Shriram City

MONEY WHEN YOU NEED IT MOST

Shriram City Union Finance Limited

23rd Annual Report | 2008-09

Research, content & design by WYATT (info@wyatt.co.in)

Shriram City Union Finance Limited

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

Regd. Office: No. 123, Angappa Naicken Street,
Chennai – 600 001
Ph.: +91-44-2534 1431

www.shriramcity.in

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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.

Shriram City Union Finance

Incorporated in 1986, Shriram City Union Finance Limited (Shriram City) is a part of the three decade-old, Chennai-based Shriram Group- India's premier financial services chain. Today, with an employee-strength of over 11,000 and a network of more than 75,000 agents, the Shriram Group reaches out far and wide, even to the remotest of regions across the country.

DIVERSIFIED PRODUCT PORTFOLIO

Shriram City is a deposit-accepting asset financing Company. Astride its huge infrastructural and manpower network, Shriram City today offers services across a whole gamut of financial needs, from consumer durables and vehicles (commercial and non-commercial) to personal and small ticket business loans and loans against gold.

MOVING TOGETHER, MOVING RIGHT, MOVING FORWARD

The Company's multiple and diverse product portfolio and focused target audience has helped the business to remain impervious to cyclic or seasonal vagaries of any one segment.

Shriram City has successfully employed this to:

- Move together with its customers, nurture and nourish their aspirations and goals
- Move in the right direction, with the right business model and business strategies
- Move forward…..towards a brighter today and an even brighter future for its customers, employees and all stakeholders.

Moving together

"The customer is our reason for being here."

Shriram City finances the common man, typically to substitute local moneylenders and other more cumbersome and time-consuming borrowing options, