ltd.
HSBC Ltd.
ICICI Bank Ltd.
Indian Bank
Indian Overseas Bank
IDBI Bank Ltd.
ING Vysya Bank Ltd.
Kotak Mahindra Bank Ltd.
Oriental Bank of Commerce
Punjab National Bank
Standard Chartered Bank PLC
State Bank of Bikaner & Jaipur
State Bank of Patiala
Tamilnad Mercantile Bank Ltd.
The South Indian Bank Ltd.
UCO Bank
Union Bank of India
United Bank of India
Yes Bank Ltd.

INSTITUTIONS:

IREDA Ltd.
SIDBI Ltd.

Listed on the following Exchanges and the annual listing fees have been duly paid

- Madras Stock Exchange Ltd., Exchange Building, P.B.No. 183, No. 30 (Old No. 11), Second Line Beach, Chennai 600 001
- Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
- National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

OUR PRESENCE IN INDIA

BRANCHES:

A: Adilabad, Adoni, Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Aligarth, Allahabad, Alwar, Amalapuram, Ambikapur, Amravati, Amritsar, Anand, Anantapur, Angamaly, Angul, Asansol, Attur, Aurangabad, Azadpur

B: Bachheli, Bagalkot, Balaghat, Bangalore, Bangalore Khar Road, Baramati, Bareilly, Barmer, Baroda, Basava Kalayan, Bathinda, Begusarai, Belapur, Belgaum, Belgaum II, Bellary, Berhampur, Bhagalpur, Bharatpur, Bharuch, Bhatkal, Bhavanipuram, Bhavnagar, Bhilai, Bhilwara, Bhimavaram, Bhopal, Bhubaneswar, Bhubaneswar II, Bhuj, Bicholim, Bidar, Bijapur, Bikaner, Bilaspur, Boisar, Bokaro, Burdwan, Burhanpur

C: Calicut, Chadikhole, Chamaraja Nagar, Chandigarh, Chandrapur, Channagiri, Channarayapatna, Chembur, Chikkodi, Chikmagalore, Chinchwad, Chindwara, Chiplun, Chitradurga, Chittorgarh, Cochin, Coimbatore, Cuddapah, Cuddapah II, Cuttack

D: Dahisar, Dahod, Dausa, Davangere, Dehradun, Dhanbad, Dhanbad I, Dharmapuri, Dharwad, Dhulia, Durgapur

E: Eluru, Ernakulam New, Erode,

F: Faizabad, Faridabad, Farrukhabad

G: Gadag, Gadwal, Gajuwaka, Gandhidham, Ghaziabad, Goa/panjim, Godhara, Gondia, Gorakhpur, Gudiwada, Gudur, Gulbarga, Guna, Guntur, Gurgaon, Guwahati, Gwalior

H: Haldwani, Harappanahalli, Hassan, Haveri, Himmatnagar, Hindupur, Hissar, Honnallli, Hosadurga, Hospet, Hosur, Hubli, Humnabad, Hunsur

I: Ilkal, Indore, Itchapuram

J: J P Nagar, Jabalpur, Jagadamba, Jagdalpur, Jaipur, Jaipur Lajpat Road, Jaisalmer, Jalandhar, Jalgaon, Jamnagar, Jamshedpur, Janakpuri, Jhunjhunu, Jodhpur, Junagadh

K: Kaithal, Kakinada, Kanchipuram, Kankavalli, Kannur, Kanpur, Karaikudi, Karim Nagar, Karnal, Karolbagh, Karur, Kasargode, Katni, Kayamkulam, Khamgaon, Khammam, Khargapur, Khatedhan, Koilpatti, Kolar, Kolhapur, Kolkata 1, Kolkata South, Kompally, Koppal, Korba, Kota, Kotputli, Kottayam, Krishnagiri, Kukatpally, Kumbakonam, Kumta, Kundapur, Kunnamkulam, Kurnool I, Kurnool II

L: L. B. Nagar, Lakimpur Kheri, Latur, Lingsur, Lucknow, Ludhiana

M: Madanapalli, Madikeri, Madiwala, Madras Main Branch, Madurai, Madurai II, Malegaon, Mancherial, Mandapeta, Mangalore, Mangalore II, Manjeri, Margoa, Masjid, Matunga, Mehboob Nagar, Mehsana, Mettupalayam, Miryalaguda, Moga, Moradabad, Mudabidri, Mumbai, Mundka, Muzzaffarpur, Mysore

N: Nagaur, Nagercoil, Nagpur, Nanded, Nandurbar, Nandyal I, Nandyal II, Nashik, Navsari, Nellore, Nizamabad

O: Ongole

P: Padi, Palanpur, Palghat, Pandarpur, Panvel, Paramakudi, Parbhani, Parvathipuram, Pathanamthitta, Pathankot, Patna, Pavagada, Phusro, Pollachi, Pondicherry, Porbander, Proddatur, Pudukottai, Pune, Puttur

Q: Quilon

R: Raibareilly, Raichur, Raigarh, Raipur, Rajahmundry I, Rajahmundry III, Rajkot, Rajnandgaon, Ranchi, Ratlam, Ratnagiri, Renukoot, Rewa, Roha, Rohtak, Rourkela

S: Sagar, Sagara, Sahibabad, Sakaleshpura, Salem, Salt lake, Sambalpur, Sandur, Sangli, Saraipali, Satara, Satna, Sawai Madhopur, Secunderabad, Sedam, Sewree, Shadol, Shahapur, Shimla, Shimoga, Sholapur, Sikar, Siliguri, Sindhanur, Sirohi, Sivakasi, South Delhi, Sriganganagar, Srikakulam, Sultanpur, Sulthanbathery, Surat, Surendranagar

T: Tadipatri, Tambaram, Tdasarahalli, Thalassery, Thane, Thanjavur, Theni, Tiptur, Tirunelveli, Tirupathi, Tirur, Tiruvannamalai, Tiruvarur, Trichur, Trichy, Trivandrum, Tumkur, Tuticorin

U: Udaipur, Udupi, Ulhasnagar,

V: Vapi, Varanasi, Vashi, Vellore, Vijaya Nagar, Vijayawada I, Vileparle, Villupuram, Visakhapatnam, Vizianagaram

W: Wada, Waidhan, Warangal, Wardhmannagar

Y: Y. Nagar, Yadgir, Yeshwanthpur

I needed.....

Money urgently when my wife fell ill and there was nobody else to turn to. And Shriram City was there to give it to me - on the spot.

I wanted.....

Money to buy a two-wheeler to help me reach office in time. And Shriram City was there to give it to me - in less than 24 hours.

I desired.....

Money to buy a television set for my grand children. And Shriram City was there to give it to me - with minimum paperwork.

I longed for.....

Money to own my first car so the entire family could go out together. And Shriram City was there to give it to me - without any hassles.

Money when you need it most. That's Shriram City for you.

For millions of people across the country, Shriram City has been there when they needed it most.

When they needed money to meet their urgent requirements.

When they needed money to tackle sudden crisis.

Or when they needed money simply to have a better life.

Money for a wedding in the family. Money for a medical emergency. Money to set up a house or a small office. Money to establish a business.

Even money to buy a television set or an air-conditioner, or a two-wheeler or a car or a tractor.

Money for just about everything that matters to you.
So long as you need it, we are there to give it to you.

A bank is a place that will lend you money if you can prove that you don't need it.
- Bob Hope

Shriram City is one place that will lend you money even if you can't prove that you need it.
Because we trust you. We have faith in you. And you are important to us.
Because your aspirations are our ambitions.
Because your desires are our dreams.
Because your needs are our fulfillment.

And so we are there at every step. In every walk of your life.
We are into almost every kind of financing that helps you fulfill your needs, your aspirations and your desires.

GROWING FROM STRENGTH TO STRENGTH

A huge range of offerings. A huge network of business outlets. A huge manpower resource bank. And a huge business potential in our group's existing Chit Fund customer base.

AT YOUR DOOR STEP

A pan-India presence. And an army of `foot soldiers' (field force) to service the more than 1.5 million customers who have enlisted the services of Shriram City since it was incorporated, with an average of close to 100,000 new customers being added every month.

DISTRIBUTOR PRESENCE

Our Company has tie-ups with major dealers and top manufacturers across the country, giving us the advantage of quick pay-offs and sanction of loans.

Our constant endeavour to help dealers / manufacturers increase their sales by providing more options to their customers and our tie-up with major manufacturers/dealers and retail outlets at showrooms have ensured easy access to products under finance.
Our strong dealer presence at the point of sale plus a massive Chit Fund presence and reference network provide us with the necessary wherewithal and platform to grow and expand across virtually the whole gamut of product lines.

Our focus on semi-urban and rural areas and especially reaching across remote locations, where no other financier is available has today become one of our biggest strengths in the business and also the strongest entry barrier for competition.

WIDE PRODUCT OFFERING

Our huge infrastructural and manpower network has enabled us to expand our services, from merely financing pre-owned commercial vehicles to small road transport operators till 2002, to include financing of consumer durables, two wheelers, Commercial Vehicles older than 10 years, non-Commercial Vehicles, Personal Loans, Small Business Loans and Gold Loans thereafter. We have thus expanded our product spectrum to finance whatever the consumers' need may be.

MANPOWER OUR KEY DIFFERENTIATOR

Striving to serve the largest number of common people, we have developed a unique business model that is based on establishing

one-to-one contact with our customers, with all major processes like marketing, loan approval, loan delivery and recovery, taken care of in-house.

On the manpower front, our policy to recruit youngsters who are familiar with the local language, culture and environment has stood us in good stead. Our induction and training programmes, and our incentive-based remuneration policy, are geared towards creating a unique HR philosophy, which we proudly call the **Shriram culture**.

CUSTOMER-CENTRIC

Always within reach. Always interfaced with our customers. Knowing and understanding their needs. Servicing them at their doorstep. Reaching them directly, locally. Taking all the vital decisions at the local level, thus minimizing turnaround time.

Always making things easier for our customers. Servicing them with a huge range of products, with minimum documentation at quick turnaround speed, through high standards of corporate governance, and timely & quality delivery.

Because we believe that at the end of the day, the customer is the primary reason for our existence.

Our robust system of approvals has helped us add customers at a quick pace without compromising security.

PROVEN RISK MANAGEMENT

Since our clientele is primarily drawn from our existing customer base who are assessed for their track record and repayment capabilities, the risk associated with such lending is minimized.

Our multiple product line presence has also helped us de-risk our business from cyclic or seasonal ups and downs of any one segment.

And this unique business model of ours has found **endorsement** in the form of credit lines from a spectrum of commercial banks and other lending agencies, besides being awarded an upgrade in our credit rating (both short- and long-term).

DISBURSEMENTS WITHIN 24 HOURS

DOCUMENTATION AT CUSTOMER'S DOORSTEP

MONITORING OF INDIVIDUAL ACCOUNTS

EXPERTISE OF CHITS OUTLETS IN COLLECTIONS

DEALER TIEUPS FOR ALL LEADING BRANDS

WIDE NETWORK TO SOURCE BUSINESS

IN-HOUSE CREDIT VERIFICATION

GROWING

GROWING

GROWING, GROWING...AND GROWING CONSUMER NEEDS.

A business model that is geared to growth. Across sectors, across geographies, and across people. Adding more and more product lines to our business. Adding more and more location networks. Adding more and more people to our manpower and customer base.

The buoyant trends shown in recent years by the industry segments that Shriram City operates in are expected to continue in the years ahead, notwithstanding the recent increase in interest rates and a probability of higher prices of certain products due to higher input costs.

The large market size of the retail asset financing industry is expected to be further augmented by a variety of growth drivers, the most significant of them being rising income levels, emergence of nuclear and dual-income families, availability of disposable income (especially in the hands of young consumers), changing lifestyles, availability of credit, increasing consumer awareness, introduction of new product models and faster replacement cycles. The low penetration levels across product segments are indicative of the potential.

GROWING

GROWING

BUSINESS AND FINANCIAL HIGHLIGHTS

Assets Under Management
with portfolio (including off balance sheet) of Rs.3368.90 Crores

79% Growth in Income
Income from Operations rose from Rs. 348.98 Crores To Rs. 623.19 Crores

70% Increase in Net Profit
from Rs. 51.62 Crores to Rs.87.64 Crores

20.25% Capital Adequacy Ratio
Compared to a Regulatory minimum of 12%

Total Income (Rs. In Lacs)
FY4
14192.81
FY5
18119.06
FY6
20475.36
FY7
34898.30
FY8
62318.76

Return on Average Networth (%)
FY4
36.92%
FY5
32.25%
FY6
36.83%
FY7
23.97%
FY8
22.86%

Retail Debt Portfolio (Rs. In Lacs)
FY4
58198.94
FY5
61426.57
FY6
70026.00
FY7
82694.46
FY8
92176.84

Profit After Tax (Rs. In Lacs)
FY4
1836.06
FY5
2310.44
FY6
3167.29
FY7
5162.16
FY8
8763.50

BOARD OF DIRECTORS

SRI ARUN DUGGAL, CHAIRMAN

Sri Arun Duggal is an experienced international Banker advising Corporations on Financial Strategy, M&A and Capital Raising areas. He has been an International Advisor to a number of Corporations, major Financial Institutions and Private Equity firms. His professional career spans 26 years with Bank of America, mostly in the U.S., Hong Kong and Japan followed by a short stint of three years at HCL Technologies, India where he was the Chief Financial Officer. Sri Duggal has been on the Board of Governors of the National Institute of Bank Management and erstwhile Chairman of the American Chamber of Commerce, India.

A Mechanical Engineer from the prestigious Indian Institute of Technology, Delhi, Sri Duggal holds an MBA from the Indian Institute of Management, Ahmedabad. He teaches Banking & Finance at the Indian Institute of Management, Ahmedabad as a visiting Professor.

SRI R KANNAN, MANAGING DIRECTOR

Sri R. Kannan is among the senior-most Directors of the Shriram Group, under whose leadership the Group's Chit Fund companies have achieved leader-ship status in the industry. He was the Executive Director of Shriram Chits before his appointment as Managing Director of our Company.

He is also on the Board of Shriram Trade Finance Company Ltd., Shriram Properties & Constructions (Chennai) Ltd., Shriram Permanent Fund Ltd., RJK Capital Ltd. and Shriram Non Conventional Energy Ltd.

SRI S. VENKATAKRISHNAN, DIRECTOR

Sri S Venkatakrishnan is a retired senior official from the Civil Services. He has served in Senior Finance, Audit & Accounts posts in the Government Department and Public Sector Undertakings. He has been serving the Company as an advisor for over a decade. He is also on the Boards of Shriram Transport Finance Company Ltd., Shriram Industrial Holdings Pvt. Ltd., Shriram Exports Pvt. Ltd, Hymavathi Enterprises Pvt. Ltd, Bilahari Enterprises Pvt. Ltd, Charukesi Investments Pvt. Ltd., Galada Finance Ltd., Rambal Properties Pvt. Ltd., Road Safety Club Pvt. Ltd. and Ranjani Enterprises Pvt. Ltd.

DR. T. S. SETHURATHANAM, DIRECTOR

For over three decades, Dr T. S. Sethurathnam has worked at senior levels positions including as a member of the Board at The M.P. Electricity Board, the largest State Power Utility in the country. He was also the Chairman of the Western Regional Electricity comprising of Maharashtra, Gujarat, Madhya Pradesh, Goa and Diu & Daman. After his retirement, Dr Sethurathnam has held positions as Director / Chairman in BSES LTD. for 3 years. He has been associated with the development of several power projects at different power companies and has received several National Awards for his outstanding contribution to power development in the country.

SRI S. KRISHNAMURTHY, DIRECTOR

A professional and senior Banker with extensive experience of over 4 decades with the Reserve Bank of India and Commercial Banks, Sri S. Krishnamurthy was Secretary, Banking Services Recruitment Board for Public Sector Banks for around 5 years. He was the Chairman and CEO of Tamilnad Mercantile Bank, Tuticorin for over 5 years and also was Banking Ombudsman, Chennai for around two years.

SRI V. PARTHASARATHI, DIRECTOR

Sri V. Parthasarathi has served as Managing Director of State Bank of Mysore and Deputy Managing Director of State Bank of India. He has over 38 years of experience at leading organizations such as State Bank of India, State Bank of Mysore and Export Credit Guarantee Corporation of India. He has significant global experience and a distinguished set of professional affiliations. He has been the Executive Director of ECGC and has expertise in the areas of Export Credit Financing and Project Exports.

SRI MUKUND GOVIND DIWAN, DIRECTOR

Sri Mukund Govind Diwan has rich experience in the Insurance industry. He has served Life Insurance Corporation of India at all levels including Managing Director and Chairman. He has experience in carrying out Management and Actuarial Consultant Assignments. He also holds Directorship positions in several other companies.

SRI VIPEN KAPUR, DIRECTOR

Sri Vipen Kapur has had a rich and varied experience in the International Banking sector. He has served in Grindlays Bank (now Standard Chartered Bank) in various departments with specializations in Corporate Banking and Finance. He has served with two major Middle East banks including an affiliate of Chase Manhattan Bank (now JP Morgan Chase) besides working in senior positions with various leading business groups overseas. He is presently Executive Chairman of Maxima Global Executive Search, which is headquartered in Singapore.

SRI SUNIL VARMA, DIRECTOR

A business consultant with a long and distinguished career, Sri Sunil Varma has extensive consulting experience spanning over 30 years with Price Waterhouse Management Consultants and the IBM Consulting Group. As Partner, Price Waterhouse, he was responsible for establishing and developing the Firm's practice in Indonesia, besides heading its operations in Hong Kong and India. He has conducted several very large assignments for PSUs funded by the World Bank, Asian Development Bank and other multi-lateral funding agencies.

CHAIRMAN'S MESSAGE

Dear Shareholders,

Another momentous year has gone by. And it was a year of growth all around for your Company. A year in which your Company grew to more locations, more product lines, more tie-ups, more investments. And most importantly, a year which saw your Company grow to a bigger portfolio with higher returns and yields.

FINANCIAL HIGHLIGHTS

It gives me immense satisfaction to share with you in the financial year under review, your Company's portfolio (Assets under Management) stood at over Rs 33 billion, an increase of almost 38% over the previous fiscal.

Allow me to take you through some of the other gratifying and eventful highlights that transpired in the course of the year and to date.

KEY DEVELOPMENTS

Private Equity participation

It gives me pleasure to report that as a further confirmation of the success of your Company in the retail asset lending space, we were successful in attracting equity participation from Funds belonging to four Private Equity majors – ChrysCapital, ICICI Venture, Bessemer Venture Partners and Asiabridge Fund. ChrysCapital in fact has augmented its stake in your Company, having already taken a stake in December 2006.

Tie-ups with auto majors

In a year packed with success, major achievements for your Company were its tie-ups with some leading automobile players as a "preferred financier" for their products.

Product line expansion

Going all out for aggressive vertical and horizontal expansion, your Company augmented its product line by adding the lucrative Gold Loan segment to its business portfolio. Additional emphasis was given to the Small Business Loan segment, leading to an augmented asset profile in this category.

Geographical expansion

Your Company's expansion plans during the bygone fiscal were not

limited to product lines. Geographically, too, your Company went on a fast drive, establishing its presence in larger parts of the country.

The foray into new markets continued concurrently with a consolidation of our presence in the South, where your Company dominates the niche area of its operation, with the Group's huge Chit Fund network ably and effectively supporting Shriram City's marketing and collection processes.

Infrastructure & Manpower expansion

Your Company's foray into more locations across the country was aligned with large-scale expansion in infrastructure and manpower in these areas. Manpower expansion plays a critical role in taking your Company forward along its growth trajectory especially considering the rate at which new customers are coming into the Shriram City fold.

Getting the right manpower with the right kind of understanding of the rural and semi-urban markets that your Company is largely targeting has been, and shall continue to be, a major focus area for Shriram City's growth plans in view of the `close-to-the-customer' approach that is inherent in the unique model of its business.

Furthermore, your Company also enhanced its location network through tie-ups with more dealers and manufacturers across the entire range of its operations.

Endorsement of the business model

It is this unique operational model that has all along helped your Company protect itself from the cyclic and seasonal risks associated with its business, as also enabled it to develop the necessary entry barriers to secure it from competitors trying to tap the huge potential in this niche business.

A major indicator of the success of a business model is the endorsement it receives from investors, financial institutions and rating agencies. It has been a remarkable period for your Company on all these counts. Apart from the four Private Equity majors acquiring equity stakes in your Company, banks and institutions continued to repose their faith in Shriram City, a faith which Shriram City has fully justified and reciprocated. Bank lines grew to Rs. 19368.90 millions during the year.

Rating agencies also continued to show confidence in your Company, wherein your Company received an upgrade in its Credit Rating.

Low NPAs and a low delinquency rate, of course, came as a continued validation of our unique business model.

FUTURE POTENTIAL

Having successfully exploited its domain in the past, your Company perceives an even larger untapped potential in the retail financing space to continue its march to leadership in the industry.

Your Company continues to maintain its excellent relations – established over two decades of being close to the financing needs of the common man – with its retail investor base.

Your Company's strategy for the coming year shall be focused on not only exploring the huge potential of Shriram Group's Chit Fund customer network in the southern states and parts of Western India, but also in broad-basing its clientele while retaining the high quality of its loan portfolio. An indication of the potential is available in the size of the Small Business Loan segment for the non-salaried class. Your Company offers this segment the perfect avenues for borrowing while assisting capital addition and thereby contributing to the country's economic growth.

ON A CONCLUDING NOTE

Despite the recent blips on the macro-economic front, the segments that your Company operates in continue to be encouraging. There is a huge potential waiting to be tapped in the retail asset financing business for a Company with a lengthy and proven track record, unique business model and sound business and management practices, and Shriram City fits best in these parameters.

Your Company, with your continued support and the backing of its manpower strength, particularly its huge field force, is confident of making the most of the growing opportunity.

ARUN DUGGAL
Chairman

ANNUAL REPORT

Dear Members,

Your Directors have pleasure in placing before you their Twenty Second Annual Report and Accounts for the year ended 31st March, 2008.

FINANCIAL PERFORMANCE

Rs. in Millions

	For the year ended	
	March 31, 2008	March 31, 2007
Profit before Depreciation and Taxation	1382.60	831.67
Less: Depreciation	112.75	37.34
PROFIT BEFORE TAX	**1269.85**	**794.33**
Less: Provision for taxation (including Provision for Deferred Tax & Fringe Benefit Tax)	393.50	278.12
PROFIT AFTER TAX	**876.35**	**516.21**
Add: Profit brought forward from Previous Year	447.14	226.44
Profit available for appropriation	1323.49	742.65
APPROPRIATIONS		
General Reserve	88.00	52.23
Statutory Reserve	176.11	103.24
Dividend on Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid-up at the stipulated rates	14.17	15.46
Dividend (interim 10% and final 30%) on Equity Shares of Rs. 10/- each fully paid-up	172.32	105.30
Tax on Dividend	31.69	19.29
Balance Carried to Balance Sheet	841.20	447.13

INDUSTRY

The Indian financial sector began the year on a roll, encouraged by an economy that witnessed strong investor interest and an expanding market. The mood however has been tempered since, largely due to high prices of oil (resulting in fuel price hikes), food and other commodities and expected interest rate hikes by domestic commercial banks, coupled with rising inflation and global impacts such as the Sub-prime Loan Crisis. While recent data from the Government and industry sources point to a more optimistic scenario, we consider it prudent to wait to assess the impact of these variables on macroeconomic factors. We therefore expect economic growth, and thereby growth of the financial services industry to be moderate in the medium to short run.

The last decade has seen a broadening and deepening of financial markets. New players have adopted international best practices and modern technology to offer a more sophisticated range of financial services to corporate and retail customers. This has improved the range of financial services and service providers available to Indian customers. The entry of new players has led to even existing players upgrading their product offerings and distribution channels. Changing attitudes towards debt and increased confidence among the working class will continue to drive growth in mortgages, car loans, and personal loans, among others. The overall economy, despite constraints continues to grow, and credit demand continues to be strong.

Consumer Durables Finance

The Consumer Durables industry is currently estimated at a market size exceeding Rs. 250 Billion. The growth drivers in the industry are rising income levels, emergence of nuclear and dual-income families, availability of disposable income (especially in the hands of young consumers), changing lifestyles, availability of credit, increasing consumer awareness, introduction of new product models and faster replacement cycles. These factors have led to the emergence of a highly aware and demanding consumer base. However, of late, this business has become more competitive as diverse modes of finance are being made available to consumers.

Auto Loans

A progressively tighter liquidity situation has pushed up interest rates and slowed offtake of auto loans. However, the Centre's initiatives on rural roads & better connectivity with major towns and cities, improved agricultural performance and increased purchasing power in the hands of the rural populace present an opportunity for financiers with the staying power required to make the lending business a success. Finance for pre-owned cars has grown by almost 25 per cent on a year-on-year basis and the industry expects it to double in the next three to four years. According to a recent report by Crisil, the estimated used car finance industry grew by 38 per cent at Rs 112 Billion in 2006-07 from Rs 81 Billion in 2005-06. The availability of upgraded models, constant replacements by car manufacturers, a slew of new launches and attractive discounts by leading carmakers may contribute to higher growth rates in the industry in the medium term. The year 2008-09 shall witness the introduction of more than 60 new cars and models, and this is likely to keep the sales momentum going.

Personal Loans

While the trend in Personal Loans tended to point towards a slowdown in offtake, Shriram City was successful in augmenting its portfolio in this segment without increasing the risk profile, mainly on account of the fact the Company offers this category of

finance only to those of its existing customers as well as to Shriram Group's Chit Fund subscribers who have proven repayment track records.

Small Business Loans

Recognizing the criticality of the micro-entrepreneur to the nation's economy, and his contribution to the country's domestic production, total exports & industrial employment, Shriram City offers Small Business Loans to self-employed professionals, wholesale/ retail dealers, general merchants, builders, manufacturers, hotel/catering services, tour operators etc. Traditionally, this segment of the society has been prevented from achieving their full potential due to their inability to access timely and adequate finance. Shriram City fills this vacuum by providing quick disbursements to these customers, thus emerging as the preferred choice in this business segment.

Gold Loans

This is a new segment identified by the Company wherein loans are offered against the pledge of gold ornaments. Encouraged by the initial response to this business, we are now planning to expand its geographical reach.

YEAR IN RETROSPECT

Income from Operations for the period under consideration was Rs. 6.06 Billion, and Total Expenditure was Rs.4.96 Billion.

Your Company earned a Profit before Tax of Rs. 1.27 Billion for the year ended 31st March, 2008, registering an increase of Rs. 475.51 Million (60%) over the previous year. The Profit after Tax, at Rs. 876.35 Million was also almost 70% higher than the previous year.

DIVIDEND

Your Directors at the Board meeting held on 22nd November, 2007 declared Preference Dividend for the year 2007-2008. The Directors at the said meeting also declared a 10% interim dividend on Equity Shares for the year under consideration. These dividends were duly paid in December, 2007. The Preference Dividend involved an outflow of Rs. 14.16 million and the Interim Equity Dividend Rs. 39.10 million. Tax on dividends (both preference and Equity) amounted to Rs. 9.05 million.

Your Directors have pleasure in informing you that at the Board Meeting held today, a final Equity Dividend of 30% (as against 20% in the previous year) has been recommended, subject to your approval. The said Dividends on approval will be payable to those Shareholders whose names appear in the Register of Members on 1st August, 2008. The outflow for the Company on final equity Dividend, inclusive of tax thereon will be Rs. 155.86 Million.

It may be noted that the above Dividends (declared in November 2007 and recommended now) are tax free in the hands of the shareholders.

RESOURCES

The deposit portfolio as on 31st March 2008 stood at Rs. 109.07 million as against Rs. 38 million in the year 2007.

The privately-placed Secured Non-Convertible Debenture Portfolio stood at Rs. 6.91 Billion as on 31st March 2008 (Rs. 6.10 Billion as on 31st March 2007).

Sub-ordinated Debts as on 31st March 2008 stood at Rs. 2.82 Billion (Rs. 1.99 Billion as on 31st March 2007).

Privately placed Cumulative Redeemable Preference Shares stood at Rs. 232.90 Million as on 31st March 2008.

As on 31st March 2008, 119 deposits amounting to Rs.1.37 Million had matured for payment and were due to be claimed or renewed. Subsequent follow-up for repayments/renewals has resulted in the number reducing to 106 deposits amounting to Rs. 1.29 Million. However there are no deposits which had matured and which were claimed to but not paid by the Company. Steps are continuously being taken to arrange for repayment/renewal of deposits.

Your Company was also successful in the year under consideration to raise resources from products such as Commercial Papers and rated Non-Convertible Debentures.

EMPLOYEE STOCK OPTION SCHEME

To ensure commitment and for retaining and attracting talent, your Company launched the Employee Stock Option Scheme under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The approval of Shareholders for issue of options to the eligible Directors and Employees of the Company and for allotment of equity shares pursuant to exercise of such options have been obtained at the Extraordinary General Meeting of the Company held on 31st October, 2006.

Accordingly, 13,27,500 options could give rise to 13,27,500 Equity Shares of the face value of Rs.10/- each upon exercise of vested options have been granted to eligible Directors and Employees of the Company by the Remuneration and Compensation Committee.

Details of the shares issued under ESOS , as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure to this Report.

None of the employees nor the Director(s), including the Managing Director have received options amounting to 5% or more of the options granted for the year ended 31st March, 2008. Besides, none of the employees were granted, during the year, options equal to or exceeding 1% of the issued capital of the Company.

PREFERENTIAL ISSUE

To increase the networth of the Company, during the year under review, your Company decided to further increase the Equity Shares on a preferential basis.

Bessemer Venture Partners Trust, India Advantage Fund VI, Asiabridge Fund I LLC , Van Gogh Limited specified their intention to invest in the Equity Shares and Warrants of your Company.

Your Company also proposed to issue warrants to Shriram Retail Holdings Private Limited convertible into Equity Shares at a later date.

Accordingly, at the Extraordinary General Meeting held on 3rd May, 2008 , your Company obtained the approval of shareholders to issue and allot on preferential basis in one or more tranche(s) by way of preferential allotment for cash at a price of Rs. 400/- per Equity Share (including a premium of Rs 390/- per Equity Share) being the price higher than the price determined as per Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, Equity Shares to the following entities/persons.

S No	Investor/Entity	Number of Equity Shares
1.	Bessemer Venture Partners Trust	Upto 12,50,000
2.	India Advantage Fund VI	Upto 7,50,000
3.	Van Gogh Limited	Upto 6,62,500
4.	Asiabridge Fund I LLC	Upto 5,87,500

At the said meeting the Directors have also decided to offer, issue and allot on preferential basis by way of preferential allotment

a) Upto 35,00,000 Warrants to Shriram Retail Holdings Private Limited ("SRHPL")

b) Upto 12,50,000 Warrants to Bessemer Venture Partners Trust

c) Upto 7,50,000 Warrants to India Advantage Fund VI

d) Upto 6,62,500 Warrants to Van Gogh Limited and

i) Upto 5,87,500 Warrants to Asiabridge Fund I LLC

at a subscription price of not less than Rs.40/- for each Warrant conferring an option to the holder to subscribe to one Equity Share per Warrant at an exercise price of Rs.400/- per Warrant, being a price higher than the price determined as per Chapter XIII of the SEBI (DIP) Guidelines and the subscription amount for the Warrants being adjusted against the exercise price of the Warrants;

The Company received the subscription amounts for 32,50,000 Equity Shares & Warrants in total from the investors on 14.5.2008 and 16.5.2008 and for 35,00,000 warrants from Shriram Retail Holdings Private Limited on 15.5.2008.

At the meetings held on 14th May, 2008 and 16th May, 2008 the shares and warrants specified above have been duly allotted and the paid up capital of your Company as on date stands at Rs. 4440.50 lacs.

The association with the investors specified above, is prestigious and the issues made to Shriram Retail Holdings Private Limited will strengthen your Company further. With the said associations, your Company expects to reach greater heights in the years to come.

DIRECTORS

Sri Sunil Varma was appointed as an Additional Director on 17th August, 2007. As per the provisions of Section 260 of the Companies Act, 1956, Sri Sunil Varma holds office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice from a member proposing Sri Sunil Varma as candidate for the office of Director.

Sri Arun Duggal, Director and Chairman of the Board retires by rotation and being eligible offers himself for re-election.

Sri S Krishnamurthy, Director retires by rotation and being eligible offers himself for re-election.

Necessary resolutions with regard to the above are being placed before the shareholders for their approval.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956 , the Directors confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures have been made from the same;

- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits for that period ;

- 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 ;

- they have prepared the annual accounts on a going concern basis.

RBI DIRECTIONS

Your Company continues to comply with all the requirements prescribed by Reserve Bank of India.

CORPORATE GOVERNANCE

Management's Discussion and Analysis Report and Corporate Governance Report forming part of Directors' Report are enclosed as Annexures.

As required by the Listing Agreement, an Auditors' Report on Corporate Governance and a declaration by the Managing Director with regard to Code of Conduct are attached to the said Report.

Further, as required under Clause 49 of the Listing Agreement, a Certificate , duly signed by the Managing Director and Executive Director was submitted to the Board of Directors on the financial statements of the Company for the year ended 31st March , 2008 at the meeting held on 16th June, 2008 and the said certificate forms part of the Annual Report.

AUDITORS

The Auditors M/s Pijush Gupta & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the Auditors pursuant to the provisions of Section 224(1B) of the Companies Act, 1956 regarding their eligibility for re-appointment. Necessary resolution in this regard is proposed at the forthcoming Annual General Meeting.

Resolution is also being proposed authorising the Board to appoint Branch Auditors.

SUBSIDIARY

Your Company had promoted a subsidiary Company, by name Shriram Non Conventional Energy Limited. Your Company has since disinvested the shares held in the subsidiary Company. Consequent to the said disinvestment, the Company ceases to be a holding Company of Shriram Non Conventional Energy Ltd with effect from 20th March 2008.

PARTICULARS OF EMPLOYEES

No employee of the Company is drawing remuneration in excess of the ceilings prescribed under the Companies (Particulars of Employees) Rules, 1975 read with Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO - INFORMATION AS REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

The Company does not have any activity relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo.

ACKNOWLEDGMENT

Your Company continues to receive the necessary support and guidance from Banks, Financial Institutions and Corporations and your Directors would like to place on record their sincere appreciation for the same.

Your Directors are also pleased to record their appreciation for the hard work put in by the employees at all levels which has enables your Company to achieve good performance in the emerging competitive environment.

Your Directors also take this opportunity to express their sincere gratitude to the shareholders, Debenture-holders and Depositors for their continued support.

For and on behalf of the Board

R. KANNAN
Managing Director

Place : Chennai
Date : June 16, 2008

S. VENKATAKRISHNAN
Director

Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969)

The following persons constitute the Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969)

Sri R Thyagarajan, Shriram Ownership Trust, Shriram Transport Finance Company Ltd, Shriram Chits Karnataka P Ltd, Shriram Chits P Ltd, Shriram Chits Tamilnadu P Ltd, Shriram Motor Finance, S R Real Estate Finance, Shriram Capital Ltd (formerly known as Shriram Financial Services Holdings Ltd) and its subsidiaries namely, Shriram Holdings (Madras) P Ltd, Shriram Enterprise Holdings Pvt Ltd , Shriram Credit Company Ltd, Shriram Retail Holdings P Ltd, Shriram Life Insurance Company Ltd, Shriram General Insurance Company Limited; any other Company, firm or trust promoted or controlled by the above.

The above disclosure has been made, inter alia, for the purpose of Regulation 3 (1) (e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(Disclosure as at 31st March 2008, pursuant to the provisions of Securities and Exchange Board of India) (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999

	Particulars	Stock Option, 2006
a)	Options Granted	13,27,500 Equity Shares of Rs.10/- each
b)	The pricing formula	Rs.35.00
c)	Options vested	NIL
d)	Options exercised (as at March 31, 2008)	Not Applicable
e)	The total number of shares arising as a result of exercise of option	Not Applicable
f)	Options lapsed (as at March 31, 2008)	NIL
g)	Variation of terms of options	None
h)	Money realised by exercise of options	Not Applicable
i)	Total number of options in force (as at March 31, 2008)	13,27,500 equity shares of RS.10/- each
j)	Director and Employee wise details of options granted to:	
	i) Director(s) including Managing Director and Senior Management Personnel	None
	ii) Any other employee who receives a grant of option amounting to 5% or more of option granted	None
	iii) identified employees who were granted option equal to or exceeding1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
k)	Diluted Earnings Per Share (EPS) pursuant to issue of Shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	Rs.21.74
	i) Method of calculation of employee compensation cost	INTRINSIC VALUE METHOD
	ii) Difference between the employee compensation cost so calculated at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options	Employee compensation cost As per Intrinsic Value method Rs.3006.12 lacs As per Fair Value method Using Black Scholes Model lacs Rs.3018.93 Difference in Cost (Rs.12.81 lacs)
	iii) The impact of this difference on profits and on EPS of the Company	Impact on Profits and EPS Amortisation for the FY 08 As per Intrinsic Value Method Rs.542.08 las As per Fair Value method Using Black Scholes Method Rs.544.40 lacs Impact on Profit (Rs.2.32 lacs) Impact on Diluted EPS Rs. 0.00 lacs
l)	Weighted average exercise price Weighted average fair value	Rs.35/- Rs.227.42
m)	Fair value of options based on Black Scholes methodology	
	Assumption risk free rate	7.70%
	Expected life of options	5 years
	Expected volatility (based on Monthly Volatility of the Company's stock price on the NSE)	55.36%
	Expected dividends	Rs.3/- per share
	Closing market price of share on date of option granted	Rs.261.45 at NSE

REPORT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31.3.2008

BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company's policy on Corporate governance encompasses the following

- Achievement of transparency and accountability in all areas of operations and in activities connected with shareholders, employees, investors, banks and financial institutions and statutory authorities
- Attainment of Shareholders' satisfaction
- Improving the performance through periodical review of management systems

BOARD OF DIRECTORS

As on 31st March 2008, the Board comprised of nine Directors including the Managing Director. The Managing Director manages the Company's business in consultation with the Board of Directors. The Board functions by itself and through Committees. The Board and Committees meet at regular intervals. Policy formulation, setting up of objectives and performance evaluation and control over functions vest with the Board while the Committees oversee day to day operational matters. This structure has enhanced Board's role in guiding the Company and contributed to its objective of attaining shareholders' satisfaction

The Board has constituted - Business Development Committee, Audit Committee, Remuneration Committee , Shareholders'/ Investors' Grievance Committee & Financial Results Review Committee.

Seven meetings of the Board of Directors were held during the year ending 31st March 2008 - on 25th May 07, 15th June 07, 27th June 07, 26th July 07, 17th August 07, 22nd November 07 and 28th January 08.

The names of members of Board of Directors, their attendance and number of their other directorship are given below:

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM held on 17th August 2007	Attendance at the EGM held on 27th June, 2007	Membership/ Chairmanship As on 31.03.2008 in	
				Other Boards (excluding this Company)	Other Boards Committees (excluding this Company)
Sri Arun Duggal (C)	5	Yes	No	17	6
Sri R Kannan (E)	7	Yes	Yes	5	-
Sri S Venkatakrishnan (N I)	7	Yes	Yes	16	2
Dr T S Sethuratnam (N D)	6	Yes	Yes	5	2
Sri S Krishnamurthy (N I)	7	Yes	Yes	2	1
Sri V Parthasarathi (N I)	2	No	No	-	-
Sri Mukund Govind Diwan (N I)	4	No	No	9	2
Sri Vipen Kapur (N I)	5	Yes	Yes	1	-
Sri Sunil Varma (N I)*	3	NA	NA	-	-

C - Chairman , N I - Non Executive, Independent Director; N D - Nominee Director - IREDA as lender; E - Executive

AGM - Annual General Meeting

EGM - Extraordinary General Meeting

* Inducted as an Additional Director with effect from 17.8.07

BUSINESS DEVELOPMENT COMMITTEE OF DIRECTORS

Terms of Reference :
The Committee is formed to achieve efficient performance, quicker decision on matters relating to general business of the Company. It appraises the Board of its decisions at subsequent meetings.

Composition :
The Committee met 42 times during the year

Names of Directors
Sri S Venkatakrishnan
Sri R Kannan

AUDIT COMMITTEE

Terms of Reference :
The authority of the Committee shall include the following:

To have full access to information contained in the records of the Company and external professional advice if necessary.

To conduct discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors for follow-up and adequacy of internal audit function.

To oversee the Company's financial reporting process and disclosure of its financial information, major accounting policies and practices, compliance with accounting standards and with Stock Exchange and legal requirements concerning financial statements.

To review Company's fiscal and risk management policies.

To review quarterly, half-yearly and annual financial statements before submission to Board of Directors.

To advice and guide operating management on specific issues/transactions in co-ordination with Statutory Auditors.

Composition :
The Committee met 5 times during the period under consideration on 25.05.07, 15.06.07, 26.07.07, 22.11.07 and 28.01.08

Names of Directors	No. of Meetings Attended
Sri Sunil Varma - Chairman	1*
Sri S Venkatakrishnan	5
Sri V Parthasarathi	1#
Sri R Kannan	4**
Sri S Krishnamurthy	4**

* Appointed as a Member and elected as Chairman with effect from 22nd November, 2007
\# Appointed as a member with effect from 22nd November, 2007
** Ceased to be a Member with effect from 22nd November, 2007

REMUNERATION AND COMPENSATION COMMITTEE

At the Board meeting held on 22.11.2007 it was decided to include the Charter of Compensation Committee in the Charter of Remuneration Committee.

Terms of Reference:

The Committee is mandated to determine the quantum of commission payable to the Managing Director, as and when applicable and to administer the Company's Employee Stock Option Scheme. The recommendations are based on overall performance and financial results of the Company during the relevant financial year.

Composition :

Names of Directors
Sri Vipen Kapur - Chairman *
Sri S Krishnamurthy
Sri Mukund Govind Diwan **
Sri S Venkatakrishnan #

*Appointed as a member and elected as Chairman with effect from 22nd November, 2007

** Appointed as a member with effect from 22nd November, 2007

Ceased to a member with effect from 22nd November, 2007

Remuneration policy of the Company is :

Managing Director :

The total remuneration consists of :

- a fixed component - consisting of salary, allowances and perquisites.
- a variable component - linked to performance of Company - consisting of Commission as may be determined by the Remuneration and Compensation Committee.

within the overall limits specified under the Companies Act and as approved by the Shareholders.

Non executive - Independent Directors

Sitting fees as permitted under the Companies Act, 1956 (Rs.10000/- per meeting of the Board/ any Committee / General meeting) and / or re-imbursement of actual travel and out of pocket expenses incurred, wherever applicable, for attending such meetings.

The details of sitting fees/ remuneration paid to the Chairman, Managing Director/Directors are disclosed in Schedule 17 and Schedule 20 in the notes on accounts forming part of the annual accounts vide note No. 2 (18).

The details of sitting fees / remuneration paid to the Directors during the year 2007-2008 are given below:

Sl. No	Name of the Director	Sitting Fees for attending Meetings (Rs.)	Salary, allowances & Perquisites (Rs.)	Total (Rs.)
1.	Sri Arun Duggal (Chairman)	60,000/-		60,000/-
2.	Sri R Kannan (Managing Director)	-	-	-
	Directors:			
3.	Sri S Venkatakrishnan	-	-	-
4.	Dr T S Sethurathnam	62,500/-	-	62,500/-
5.	Sri S Krishnamurthy	-	-	-
6.	Sri V Parthasarathi	40,000/-	-	40,000/-
7.	Sri Mukund Govind Diwan	40,000/-	-	40,000/-
8.	Sri Vipen Kapur	60,000/-	-	60,000/-
9.	Sri Sunil Varma	40,000/-	-	40,000/-

The Committee met on 16.6.08 during the period under consideration.

Even though the present Managing Director has consented to act without drawing any remuneration, the remuneration and Compensation Committee which has already been constituted will remain in force to take care of future requirements as and when they arise.

Shareholdings/ Warrant holdings of Non executive Directors

Name of the Non Executive Directors	Share / Warrant holdings
Sri Arun Duggal	NIL
Sri S Venkatakrishnan	NIL
Sri S Krishnamurthy	NIL
Dr T S Sethurathnam	NIL
Sri V Parthasarathi	NIL
Sri Mukund Govind Diwan	NIL
Sri Vipen Kapur	NIL
Sri Sunil Varma	NIL

During the year ended 31st March 2008, the committee granted13,27,500 options under the Company's Employee Stock Option Scheme to eligible employees.

SHAREHOLDERS'/ INVESTORS ' GRIEVANCE COMMITTEE

Terms of Reference :
Initially, the Board reviewed the status of shareholder grievances. Later, the Investors' grievance Committee was constituted for the said purpose. The findings / recommendations of the Committee are reported to the Board periodically. The letters / complaints received from the shareholders / investors / Stock Exchanges / SEBI are reviewed by the Company and the Share Transfer Agents M/s Integrated Enterprises (India) Limited. These letters / complaints are replied immediately / redressed to the satisfaction of the complainant. The Committee reviews periodically, the action taken by the Company and the Share Transfer Agents in this regard. The pendency report if any, and the time taken to redress the complaints are also reviewed by the Committee.

Composition :
The Company has designated Sri J Radhakrishnan, Company Secretary as the Compliance Officer.

The Committee met 3 times during the year to review the Investors Grievances.

Names of Directors
Sri S Venkatakrishnan - Chairman
Sri S Krishnamurthy
Sri R Kannan

FINANCIAL RESULTS REVIEW COMMITTEE

Terms of Reference :
According to the recent amendment to Clause 41 of the Listing Agreement entered into by the Company with Stock Exchanges where the Shares of the Company are listed, the unaudited financial results of the Company has to be approved by the Board / Committee within one month from the end of the relevant quarter. The Limited Review Report by the Auditors have to be approved by the Board of Directors within two months from the end of the relevant quarter.

As per the amended Listing Agreement, the Committee should consist of not less than one third of the Directors and shall include the Managing Director and at least one Independent Director.

The Financial Results Review Committee was constituted at the Board Meeting held on 17th August, 2007 with the following as members of the said Committee.

Sri S Venkatakrishnan - Chairman

Sri R Kannan

Sri S Krishnamurthy

Sri V Parthasarathi

The Committee met on 23.2.2008 to review the Limited Review Report of the Auditors for the quarter ended 31st December, 2007.

CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board at its meeting held on 28.01.05 has adopted the Code of Conduct for Directors and Senior Management ("the Code"). The Code is a comprehensive Code applicable to all Directors, all Executives and Non-Executive as well as members of Senior Management. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centres around the following theme.

The Company's Board of Directors and Senior Management are responsible for and are committed to setting the standards of conduct contained in this code and for updating these standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This code should be adhered to in letter and in spirit.

The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given below.

I hereby confirm that
The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of conduct for Directors and senior Management in respect of the financial year 2007-08.

Sd/-
R Kannan
Managing Director

Whistle Blower Mechanism

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. The reports received from any employee will be reviewed by the audit committee. The Directors and Senior Management are obligated to maintain confidentiality of such reportings and ensure that the whistle blowers are not subjected to any discriminatory practices.

Adoption of Non Mandatory Requirements of Clause 49.

The Company complies with the following Non mandatory requirements stipulated under Clause 49.

a) Remuneration and Compensation Committee

b) Whistle Blower Policy

SUMMARY OF TRANSFERS / TRANSMISSIONS etc.,
INVESTOR GRIEVANCE - RECEIVED & REDRESSED FOR THE YEAR ENDING 31.3.2008

SL No.	Nature of references/ complaints received	No of references / complaints received	Status
1	Non receipt of certificates	5	Redressed
2	Non receipt of Annual Reports	7	Redressed
3	Non Receipt of Dividend Warrants/Cheques/Demand Drafts	32	Redressed
4	Issue of Duplicate Share Certificates	9	Redressed
5	Issue of Duplicate Dividend Warrants	10	Redressed
6	Correction in certificates	7	Redressed
7	Transfers, Transmissions, Split etc	19	Redressed
8	Change of address	147	Redressed
9	Bank Mandates/ECS	9	Redressed

GENERAL BODY MEETINGS
Details of location and time of holding the last three AGMs.

Year	Location	Date & Time
19th AGM - 2005	Narada Gana Sabha (Mini Hall) No 314(Old No 254) T T K Road, Alwarpet, Chennai - 600 018	8th September 2005 at 3.00 P.M
20th AGM - 2006	Narada Gana Sabha (Mini Hall) No 314(Old No 254) T T K Road, Alwarpet, Chennai - 600 018	28th September 2006 at 3.00 P.M
21st AGM - 2007	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006	17th August 2007 at 3.00 P.M

In addition, during the year Extraordinary General Meeting was held at Sri Krishna Gana Sabha (Mini Hall), No. 20 Maharajapuram Santhanam Salai (Griffith Road), T Nagar, Chennai 600 017 on 27th June 2007 at 11.00 A.M.

SPECIAL RESOLUTIONS PASSED AT LAST THREE ANNUAL GENERAL MEETINGS

At the AGM held on 8.9.05 Special resolution was passed for obtaining the approval of shareholders for payment of sitting fees to eligible Non Executive Directors. The resolution was put to vote by show of hands and it was passed unanimously.

At the AGM held on 28.9.06 no Special Resolution was passed.

At the AGM held on 17.8.07 no Special Resolution was passed.

PASSING OF RESOLUTION BY POSTAL BALLOT

Last year no special resolution was passed through Postal Ballot.

DISCLOSURES

There are no materially significant related party transactions with the Company's promoters, Directors, management, subsidiaries or relatives which may have potential conflict with the interest of the Company at large.

Disclosures on transactions with related parties as required under Accounting Standard 18 have been incorporated in the Notes to the Accounts.

During the year ending 31st March 2004, Securities and Exchange Board of India (SEBI) appointed an Adjudicating Officer to enquire into the matter of delay in compliance under Regulation 7(3) and Regulation 8(3) of (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, of the Securities and Exchange Board of India. The said delay in respect of Regulation 7(3) was committed in 1999 and the Company has submitted to SEBI in writing to condone the delay.

A delay in respect of Regulation 8(3) was committed in 1997 which has been regularised by the Company under SEBI Regularisation Scheme in the year 2003 and accordingly the Company has written to SEBI.

The Company had also requested SEBI to grant a personal hearing for making relevant submissions.

The Company was allowed a personal hearing on 26.5.04 for making its submission. Subsequently SEBI vide letter No. SRO /ADJ/EIF/ 2002/1 / 3641 dated 30th June 2004 has passed an order levying a penalty of Rs.25,000/- for violation of Regulation 7(3). The said sum was duly paid by the Company on 7th July 2004.

SEBI has vide letter dated 16/11/04 cited violation of regulation 8 (3) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997 for record date for 2001 and sought for penalty of Rs.25,000/-. The Company has replied vide its letter dated 16/12/2004 explaining its case.

Except the above there are no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during the last three years.

MEANS OF COMMUNICATION

The quarterly/ half yearly and annual results are published in Business Line (English version) and Makkal Kural (Tamil version).

To comply with the requirements of the SEBI and the Stock Exchange listing agreement , the requisite information, statement, from the quarter ended September 2003 are filed on Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC) , on line.

The detailed Management Discussion and Analysis report is forming part of the Directors' Report.

GENERAL SHAREHOLDER INFORMATION

Twenty second Annual General Meeting	
Date and Time	1.8.2008 ; 10.15 A M
Venue	Narada Gana Sabha (Mini Hall) No 314(Old No 254) T T K Road, Alwarpet, Chennai - 600 018
Book Closure	31.07.2008 - 1.08.2008
Final Dividend payment date, subject to approval of shareholders at the ensuing Annual General Meeting	Fourth week of August 2008
Financial Calendar	2008-2009
Annual General Meeting	August 2009
Unaudited results for the quarter ending 30th June, 2008	4th Week of July 2008
Unaudited results for the quarter/ half - year ending September 30, 2008	4th Week of October 2008
Unaudited results for the quarter ending December 31, 2008	4th Week of January 2009
Audited results for the year ending 31st March 2009	June 2009
Listing of Equity Shares	Madras Stock Exchange Ltd Bombay Stock Exchange Ltd National Stock Exchange of India Ltd
Stock Code Trading Symbol at : Madras Stock Exchange Limited Bombay Stock Exchange Limited National Stock Exchange of India Limited Demat ISIN Number in NSDL & CDSL	 SRIRACITUN 532498 SHRIRAMCIT INE722A01011

Registrars and Share Transfer Agents

All Share Transfer work is done at Integrated Enterprises (India) Limited having its office at

II Floor, Kences Towers, No 1, Ramakrishna Street
Off North Usman Road, T Nagar, Chennai - 600 017
Ph : 2814 0801 - 0803

Share Transfer System

The power to approve transfer of shares is delegated by the Board to the Share Transfer Committee. The Committee meets once in every fortnight to approve the transfers.

Stock Market Data

Monthly high and low quotations as well as volume of shares traded at BSE and NSE during 2007-2008 are given in the table below:

Months	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	Share Prices		Volume	Share prices		Volume
	High Rs	Low Rs		High Rs	Low Rs	
April 07	174.95	162.10	37548	171.00	160.65	86141
May 07	220.35	170.00	253199	219.70	170.00	218921
June 07	221.25	212.25	1384090	223.35	210.90	205344
July 07	270.20	243.35	209874	271.20	242.20	141138
Aug 07	271.90	247.90	124862	271.00	246.90	41750
Sep 07	274.85	265.00	112411	274.70	263.00	106916
Oct 07	301.35	260.00	88047	304.15	260.05	98910
Nov 07	365.70	271.55	76022	366.00	277.00	92234
Dec 07	385.45	331.45	80787	386.40	338.35	44263
Jan 08	384.70	316.00	75138	389.80	305.60	76382
Feb 08	383.90	358.50	110310	383.90	359.90	169728
Mar 08	355.75	321.00	75813	359.60	317.75	219138

Share Price performance in comparison to broad based indices - BSE Sensex and NSE Nifty

Distribution of shareholding as on March 31,2008

No. of equity shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	5068	88.59	629829	1.53
501 - 1000	376	6.57	271162	0.66
1001 - 2000	133	2.32	192932	0.47
2001 - 3000	44	0.77	111020	0.27
3001 - 4000	15	0.26	52699	0.13
4001 - 5000	16	0.28	75160	0.18
5001 - 10000	23	0.40	186358	0.45
10001 and above	46	0.81	39635840	96.31
Total	5721	100.00	41155000	100.00

Shareholding Pattern as on 31st March 2008

Dematerialisation of Shares :

Shares of the Company can be held and traded in Electronic Form . SEBI has included the shares for compulsory delivery in dematerialisation form only, by all investors from 24.07.2000 . 93.66 % of the shares have been dematerialised, as of 31st March 2008.

The Company has not issued any GDRs / ADRs / Warrants or other instruments which are pending for conversion except 14,45,000 warrants allotted to Shriram Enterprise Holdings Private Limited on 29.12.06 convertible within 18 months from the date of allotment, at the option of the holder into Equity shares of Rs.10/- each for cash at the rate of one Equity Share for every warrant.

Liquidity

Shares of the Company are listed in The Madras Stock Exchange Ltd, Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd and hence have good liquidity.

List of Branches:

List of Branches are mentioned in the "Our presence in India" section on pg 16 in the Annual Report.

Address for correspondence & Regd Office :

Registered Office : 123, Angappa Naicken Street, Chennai 600 001, Phone : 25341431
Secretarial Office : 4th Floor, `Mookambika Complex', No 4 , Lady Desika Road, Mylapore Chennai 600 004
Phone : 24990356, 24990960

CEO/CFO CERTIFICATION

The Board of Directors
Shriram City Union Finance Limited

Sirs,

We certify that -

a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2008 and that to the best of our knowledge and belief

   i) these statements do not contain any materially untrue statement or omit any material fact or they contain statements that might be misleading;

   ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we further certify that there are no deficiencies in the design or operation of internal controls which are to be disclosed to the Auditors and/or to the Audit Committee.

d) We have indicated to the auditors and the Audit Committee

   i) that there were no significant changes in internal control over financial reporting during the year;

   ii) significant change in accounting policy that was made during the year and that the same has been disclosed in the notes to financial statements; and

   iii) that there were no significant instances of fraud

For **SHRIRAM CITY UNION FINANCE LIMITED**

Place : Chennai
Date : 16th June 2008

R KANNAN
Managing Director

SUBHASRI SRIRAM
Executive Director

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES IN INDIA

CERTIFICATE

To

The Members of
Shriram City Union Finance Limited

We have examined the compliance of conditions of Corporate Governance by Shriram City Union Finance Ltd for the year ended on 31st March 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

Place : Chennai
Date : June 16, 2008

Pijush Kumar Gupta
Partner
Membership No : 015139
For & on behalf of Pijush Gupta & Co.
Chartered Accountants

Economy Overview

On the back of a robust overall GDP growth rate of 8.8 per cent, during April-December 2007, the Indian economy has witnessed reasonable growth across sectors. India has witnessed an increase in per capita income from USD 500 in the year 2000 to an expected USD 1000 in the year 2007-08, with per capita levels projected to grow to USD 1500 levels by the year 2015. The period also witnessed a rise in middle- and higher-income population from 260 Million to 350 Million, with a projected growth to 600 Million by 2015. This translates into more disposable income in the hands of a larger number of the population, and thereby augurs well for the economy.

Financial Services Sector

After a good start to the year, the Indian financial sector has been seeing more challenging times due to anticipated interest rate hikes by Banks (leading to a higher cost of funds) as well as higher inflation (which could lead to a tempering of demand). The recent fuel price hike is also expected to impact the economy in the short- to medium run.

SWOT Analysis

Opportunities for Shriram City	Threats
• Growth in the economy, leading to higher demand for credit • Increased purchasing power • Burgeoning middle class - increase in consumers with high earnings	• Increasing interest rate scenario • Rising inflation • Competition from local and multinational players • Slowdown in global liquidity flows • Frequent changes in the regulatory framework

Strengths that Shriram City can rely on

- The Company focuses on semi-urban and rural areas, reaching across remote locations, where no other financier is available, thus carving a niche for itself.
- The Company aims at targeting the common man, who is unable to get credit from banks and who is saved from the clutches of the local moneylenders with the help of Shriram City. It offers attractively-packaged, quick credit against a wide variety of products that touch an individuals' life.
- To ensure seamless flow in its business, the Company has tie-ups up with major manufacturers/dealers and retail outlets at showrooms to enable easy access to products under finance.
- The Company has a longstanding presence spanning over two decades of financing, resulting in deep understanding of the market that it operates in.
- The Company's biggest strength is its trained manpower. This enables smooth conduct of operations.
- Over the years, the Company has established a name for itself in the retail debt market, which gives it access to an uninterrupted resources base.
- Shriram City has a de-risked business portfolio. The Company's presence in various retail finance segments provides it an effective hedge against recession in any category.
- The Company's dealer relationship network has enabled it to establish a pan India presence. The relationship with dealers is symbiotic and mutually rewarding.

Financial Review

Rs. in Million

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Income		
Income from Operations	6059.83	3332.36
Other Income	172.04	148.23
Total	**6231.87**	**3480.59**
Expenditure		
Interest & Other Charges	2503.70	1322.26
Administrative & Other Expenses	1835.97	1087.22
Depriciation & Impariment Loss & Lease Adjustments	112.75	37.33
Share & Debenture Issue expenses Written off	0.21	0.17
Provisions & Write off	509.40	239.28
Total	**4962.03**	**2686.26**
Profit Before Tax	**1269.84**	**794.33**
Tax Provisions	393.50	278.12
Profit After Tax	**876.34**	**516.21**
Earnings Per Share (Rs.)	21.95	16.48

Risk Management

Risk management is about identifying risk, assessing the impact on business if a security incident occurs, and making the right financial decision about how to deal with the results of one's assessment. It also includes the implementation of a programme to continually measure and assess the effectiveness of existing safeguards in protecting one's critical assets. Thus, managing risks is not a one-time activity; it's an ongoing process. It is also critical to recognize that certain business risks are unavoidable, and have to be dealt with as they arise.

The above diagram indicates the risk management model adopted by the Company. The diversified business activities require the Company to identify, measure, aggregate and manage risks effectively, and to allocate capital among its businesses appropriately. Some of the key risks faced by the Company include:

- Increasing interest rates
- Rising inflation
- Competition from local and multinational players
- Frequent changes in the regulatory framework
- Non recovery of funds from its customers
- Loss of critical documents

The Company has carved a niche for itself with its unique business model which enables it to counter the risk of competition from peers. With minimum documentation and service at home / office of the customer, the Company is targeting customers from the non-metro, semi-urban and rural areas of the country. The fact that there is no organized, prompt finance available in these areas, even for the creditworthy borrowers, has helped it create a niche

market in this entrepreneurial business segment and enables it to emerge as the preferred choice over competitors.

Further, the Company has established a pan-India presence with over 600 outlets. This ensures that the "feet-on-street" strength enables effective follow up with its customers on a regular basis. The Company also capitalizes on the chit fund collection team of the Group which has ably assisted it in follow-up and recovery. These measures have resulted in the Company reporting amongst the lowest delinquencies and NPAs in the industry.

For the Company, the safety of its documents is critical. Thus it has put in place robust systems for the preservation of all its documents.

The Company is constantly enhancing its risk control systems with a view to maintaining a competitive edge, while growing assets profitably.

Information Technology

Leveraging Information Technology tools to improve overall productivity and efficiency of the organization has been a key focus area for the Company. Thus, Shriram City maintains an unwavering focus on leveraging IT to function seamlessly across tasks, departments and geographies. As the Company's business grows in scale and scope, constant upgrading of the IT backbone - in terms of infrastructure, application and compliance - remains a key priority. The Company's IT initiatives are aimed at enhancing service levels, increasing customer convenience and improving loan administration & recovery, while minimizing costs at the same time.

Human Resources

The Company believes that its employees remain its most valuable asset. It believes that its continued success is as much the result of the quality & determination of its employees as of the soundness of its business strategies. Going ahead, the Company not only plans to maintain this key source of competitive advantage but also build on it through well-structured initiatives. Training and incentivisation, as always, shall be the cornerstones of the Company.

Internal Systems and Control

Shriram City has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and those transactions are authorized, recorded and reported correctly. Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.

AUDITORS' REPORT

To the Members of SHRIRAM CITY UNION FINANCE LIMITED

We have audited the attached Balance Sheet of Shriram City Union Finance Limited as at 31st March, 2008 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. The financial statements relating to the Corporate Region have been audited by us and Other Regions audited by Branch Auditors whose reports were forwarded to and considered by us. 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.

We conducted our audit in accordance with 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government Of India in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, a statement on matters specified in the said order has been given in the Annexure hereof.

2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company ,so far as appears from our examination of those books .

   (c) The Balance Sheet , Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

   (d) In our opinion and according to the information and explanations given to us, 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.

   (e) On the basis of the written representations received from the directors and taken on record by the Company, none of the directors are disqualified as on 31st, March 2008 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

   (f) 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,

   (i) in the case of balance sheet , of the state of affairs of the company as at 31st March 2008;

   (ii) in the case of profit and loss account , of the profit for the year ended on that date ; and

   (iii) in the case of cash flow statement , of the cash flows for the year ended on that date.

Pijush Kumar Gupta
Partner
Membership No : 015139
For & on behalf of Pijush Gupta & Co.
Chartered Accountants

Place : Chennai
Date : June 16, 2008

ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph 1 of the Auditors' Report of even date)
Re: Shriram City Union Finance Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) The Company is primarily engaged in financing activities which does not involve maintenance of any inventory. As regards Company's business of generation of power by windmills there are no stocks of maintenances stores and spare parts as the entire work of maintenance has been outsourced.

(iii) As informed, the Company has not granted or taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

(iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods (power) / services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) According to the information and explanation provided by the management, we are of the opinion that there are no transactions with reference to contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301.

(vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) As per the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act.

(ix) (a) On the basis of our examination of the Company's books and records and on the basis of information and explanations given to us the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and any other statutory dues with appropriate authorities.

(b) on the basis of information and explanations given to us and the relevant documents produced before us, the following dues have been deposited on account of dispute.

Name of the statute	Nature of dues	Amount (Rs in lacs)	Years to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax demands	995.34	A.Y. 2004-05	CIT (Appeals)
Income Tax Act, 1961	Income Tax demands	607.35	A.Y. 2005-06	CIT (Appeals)
Wealth Tax Act, 1957	Wealth Tax demands	0.43	A.Y.2003-04	CIT(Appeals)
Finance Act, 1994 (Service Tax)	Service tax on hire purchase and lease transactions	1553.08	2001-02 onwards	Before Madras High Court

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debenture and other investments.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, 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 funds temporarily invested pending utilization of the funds for the intended use.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company and considering the nature of the business and activity being carried on, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) According to the information and explanations given to us, the Company has created security or charge in respect of debentures issued.

(xx) The Company has not raised any money by public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

Pijush Kumar Gupta
Partner
Membership No : 015139
For & on behalf of Pijush Gupta & Co.
Chartered Accountants

Place : Chennai
Date : June 16, 2008

BALANCE SHEET as at March 31, 2008

(Rs. in Lacs)

PARTICULARS	SCH.	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	6,444.48	6,238.98
Stock option outstanding	2	542.08	-
Optionally convertible warrants		232.20	560.00
Reserves and surplus	3	37,761.03	28,096.77
Loan Funds			
Secured loans	4	263,187.63	130,688.09
Unsecured loans	5	37,343.78	20,397.32
Deferred tax liabilities (net) (Refer note 10 of Schedule 20)		632.99	2,973.32
Total		**346,144.19**	**188,954.48**
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		7,100.42	7,224.79
Less : Accumulated depreciation		1,992.36	1,654.31
Net block		5,108.06	5,570.48
Investments	7	604.98	664.03
Current Assets, Loans and Advances			
Current assets	8		
- Receivables under Financing Activities		274,857.78	171,048.30
- Sundry Debtors		75.82	178.07
- Cash & Bank Balances		87,605.23	36,489.78
- Other Current Assets		325.18	213.32
Loans and advances	9	10,277.10	7,956.00
		373,141.11	215,885.47
Less : Current Liabilities & Provisions			
Current liabilities	10	28,440.20	30,710.53
Provisions	11	4,269.76	2,457.10
		32,709.96	33,167.63
Net Current Assets		340,431.15	182,717.85
Miscellaneous expenditure (to the extent not written off or adjusted)	12	-	2.13
Total		**346,144.19**	**188,954.48**
Significant Accounting Policies and Notes to Accounts	**20**		

The schedules referred to above form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

PIJUSH KUMAR GUPTA
Partner
Membership No : 015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants

R. KANNAN
Managing Director

S.VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Place : Chennai
Date : June 16,2008

PROFIT AND LOSS ACCOUNT for the year ended March 31, 2008

Shriram City
MONEY WHEN YOU NEED IT MOST

(Rs. in Lacs)

PARTICULARS	SCH.	Year Ended March 31, 2008	Year Ended March 31, 2007
Income			
Income from operations	13	60,598.33	33,323.58
Other income	14	1,720.43	1,482.33
Total		**62,318.76**	**34,805.91**
Expenditure			
Interest & other charges	15	25,037.03	13,222.58
Personnel expenses	16	2,272.05	929.82
Operating & other expenses	17	16,087.61	9,942.40
Depreciation and lease adjustments (Refer Note 17 of Schedule 20)		1,127.52	373.35
Share & debenture issue expenses written off	18	2.13	1.69
Provisions & write offs	19	5,093.96	2,392.75
Total		**49,620.30**	**26,862.59**
Profit before taxation		**12,698.46**	**7,943.32**
Provision for taxation			
Current tax		6,134.29	2,902.09
Deferred tax (Refer note 10 of Schedule 20)		(2,340.33)	(191.70)
Fringe benefit tax		141.00	70.77
Total tax expense / (income)		**3,934.96**	**2,781.16**
Net profit		**8,763.50**	**5,162.16**
Balance brought forward from previous year		4,471.38	2,264.35
Profit available for appropriation		13,234.88	7,426.51
Appropriations			
Interim dividend - Equity		391.00	271.00
Cumulative Redeemable Preference Shares		141.59	145.15
Proposed Final Equity dividend		1,332.15	782.00
Proposed Final Preference dividend		0.08	9.41
Tax on dividend		316.92	192.87
Transfer to Statutory Reserve		1,761.11	1,032.43
Transfer to General Reserve		880.00	522.27
Surplus carried to Balance Sheet		**8,412.03**	**4,471.38**
Earnings per share (refer note 9 of Schedule 20)			
Basic (Rs.)		21.95	16.48
Diluted (Rs.)		21.74	16.44
Nominal Value of Share (Rs.)		**10.00**	10.00
Significant Accounting Policies and Notes to Accounts	20		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

PIJUSH KUMAR GUPTA
Partner
Membership No : 015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants

R. KANNAN
Managing Director

S.VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Place : Chennai
Date : June 16,2008

SCHEDULES TO THE BALANCE SHEET

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008	As at March 31, 2007
Schedule 1		
Share Capital		
Authorised		
4,50,00,000 (March 31, 2007 : 4,50,00,000) Equity Shares of Rs.10/- each	4,500.00	4,500.00
40,00,000 (March 31, 2007 : 40,00,000) Cumulative Redeemable Preference Shares of Rs.100/- each	4,000.00	4,000.00
	8,500.00	8,500.00
Issued, Subscribed & Fully Paid up		
Equity Shares		
4,11,55,000 (Previous year 3,91,00,000) Equity Shares of Rs.10/- each (15,00,000 Equity shares of Rs.10/- each issued as Bonus shares by capitalising of Securities Premium Account)	4,115.50	3,910.00

Privately placed Cumulative Redeemable Preference Shares of Rs 100 /- each
(Redeemable on the expiry of five years from the date of allotment or anytime earlier at the sole discretion of Board of Directors)

Number of shares	Previous Year	Rate of Dividend	Earliest Date of Redemption as per terms of allotment				
39800	83260	8.00%	2/4/2008	39.80		83.26	
1250	2950	12.00%	2/4/2008	1.25		2.95	
1960	4210	5.00%	2/4/2008	1.96		4.21	
100000	200000	13.50%	2/4/2008	100.00		200.00	
1900	1900	14.00%	4/4/2008	1.90		1.90	
8360	16270	10.00%	4/4/2008	8.36		16.27	
1650	1800	15.00%	5/4/2008	1.65		1.80	
2174060	2018590	6.00%	1/4/2009	2,174.06	2,328.98	2, 018.59	2,328.98
2328980	**2328980**						
					6,444.48		**6,238.98**

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008	As at March 31, 2007
Schedule 2		
Stock Option Outstanding		
Employee Stock option outstanding	3,006.12	-
Less : Deferred Employee compensation outstanding	2,464.04	-
	542.08	**-**
Schedule 3		
Reserves and Surplus		
Securities Premium Account		
Balance as per last account	19,098.60	1,098.60
Add: Amount received during the year	3,082.50	18,000.00
	22,181.10	**19,098.60**
Investment Allowance Reserve		
Balance as per last account	7.90	7.90
Less: Transfer to General Reserve since utilised	7.90	-
	-	**7.90**
Statutory Reserve *		
Balance as per last account	3,158.89	2,126.46
Add: Transfer from Profit & Loss Account	1,761.11	1,032.43
	4,920.00	**3,158.89**
Debenture Redemption Reserve		
Balance as per last account	-	25.00
Less: Transfer to General Reserve		
	-	25.00
	-	-
General Reserve		
Balance as per last account	1,360.00	812.73
Add: Transfer from Debenture Redemption Reserve	-	25.00
Add: Transfer from Investment Allowance Reserve	7.90	-
Add: Transfer from Profit & Loss Account	880.00	522.27
	2,247.90	**1,360.00**
Balance in Profit & Loss Account	**8,412.03**	**4,471.38**
	37,761.03	**28,096.77**

*** Reserve created under section 45 IC of Reserve Bank of India Act, 1934.**

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008	As at March 31, 2007
Schedule 4		
Secured Loans		
Redeemable non convertible debentures [Refer note 2(1)(a) of Schedule 20]	69,106.39	60,968.56
Application Money on Redeemable non convertible debentures [Since Alloted]	392.23	303.87
Term loans		
i) From Banks [Refer note 2(1)(b) (ii) of Schedule 20]	115,755.02	41,453.74
ii) From Financial institutions / Corporate [Refer note 2(1)(b)(i) of Schedule 20]	10,513.00	1,161.00
Cash credit from banks [Refer note 2(1)(c) of Schedule 20]	67,420.99	26,800.92
	263,187.63	**130,688.09**
Schedule 5		
Unsecured Loans		
Fixed deposits [Due within one year Rs.107.35 lacs (March 31, 2007 : Rs.239.21 lacs)]	165.67	379.98
Inter corporate deposits [Due within one year Rs.925 lacs (March 31, 2007 : Rs.Nil lacs)]	925.00	-
Subordinated debts [Due within one year Rs.132 lacs (March 31, 2007 : Nil)]	28,036.78	19,866.29
Application Money on Subordinated debts [Since Alloted]	216.33	151.05
Redeemable non-convertible debentures (Redeemable on 03.10.2008) [Due within one year Rs.3500 lacs (March 31, 2007 : Rs.Nil lacs)]	3,500.00	-
Commercial papers [Maximum amount raised at anytime during the year : Rs.6500 lacs (March 31, 2007 :Rs. NIL lacs)]	4,500.00	-
	37,343.78	**20,397.32**

Schedule 6
Fixed Assets

(Rs. in Lacs)

Particulars	Gross Block					Depreciation / Amortisation						Net Block	
	As at April 1, 2007	Additions during the year	Deletions during the year	Adjust-ment	As at March 31, 2008	As at April 1, 2007	For the Year	Dele-tions	Adjust-ment	As at March 31, 2008	Lease Adjust-ment	As at March 31, 2008	As at March 31, 2007
OWN USE													
Land - Freehold	131.70	-	-	-	131.70	-	-	-	-	-	-	131.70	131.70
Buildings	12.94	-	-	-	12.94	1.53	0.19	-	-	1.72	-	11.22	11.41
Plant and Machinery	6,274.03	384.13	164.07	-	6,494.09	1,136.99	888.42	162.58	-	1,862.83	-	4,631.26	5,137.04
Furniture and Fixtures	357.43	60.01	185.93	(110.19)#	121.31	73.57	179.47	182.26	(44.10) #	26.68	-	94.63	283.86
Vehicles	11.05	7.37	6.98	-	11.44	4.58	3.61	6.98	-	1.21	-	10.23	6.47
Leasehold Improvement	-	218.74	-	110.19#	328.94	-	55.82	-	44.10 #	99.92	-	229.02	-
TOTAL (A)	**6,787.15**	**670.25**	**356.98**	**-**	**7,100.42**	**1,216.67**	**1,127.51**	**351.82**	**-**	**1,992.36**	**-**	**5,108.06**	**5,570.48**
ON LEASE													
Vehicles	437.64	-	437.64	-	-	437.63	0.01	437.64		-	-	-	-
TOTAL (B)	437.64	-	437.64	-	-	437.63	0.01	437.64	-	-	-	-	-
GRAND TOTAL (A + B)	**7,224.79**	**670.25**	**794.62**	**-**	**7,100.42**	**1,654.30**	**1,127.52**	**789.46**	**-**	**1,992.36**	**-**	**5,108.06**	**5,570.48**
Year ended March 31,2007	**7,111.30**	**368.18**	**254.69**	**-**	**7,224.79**	**1,453.97**	**373.35**	**173.02**	**-**	**1,654.30**	**0.01**	**5,570.48**	**-**

 # Adjustment respresents reclassification of amounts of leasehold improvements which were earlier included in furniture & fixtures

Shriram City
MONEY WHEN YOU NEED IT MOST

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008 Quantity	As at March 31, 2007 Quantity	As at March 31, 2008 Amount	As at March 31, 2007 Amount
Schedule 7				
Investments				
Long Term Investments (At cost)				
Other than trade				
A. Government Securities				
Quoted				
12.25% G.I. Loan 2008 (Face Value - Rs. 3 lacs)			3.08	3.08
13.05% G.I. Loan 2007 (Face Value - Rs.55.70 lacs) (Redeemed during the year)			-	59.50
6.13% G.I. Loan 2028 (Face Value - Rs.100 lacs) [Refer note no.8 of Schedule 20]			101.45	101.45
B. Shares : Fully paid up				
Unquoted - Equity shares				
Shriram Life Insurance Company Limited (Face value of Rs 10/- each)	5,000,000	5,000,000	500.00	500.00
Shriram Non Convention Energy Limited (Face value of Rs 10/- each) (Purchased during the year 49940 shares & Sold during the year 45440)	4,500	-	0.45	-
			604.98	**664.03**
Aggregate Value of Quoted Investments for which quotations are available				
Cost			104.53	164.03
Market Value			86.69	143.43
Aggregate Value of Unquoted Investments				
Cost			500.45	500.00

Units of Mutual Funds Purchased and Redeemed during the year

Current Investments (At cost)

(Rs. in Lacs)

Name of Funds	March 31, 2008 Units	March 31, 2008 Amount
ICICI Prudential Institutional liquid Plan-Super Institutional Daily Dividend	14,999,250.04	1,500.00
ICICI Prudential Institutional liquid Plan-Super Institutional Daily Dividend	19,999,000.05	2,000.00
Standard Chartered Liquidity Manager- Plus - Daily Dividend	199,958.01	2,000.00
HDFC Liquid Fund Premium - Dividend - Daily Reinvestment	16,313,479.83	2,000.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend Reinvestments	19,811,199.27	2,000.00
DBS Chola Short Term Floating Rate Fund -Daily Dividend Reinvesment Plan	19,936,800.34	2,000.00
DBS Chola Short Term Floating Rate Fund -Daily Dividend Reinvesment Plan	49,918,134.26	5,000.00
Standard Chartered Liquidity Manager- Plus - Daily Dividend	499,895.02	5,000.00
Lotus India Liquid Fund - Super Institutional Daily Dividend	34,994,750.79	3,500.00
Reliance Liquidity Fund - Daily Dividend Reinvestment	29,990,702.88	3,000.00
AIG India Liquid Fund Super Institutional Daily Dividend	149,877.98	1,500.00
Birla Cash Plus -Institutional Premium-Daily Dividend - Reinvesment	29,941,613.86	3,000.00
SBI Premeir Fund - Institutional- Daily Dividend	19,935,210.57	2,000.00
ING Liquid Fund Super Institutional - Daily Dividend Option	29,295,606.91	3,000.00
Standard Chartered Liquidity Manager-Plus - Daily Dividend	199,958.01	2,000.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend Reinvestments	19,811,199.27	2,000.00
Lotus India Liquid Fund - Super Institutional Daily Dividend	23,998,560.09	2,400.00
Templeton India Treasury Management Account Super Institutional Plan-Daily Dividend Reinvestment	149,962.51	1,500.00
Birla Sun Life Cash Manager- Daily Dividend - Reinvesment	19,994,001.80	2,000.00
	19,936,800.34	**47400.00**

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008	As at March 31, 2007
Schedule 8		
Current Assets		
Receivables under Financing Activities		
a) Secured		
i) Hire Purchase	-	3,117.30
ii) Financial Lease	-	2,485.26
iii) Hypothecation Loan	235,141.66	139,799.43
iv) Loan against Securities	1,502.58	2,157.00
b) Unsecured		
i) Personal Loan	37,814.52	23,337.61
ii) Microfinance	399.02	151.70
	274,857.78	**171,048.30**
Sundry Debtors		
(Unsecured, considered Good)		
Debts outstanding for a period exceeding six months	-	
Other Debts	75.82	178.07
	75.82	**178.07**
Cash & Bank Balances		
i) Cash on hand	1,686.20	1,676.56
ii) Remittances in transit	221.04	453.34
iii) Balances with scheduled banks in:		
Fixed Deposit Accounts*	49,003.41	18,740.81
Current accounts	36,694.58	15,619.07
	87,605.23	**36,489.78**
Other Current Assets		
i) Interest accrued on Fixed Deposits, Loans and Investments	325.18	177.57
ii) Repossessed assets	-	35.75
	325.18	**213.32**
	362,864.01	**207,929.47**
* Includes Fixed deposits of Rs.4299.21 lacs (March 31,2007 : Rs.4149.75 lacs) pledged with Banks as margin for securitisation and Rs.61.38 lacs (March 31, 2007: Rs.333.25 lacs) as pledged Lien against loan taken.		
Schedule 9		
Loans and Advances		
Secured - Considered Good		
Loans	8.75	25.90
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	2,017.57	1,993.97
Advance - Capital Assets	4,128.96	2,209.76
Advance - Hypothecation loans	2,360.84	1,238.58
Advance tax (net of provisions for tax)	1,030.88	783.51
Prepaid expenses	202.35	29.79
Security deposits **	527.75	1,674.49
	10,277.10	**7,956.00**

** Includes Rs.396.67 Lacs (March 31,2007: Rs.1562.18 lacs) pledged with corporate as margin for securitisation.

(Rs. in Lacs)

PARTICULARS	As at March 31, 2008	As at March 31, 2007
Schedule 10		
Current Liabilities		
Caution and lease deposits	-	44.44
Sundry creditors (Refer Note 20 of Schedule 20)	2,857.83	1,845.87
Interest accrued but not due	13,595.42	15,045.02
Unclaimed Matured Deposits	13.71	19.98
Unclaimed Matured Debentures	1,932.21	1,136.73
Interest accrued and due on above	669.57	246.20
Unclaimed dividend	22.78	20.47
Temporary credit balance in bank accounts	2,473.35	3,950.78
Securitization deferred income	5,176.46	6,799.25
Other liabilities	1,698.87	1,601.79
	28,440.20	**30,710.53**
Schedule 11		
Provisions		
For non-performing assets	1,732.96	1,479.21
For diminution in value of investments	17.93	21.73
For hedging contracts	811.68	-
For leave encashment	15.37	1.77
For gratuity	133.18	28.48
Dividend on		
- Equity Shares	1,332.15	782.00
- Cumutlative Redeemable Preference Shares	0.08	9.41
Corporate dividend tax	226.41	134.50
	4,269.76	**2,457.10**
Schedule 12		
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Share issue expenses	-	2.13
	-	**2.13**

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Rs. in Lacs)

PARTICULARS	Year Ended March 31, 2008	Year Ended March 31, 2007
Schedule 13		
Income from Operations		
Finance & service charges *	51,335.05	27,098.52
Income on securitisation	9,255.64	6,203.52
Lease Rentals	7.64	21.54
	60,598.33	**33,323.58**
*Tax deducted at source of Rs.778.04 lacs (March 31, 2007 : Rs.402.33 lacs)		
Schedule 14		
Other Income		
Interest on deposits with banks *	595.77	475.15
Interest on Loans & Advances *	99.92	82.45
Sale of electricity	476.13	583.08
Income from Long Term Investment (non trade)		
- Interest on government securities	6.91	13.76
Income from Current Investments (non trade)		
- Dividend	46.06	65.27
Profit on sale of assets	0.01	8.85
Commission received *	121.22	164.04
Compensation charges	242.54	-
Miscellaneous income	131.87	89.73
	1,720.43	**1,482.33**
*Tax deducted at source of Rs.778.04 lacs (March 31, 2007 : Rs.402.33 lacs)		
Schedule 15		
Interest & Other Charges		
Interest & Other Charges on		
Debentures	8,777.67	8,917.22
Subordinated debts	2,971.95	1,463.89
Fixed deposits	36.35	43.96
Loans from banks	9,132.34	1,688.79
Loans from institutions and others	1,265.04	110.34
Commercial paper	291.17	-
Bank charges	1,591.33	720.08
Processing charges on loans/securitization	971.18	278.30
	25,037.03	**13,222.58**
Schedule 16		
Personnel Expenses		
Salaries & other allowances	2,163.40	837.14
Gratuity expenses	31.77	24.49
Contribution to provident and other funds	58.20	34.85
Staff welfare expenses	18.68	33.34
	2,272.05	**929.82**

(Rs. in Lacs)

PARTICULARS	Year Ended March 31, 2008	Year Ended March 31, 2007
Schedule 17		
Operating and other Expenses		
Rent	526.83	268.32
Electricity expenses	232.87	151.07
Repairs & Maintenance		
- Plant & machinery	80.58	120.79
- Others	723.26	790.72
Rates & taxes	0.68	2.02
Printing & stationery	803.06	611.28
Travelling & conveyance	1,720.74	765.82
Advertisement	63.53	70.05
Business Promotion Expenses	1,880.57	673.62
Brokerage & commission	6,192.14	4,343.49
Sourcing fees	63.37	73.59
Royalty	147.50	79.24
Directors' sitting fees	3.03	0.15
Insurance	21.47	11.32
Communication expenses	1,493.66	585.07
Auditor's remuneration		
- Audit fees	4.50	6.44
- Tax audit fees	1.50	1.52
- Other services	4.50	7.08
Professional charges	606.01	545.29
Recovery Expenses	843.91	556.26
Donations	41.50	1.60
Loss on sale of assets	3.36	9.81
Miscellaneous expenses	629.04	267.84
	16,087.61	**9,942.40**
Schedule 18		
Share & Debenture issue expenses written off		
Share issue expenses	2.13	1.69
	2.13	**1.69**
Schedule 19		
Provisions & Write offs		
Provision for non performing assets	253.75	212.67
Provision for diminution in value of investments	-	2.99
Bad debts written off	4,921.23	2,269.48
Bad debt recovery	(81.02)	(92.39)
	5,093.96	**2,392.75**

Schedule 20: Significant Accounting Policies & Notes to Accounts

1. Significant Accounting Policies

Back Ground

Shriram City Union Finance Limited (SCUFL) was incorporated on 27th March 1986, as a Private Limited Company and became a Public Limited Company on 29th October 1988. The Company is a Non-Banking Finance Company registered with Reserve Bank of India (RBI) as Deposit Accepting Asset Financing Company. The Company was exclusively engaged in commercial vehicle finance with special emphasis on financing used commercial vehicles to Small Road Transport Operators. Since 2002, product lines have expanded to include financing of consumer durables, two-wheelers, three-wheelers, tractors, commercial vehicles for more than 10 years old, non-commercial vehicles and personal loans and Small Business Loans.

(a) Basis of preparation

The financial statements are prepared on accrual basis under historical cost convention in accordance with the generally accepted accounting principles in India. These statements comply in all material respects with the notified Accounting Standards ('AS') issued under Companies Accounting Standard Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

(c) Changes in Accounting Policies

Till March 31, 2007, the Company was providing for leave benefits based on actuarial valuation. In the current year, the Company has adopted the AS 15 (Revised) which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the Company has changed method of providing short term leave benefits from actuarial valuation to estimate basis. Further, in accordance with the transitional provision in the revised AS, no amount has been adjusted to the General Reserve as the amount is not material. This change is not having material impact on the profit for the current year.

(d) Fixed Assets, depreciation and impairment of assets

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets are included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation

Depreciation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of the useful lives of the respective fixed assets and are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act. The assets for which rates higher used are as follows:

Particulars	Rates (SLM)	Schedule XIV rates (SLM)
Windmills	10%	5.28%

Leasehold improvement is amortized over the primary period of lease subject to a maximum of 60 months.

All fixed assets individually costing Rs.5000 or less are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the profit and loss account till the date of sale.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(e) Investments

Investments intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary, in the value of the investments.

(f) Receivables under Hire Purchase and Loans

Receivables under Hire Purchase and Loans are stated at the amount advanced including finance charges accrued and expenses recoverable, as reduced by the amounts received up to March 31, 2008 and stocks securitized.

g) Leases

Where the Company is the lessor

Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the internal rate of return ('IRR'). The principal amount received reduces the net investment in the lease and interest is recognized as revenue.

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(h) Provisioning / Write-off of asset

Loans, hire purchase and lease receivables are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

(i) **Foreign currency transaction**

Foreign currency transactions are accounted at the exchange rate prevailing on the date of transactions. Foreign currency monetary items on the Balance Sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realizations and year-end restatements are dealt with in the profit and loss account.

j) **Revenue recognition**

i. Income on Hire-Purchase / lease/financial lease/ loans is recognised on the basis of internal rate of return.

ii. Additional finance charges / additional interest are treated to accrue only on realization, due to uncertainty of realization and are accounted accordingly.

iii. Gain arising on securitization/direct assignment of assets is recognized over the tenure of agreements as per guideline on securitization of standard assets issued by RBI. Loss (if any) is recognized upfront.

iv. The Prudential norms for income recognition prescribed by RBI for Non Banking Financial Companies are followed.

v. Income from power generation is recognized as per the terms of the Power Purchase Agreements with State Electricity Boards and on supply of power to the grid.

vi. Income from services is recognized as per the terms of the contract on accrual basis.

k) Employee benefits

Provident Fund

All the employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future Provident Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year it is incurred.

Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees at retirement, death while in employment or on termination of employment. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out annually for assessing liability as at the balance sheet date.

Leave Encashment

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(l) Income tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(m) Segment reporting

The company is engaged primarily in the business of financing and there is no separate reportable segment. Accordingly, income, expenses and other financial data relating to businesses other than the business of financing are shown under Unallocated Reconciling Items' as per Accounting Standard AS 17 issued by ICAI.

(n) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(o) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

(p) Expenses on deposits / debentures

Expenses on mobilization of deposits / debentures are charged to Profit & Loss account in the year in which they are incurred.

(q) Derivative instruments

The Company uses financial derivative instruments like interest rate swaps to hedge its risks associated with fluctuations in the interest rates. As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market. Net gains are ignored.

(r) Employee stock compensation costs

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

2. Notes to Accounts

1. Particulars of Secured Loans

a) Privately placed Redeemable Non-convertible Debentures of Rs.1,000/- each

(Rs. in lacs)

	As at March 31, 2008	As at March 31, 2007
Number	64,10,639	60,96,856
Amount	64,106.39	60,968.56

Debentures are redeemable over a period of 12 months to 160 months from the date of allotment depending on the terms of the agreement.

Privately Placed Redeemable Non-Convertible Debenture of Rs.1000/- each

(Rs. in lacs)

Date of Allotment/renewal	Amount (Rs. in lacs)		Redemption date
	As at March 31, 2008	As at March 31, 2007	
28.03.2008	5,000.00	Nil	15.04.2009

The above mentioned privately placed Non-Convertible Debentures are secured by exclusive mortgage of office premise. Further secured by charge on Plant and Machinery, Furniture and other fixed assets of the Company, charge on Company's book debts, leased assets, loans, advances and other investments of the Company subject to prior charges created or to be created in favour of the Company's bankers, financial institutions and others.

b) Term Loans:

(Rs. in lacs)

		As at March 31, 2008	As at March 31, 2007
i.	**From Financial Institutions/Corporate:**		
(a)	Secured by an exclusive charge by way of hypothecation of receivables relating to Loans	10,100.00	700.00
(b)	Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery and Receivables relating to the Windmills	413.00	461.00
	Total	**10,513.00**	**1,161.00**

(Rs. in lacs)

		As at March 31, 2008	As at March 31, 2007
ii.	**From Banks :**		
(a)	Secured by an exclusive charge by way of hypothecation of receivables relating to Loans	1,11,568.53	37,716.00
(c)	Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery and Receivables relating to the Windmills	1,910.78	2,370.19
(d)	Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery relating to the Bio Mass Plant	2,275.71	1,367.55
	Total	**1,15,755.02**	**41,453.74**

c) **Cash Credit from Banks**

(Rs. in lacs)

	As at March 31, 2008	As at March 31, 2007
Cash Credit from Banks	67,420.99	26,800.92

Secured by an exclusive charge by way of hypothecation of receivables relating to Loans

2. Subordinated Debt

The Company has raised during the year subordinated debt bonds amounting to Rs. 8,170.49 lacs (March 31, 2007: Rs. 10,920.89 lacs) with coupon rate of 11.5% per annum which are redeemable over a period of 62 months to 73 months.

3. Cash & Cash Equivalents

(Rs. in lacs)

Particulars	For the Year Ended March 31, 2008	For the Year Ended March 31, 2007
Cash & Bank balance (as per schedule 8)	87,605.23	36,489.78
Less : Fixed deposits having original maturity greater than 3 months or pledged with banks or lien marked deposits	4,958.17	5,010.80
Balance considered as cash & cash equivalents for cash flow statement	**82,647.06**	**31,478.98**

4. Gratuity and other post-employment benefit plans

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

Consequent to the adoption of revised AS 15 'Employee Benefits' issued by the ICAI, the following disclosures have been made as required by the standard:

Profit and Loss account

Net employee benefit expense (recognized in Employee Cost) (Rs. in lacs)

Particulars	Gratuity March 31, 2008
Current service cost	45.67
Interest cost on benefit obligation	5.93
Expected return on plan assets	N.A
Net actuarial (gain) / loss recognized in the year	53.10
Past service cost	NIL
Net benefit expense	**104.70**
Actual return on plan assets	N.A

Balance sheet

Details of Provision for gratuity (Rs in Lacs)

Particulars	Gratuity March 31, 2008
Defined benefit obligation	133.18
Fair value of plan assets	N.A
Total	133.18
Less: Unrecognized past service cost	NIL
Plan asset / (liability)	(133.18)

Changes in the present value of the defined benefit obligation are as follows:

(Rs in Lacs)

Particulars	Gratuity March 31, 2008
Opening defined benefit obligation	28.48
Interest cost	5.93
Current service cost	45.67
Benefits paid	NIL
Actuarial (gains) / losses on obligation	53.10
Closing defined benefit obligation	**133.18**

The Company would not contribute any amount to gratuity in 2008-09 as the scheme is unfunded.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity March 31, 2008
	%
Investments with insurer	NA

The principal assumptions used in determining gratuity obligations for the company's plan are shown below:

Particulars	Gratuity March 31, 2008
Discount Rate	8%
Increase in compensation cost	5%
Employee Turnover	10%

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

Amounts for the current period are as follows: (Rs. in lacs)

Particulars	March 31, 2008
Defined benefit obligation	133.18
Plan assets	NA
Surplus / (deficit)	(133.18)
Experience adjustments on plan liabilities	53.10
Experience adjustments on plan assets	NA

The current year being the first year of adoption of AS 15 (revised) by the Company, the previous year comparative information has not been furnished.

5. Segment Reporting

(Rs. in lacs)

	For the Year ended March 31, 2008			For the Year ended March 31, 2007		
Particulars	**Financing Activities**	**Unallocated reconciling items**	**Total**	**Financing Activities**	**Unallocated reconciling items**	**Total**
Segment Revenue	61,843	476	62,319	34,223	583	34,806
Segment Results (Profit before tax and after interest on Financing Segment)	13,366	(347)	13,019	8,078	195	8,273
Less: Interest on unallocated reconciling items	-	321	321	-	330	330
Net profit before tax	-	-	12,698	-	-	7,943
Less: Income taxes	-	-	3,935	-	-	2,781
Net profit	**-**	**-**	**8,763**	**-**	**-**	**5,162**
Other Information:						
Segment assets	3,69,451	8,372	3,77,823	2,13,998	7,340	2,21,338
Unallocated corporate assets	-	1,031	1,031	-	784	784
Total Assets	3,69,451	9,403	3,78,854	2,13,998	8,124	2,22,122
Segment liabilities	3,73,469	4,752	3,78,221	2,14,798	4,351	2,19,149
Unallocated corporate liabilities	-	633	633	-	2,973	2,973
Total Liabilities	3,73,469	5,385	3,78,854	2,14,798	7,324	2,22,122
Capital expenditure	-	-	-	-	-	-
Depreciation	395	733	1,128	117	256	373
Other non - cash expenses	6,004	-	6,004	1,860	-	1,860

6. Related Parties Disclosures

Related Parties have been identified by the Management and relied upon by the auditors.

Subsidiary	:	Shriram Non-Conventional Energy Limited (upto March 20, 2008)
Enterprises having significant influence over the Company	:	Shriram Enterprise Holdings Private Limited Shriram Capital Limited (formerly known as Shriram Financial Services Holdings Limited)
Key Managerial Personnel	:	R Kannan, Managing Director

(Rs. in Lacs)

	Enterprises having significant influence over the Company		Subsidiary		Total	
	2008	2007	2008	2007	2008	2007
Payments						
Royalty	147.50	79.24	-	-	**147.50**	**79.24**
Data Sourcing fees	63.38	73.59	-	-	**63.38**	**73.59**
Service Charges	380.24	441.55	-	-	**380.24**	**441.55**
Equity dividend	595.24	595.24	-	-	**595.24**	**595.24**
Investments in shares	-	-	4.99	-	**4.99**	**-**
Receipts						
Sale of investments	-	-	4.54	-	**4.54**	**-**
Subscription of equity shares	-	-	-	-	-	-
Subscription to optionally convertible warrants	-	560.00	-	-	-	**560.00**
Conversation of Warrants into Equity / Securities Premium	2,959.20	-	-	-	**2,959.20**	**-**

7. Leases

In case of assets given on lease

Financial lease including hire purchase

The Company has given vehicles on finance lease. The lease term is for 3 to 5 years. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

(Rs. in Lacs)

	As at March 31, 2008	As at March 31, 2007
Total gross investment in the lease	NIL	6166.73
Less : Unearned finance income	NIL	589.35
Less: Unguaranteed residual value	NIL	NIL
Present value of minimum lease payments	NIL	5577.38
Gross investment in the lease for the period :		
Not later than one year [Present value of minimum lease payments receivable Rs. NIL as on March 31, 2008 (March 31, 2007: Rs.4560.18 lacs)]	NIL	5024.56
Later than one year but not later than five years [Present value of minimum lease payments Rs. NIL as on March 31, 2008 (March 31, 2007 : Rs. 1017.19 lacs)]	NIL	1142.17
Later than five years [Present value of minimum lease payments Nil as on March 31, 2008 (March 31, 2007: Nil)]	NIL	Nil

In case of assets taken on lease

Rent Rs.164 lacs (March 31,2007 : Rs. 129 lacs) represents lease payments in respect of cancellable leases as per respective agreements. There are no separate amounts for minimum lease payments and contingent rents. There is no sub-lease.

8. Investments

In accordance with the Reserve Bank of India circular no.RBI/2006-07/ 225 DNBS (PD) C.C No. 87/03.02.004/2006-07 dated January 4, 2007, the Company has created a floating charge on the statutory liquid assets comprising of investment in Government Securities to the extent of Rs.104.53 lacs in favour of trustees representing the public deposit holders of the Company.

9. Earnings per share

Particulars	For the Year Ended March 31, 2008	For the Year Ended March 31, 2007
Net Profit after tax as per profit and loss account (Rs. in lacs)	8,763.50	5,162.16
Less : Preference Dividend	165.74	176.52
Net Profit for Equity Shareholders (A)	8,597.76	4,985.64
Weighted average number of equity shares for calculating Basic EPS (in lacs) (B)	391.67	302.45
Weighted average number of equity shares for calculating Diluted EPS (in lacs) (C)	395.41	303.34
Basic earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A) / (B)	**21.95**	**16.48**
Diluted earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A) / (C)	**21.74**	**16.44**

Particulars	For the Year Ended March 31, 2008	For the Year Ended March 31, 2007
Weighted average number of equity shares for calculating EPS (in lacs)	391.67	302.45
Add : Equity shares arising on conversion of optionally convertible warrants (in lacs)	1.45	0.89
Add : Equity shares for no consideration arising on grant of stock options under ESOP (in lacs)	2.29	-
Weighted average number of equity shares in calculating diluted EPS (in lacs)	395.41	303.34

10. Deferred Tax Liabilities (Net)

(Rs. in lacs)

The break up of deferred tax asset / liabilities is as under:-	As at March 31, 2008	As at March 31, 2007
Deferred Tax Liabilities		
Timing difference on account of :		
Differences due to accelerated amortisation of intangibles under Income Tax Act	-	7.07

(Rs. in lacs)

The break up of deferred tax asset / liabilities is as under:-	As at March 31, 2008	As at March 31, 2007
Differences in depreciation in block of fixed assets as per tax books and financial books	1,495.39	1,657.12
Effect of lease accounting	-	788.47
Others	-	530.84
Gross Deferred Tax Liabilities (A)	***1,495.39***	***2,983.50***
Deferred Tax Asset		
Timing difference on account of :		
Expenses disallowed under Income Tax Act, 1961	586.51	10.18
Provision for securitization		
Provision for hedging contracts	275.89	0.00
Gross Deferred Tax Assets (B)	**862.40**	**10.18**
Deferred Tax Liabilities (Net) (A-B)	**632.99**	**2,973.32**

(Rs. in lacs)

11. Capital Commitments	As at March 31, 2008	As at March 31, 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	276.84	1,126.88

(Rs. in lacs)

12. Contingent Liabilities not provided for	As at March 31, 2008	As at March 31, 2007
Guarantees issued by the Company	6.81	6.81
In respect of assets securitised	NIL	16.69
In respect of derivative transaction	NIL	9.97

Income Tax/Wealth Tax

Disputed Income tax/Wealth Tax demands contested in appeal as on March 31st, 2008 amounts to Rs.1,603.12 lacs (March 31st 2007): Rs.1,397.89 Lacs. In view of favourable appellate decisions in respect of earlier years on similar issues, the company is confident of getting full relief. Hence the amount is not considered as contingent liability.

Service Tax

The applicability of Service tax has been challenged in respect of its hire purchase/lease activities and has obtained a stay in its favour granted by Madras High Court. However provision is made in the books for any liability that may arise.

13. The Company during the year converted 20,55,000 warrants issued to Shriram Enterprise Holdings Private Limited into equity shares of Rs.10/- each at a premium of Rs.150/-. The total amount of Rs. 3,082.50 lacs received from the said preferential allotment was utilized for the purpose of increasing the net worth and working capital of the Company.

14. Employee Stock Option Plan

	Series I
Date of grant	October 19, 2007
Date of Board Approval	October 19, 2007
Date of Shareholder's approval	October 30, 2006
Number of options granted	13,27,500
Method of Settlement (Cash/Equity)	Equity
After 1 year of grant date	10% of options granted
After 2 years of grant date	20% of options granted
After 3 years of grant date	30% of options granted
After 4 years of grant date	40% of options granted
Exercisable period	10 years from vesting date
Vesting Conditions	on achievement of pre -determined targets

The details of Series I have been summarized below:

	As at March 31, 2008		As at March 31, 2007	
	Number of Shares	Weighted Average Exercise Price(Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	Nil	-	Nil	-
Add: Granted during the year	13,27,500	Rs. 35.00	Nil	-
Less: Forfeited during the year	Nil	-	Nil	-
Less: Exercised during the year	-	-	-	-
Less: Expired during the year	-	-	-	-
Outstanding at the end of the year	13,27,500	Rs. 35.00	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	-	12.55	-	-
Weighted average fair value of options granted	-	Rs. 227.42	-	-

The details of exercise price for stock options outstanding for Series I at the end of the year are:

As at	Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price
March 31, 2008	Rs.35/-	13,27,500	12.55	Rs.35/-
March 31, 2007	NIL	NIL	NIL	NIL

Stock Options granted

Series I

The weighted average fair value of stock options granted was Rs.227.42. The Black Scholes model has been used for computing the weighted average fair value of options considering the following inputs:

	Yr 1	Yr 2	Yr 3	Yr 4
Exercise Price (Rs.)	35.00	35.00	35.00	35.00
Expected Volatility (%)	55.36	55.36	55.36	55.36
Historical Volatility	NA	NA	NA	NA
Life of the options granted (Vesting and exercise period) in years	1.50	2.50	3.50	4.50
Expected dividends per annum (Rs.)	3.00	3.00	3.00	3.00
Average risk-free interest rate (%)	7.70	7.67	7.66	7.67
Expected dividend rate (%)	0.84	0.84	0.84	0.84

The expected volatility was determined based on historical volatility data equal to the NSE volatility rate of Bank Nifty which is considered as a comparable peer group of the Company. To allow for the effects of early exercise, it was assumed that the employees will exercise the options within six months from the date of vesting in view of the exercise price being significantly lower than the market price.

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

(Rs. in lacs)

	As at March 31, 2008	As at March 31, 2007
Compensation cost pertaining to equity-settled employee share-based payment plan included above	542.08	-
Liability for employee stock options outstanding as at year end	3,006.12	-
Deferred compensation cost	2,464.04	-

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

In March 2005, ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires that the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

	Year Ended March 31, 2008	Year Ended March 31, 2007
Profit as reported (Rs. in lacs)	8,763.50	5,162.16
Add: Employee stock compensation under intrinsic value method (Rs. in lacs)	542.08	-
Less: Employee stock compensation under fair value method (Rs. in lacs)	544.40	-
Proforma profit (Rs. in lacs)	8,761.18	5,162.16
Less Preference Dividend	165.74	176.52
Proforma Net Profit for Equity Shareholders	8,595.44	4,985.64
Earnings per share	-	-
Basic (Rs.)	-	-
- As reported	21.95	16.48
- Proforma	21.95	16.48
Diluted (Rs.)	-	-
- As reported	21.74	16.44
- Proforma	21.74	16.44

15. Securitisation

The Company sells loans through securitisation and direct assignment. The information on securitisation & direct assignment activity of the Company as an originator for the year March 31, 2008 and March 31, 2007 is given below:

	Year ended March 31, 2008	Year ended March 31, 2007
Total number of loan assets securitized	3,98,691	4,38,457
Total book value of loan assets securitised (Rs. in lacs)	75,781.80	80,493.74
Sale consideration received for the securitised assets (Rs. in lacs)	83,539.14	91,302.42
Net gain on account of securitization (Rs. in lacs)	7,757.34	10,808.68

The information on securitisation & direct assignment activity of the Company as an originator as on March 31, 2008 and March 31, 2007 is given in the table below :

(Rs. in lacs)

	As at March 31, 2008	As at March 31, 2007
Outstanding credit enhancement- Deposit with banks/corporate	4,695.88	5,711.93
Outstanding Credit enhancement - Receivables	3,200.86	1,906.69

16. Derivative Instruments

The Notional principal amount of derivative transactions outstanding as on March 31, 2008 for interest rate swaps Rs.50,000 lacs (March 31, 2007 - 5,000 lacs). The interest rate swaps is to hedge against exposure to variable interest outflow on loans.

17. During the year ended March 31, 2008, the Company has reassessed the balance useful life of its Windmills and Leasehold improvement (Furniture & fixtures). Based on such reassessment, the estimated balance useful life has reduced from 6 years to 3 years and 16 years to 5 years respectively. Accordingly, the Company has provided additional depreciation amounting to Rs.505.34 lacs in respect of these assets during the year.

18. Supplementary Statutory Information

18.1 Managing Director's Remuneration

The computation of profits under section 349 of the Act has not been given as no remuneration / commission is payable to the Managing Director.

18.2 Expenditure in foreign currency (On cash basis)

(Rs. in lacs)

	Year ended March 31, 2008	Year ended March 31, 2007
Travelling	1.67	Nil
Others	Nil	Nil
	1.67	**Nil**

19. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of schedule VI to the Act.

19.1 Licensed Capacity, Installed capacity, Actual production and Sales

Class of Goods	Units	Licensed Capacity as at March 31,		Installed Capacity as at March 31, (in KW)		Actual Production and Sales for the year ended March 31, (in unit)		Sale Value (Rs. in Lacs)	
		2008	2007	2008	2007	2008	2007	2008	2007
Windmill	34	NA	NA	12,550	12,550	1,65,56,603	2,06,05,220	476.13	583.08

20. The Company has initiated the process of identification of 'suppliers' registered under the "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006" by obtaining confirmations from suppliers. Based on the intimation received by the Company, none of the suppliers have confirmed to be registered under MSMED Act, 2006. Accordingly, no disclosures relating to amounts unpaid as at the year end together with interest paid /payable are required to be furnished.

21. Schedule to the Balance Sheet of a Non-Banking Financial (Deposit Accepting or Holding) Company

[as required in terms of paragraph 13 of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007]

(Rs in lacs)

	Particulars Liabilities side :			Amount outstanding	Amount overdue
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :**				
	(a) Debentures	Secured		81076.87	2597.38
		Unsecured (other than falling within the meaning of public deposits*)		3669.88	NIL
	(b) Deferred Credits			NIL	NIL
	(c) Term Loans			126803.37	NIL
	(d) Inter-corporate loans and borrowings			959.41	NIL
	(e) Commercial Paper			4500.00	NIL
	(f) Public Deposits*			210.43	18.11
	(g) Other Loans	- HP Refinance		NIL	NIL
		- Cash Credit from banks		67420.99	NIL
		- Others - Subordinated Debts		32101.36	NIL
		- ICD			NIL
	* Please see Note 1 below				
2	**Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):**				
	(a) In the form of Unsecured debenture			NIL	NIL
	(b) In the form of partly secured debenture I.e. debentures where there is a shortfall in the value of security			NIL	NIL
	(c) Other public deposit			210.43	18.11
	* Please see Note 1 below				

Rs in lacs

	Asset side :	Amount Outstanding
3	Break-up of Loans and advances including bills receivebles [other than those included in (4) below]	
	(a) Secured	8.75
	(b) Unsecured	NIL

4	**Break-up of Lease Assests and stock on hire counting towards AFC activities**	
	(i) Lease assets including lease rentals under sundry debtors:	
	(a) Financial lease	NIL
	(b) Operating lease	NIL
	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	NIL
	(b) Repossessed Assets	NIL
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	NIL
	(b) Loans other than (a) above	237502.50
5	**Break-up of Investments:**	
	Current Investments:	
	1 Quoted:	
	(I) Shares: (a) Equity	NIL
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	NIL
	(v) Others(please specify)	NIL
	2 Unquoted:	
	(I) Shares: (a) Equity	NIL
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	NIL
	(v) Others(please specify)	NIL
	Long term Investments:	
	1 Quoted:	
	(I) Shares: (a) Equity	NIL
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	104.53
	(v) Others(please specify)	NIL
	2 Unquoted:	
	(I) Shares: (a) Equity	500.45
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	NIL
	(v) Others(please specify)	NIL

6 **Borrower group-wise classification of all assets financed as in (3) and (4) above**

Please *see* Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
1 Related Parties**			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2 Other than related parties	237578.64	37991.59	275570.23
Total	**237578.64**	**37991.59**	**275570.23**

7 **Investor group-wise classification of all investments(current and long term) in shares and securities (both quoted and unquoted):**

Please *see* Note 3 below

Category		Market Value/ Break-up or fair value or NAV	Book value (net of provisions)
1	Related Parties**		
	(a) Subsidiaries	nil	nil
	(b) Companies in the same group	nil	nil
	(c) Other related parties	nil	nil
2	Other than related parties	587.14	587.05
	Total	587.14	587.05

** As per Accounting Standerd of ICAI(please see Note3)

8 **Other information:**

	Particulars	Amount
(I)	Gross Non-Performing Assets	
	(a) Related Parties	nil
	(b) Other than related parties	4228.66
(ii)	Net Non-Performing Assets	
	(a) Related Parties	nil
	(b) Other than related parties	2495.70
(iii)	Assets acquired in satisfaction of debt	nil

Notes:

1 As defined in Paragraph 2(1)(xii) of the Non-Banking Financial CompaniesAcceptance of Public Deposits (Reserve Bank) Directions,1998.

2 Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions,2007.

3 All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break-up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

22 Previous Year Comparatives

The figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's classification.

As per our report of even date

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

PIJUSH KUMAR GUPTA
Partner
Membership No : 015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants

R. KANNAN
Managing Director

S.VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Place : Chennai
Date : June 16,2008

CASH FLOW STATEMENT for the year ended March 31, 2008

(Rs. in Lacs)

PARTICULARS	Year Ended March 31, 2008	Year Ended March 31, 2007
A. Cash flow from operating activities		
Net profit before taxation	12,698.46	7,943.32
Depreciation	1,127.52	373.35
Share and debenture issue expenses written off	2.13	1.69
(Profit) / loss on sale of assets (net)	3.35	(8.85)
Lease Equalisation Adjustments		(11.49)
Interest and dividend received	(648.74)	(636.63)
Employees Stock option compensation cost	542.09	-
Provision for hedging contracts	811.68	-
Provisions and write off	5,174.98	2,482.15
Provision for gratuity	104.70	28.48
Provision for leave encashment	13.60	1.77
Provision for diminution in value of investments	-	2.99
Operating profit before working capital changes	**19,829.77**	**10,176.78**
Movements in working capital:		
(Increase) / decrease in stock on hire	3,117.30	3,474.15
(Increase) / decrease in assets under financial lease	2,485.26	2,927.33
(Increase) / decrease in assets under loan agreement	(114,297.53)	(94,646.40)
(Increase) / decrease in lease assets - net of sales	-	8.89
(Increase) / decrease in other loans and advances	(2,073.73)	499.07
(Increase) / decrease in other receivables (current assets)	(45.36)	(71.50)
Increase / (decrease) in current liabilities	(2,274.14)	9,321.80
Cash generated from operations	**(93,258.43)**	**(68,309.88)**
Direct taxes paid (net of refunds)	(6,522.66)	(3,154.36)
Net cash used in operating activities (A)	**(99,781.09)**	**(71,464.24)**
B. Cash flows from investing activities		
Investment in bank deposits (net)	52.63	(1,569.91)
Purchase of fixed assets	(670.26)	13.80
Proceeds from sale of fixed assets	1.81	(368.18)
Purchase of investments		-
Investment in associate company		-
Investment in subsidiary company	(4.99)	-
Proceeds from sale of investments in subsidiary company	4.55	
Proceeds from sale of investments	59.50	-
Interest received	602.68	571.36
Dividend received	46.06	65.27
Net cash used in investing activities (B)	**91.98**	**(1,287.66)**

(Rs. in Lacs)

PARTICULARS	Year Ended March 31, 2008	Year Ended March 31, 2007
C. Cash Flows from financing activities		
Proceeds from issue of equity share capital including share premium	3,288.00	19,200.00
Procceds from issue of share warrants	(327.80)	560.00
Increase / (decrease) in bank borrowings (net)	114,921.35	52,645.77
Increase / (decrease) in long term borrowings (net)	17,578.19	2,250.17
Increase / (decrease) in fixed deposits (net)	(214.31)	2.84
Increase / (decrease) in subordinate debts (net)	8,235.77	11,066.33
Increase / (decrease) in unsecured redeemable non convertible debentures (net)	3,500.00	
Increase / (decrease) in unsecured loans	5,425.00	(247.50)
Dividend paid	(1,324.00)	(959.32)
Tax on dividend	(225.01)	(134.55)
Net cash from financing activities (C)	**150,857.19**	**84,383.74**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	51,168.08	11,631.84
Cash and Cash Equivalents at the beginning of the year	31,478.98	19,847.14
Cash and Cash Equivalents at the end of the year	**82,647.06**	**31,478.98**

Components of Cash and Cash Equivalents (Refer note 3 of schedule 21)	**March 31, 2008 Rs.**	**March 31, 2007 Rs.**
Cash, Cheques on Hand and remittance in transit	1,907.24	2,129.90
With Banks - in Current Account	36,694.58	15,619.07
- in fixed deposits (Original maturity being three months or less)	44,045.24	13,730.01
	82,647.06	**31,478.98**

Significant Accounting Policies and Notes to Accounts **20**

As per our report of even date

For and on behalf of the Board of Directors of
Shriram City Union Finance Limited

PIJUSH KUMAR GUPTA
Partner
Membership No : 015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants

R. KANNAN
Managing Director

S.VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Place : Chennai
Date : June 16,2008

BALANCE SHEET ABSTRACT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV TO SCHEDULE VI TO THE COMPANIES ACT ,1956.

I. Registration Details

Registration No. 12840 State Code 18

Balance Sheet Date 31 03 08
Date Month Year

II. Capital raised during the year (Amount in Rs. '000s)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	20550

III. Position of mobilisation and Deployment of Funds
(Amount in Rs. '000s)

Total Liabilities	Total Assets
3461441 9	3461441 9

Sources of Funds

Paid-up Capital	Reserves & Surplus
64448	3776103
Secured Loans	**Unsecured Loans**
26318763	3734378
Optionally Convertible Warrants	**Other Liabilities**
23220	1175 07

Application of Funds

Net Fixed Assets	Investments
51080 6	60498
Net Current Assets	**Misc. Expenditure**
3404311 5	NIL
Accumulated Losses	
NIL	

IV. Performance of
Company (Amount in Rs. '000s)

Turnover	Total Expenditure
6231876	4962030
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
✓ 1269846	✓ 876350
Earnings Per Share in Rs.	**Dividend Rate %**
21.95	40

V. Generic Names of Three Principal Products/Services of Company(as per Monetary Terms)

Item Code No. (ITC Code)	Product Description
N.A	Hire Purchase and Leasing and Hypothecation Loan

For Shriram City Union Finance Limited

Place: Chennai
Date : June 16,2008

R.KANNAN
Managing Director

S VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

NOTES

Concept, Research & Design by WYATT (info@wyatt.co.in)

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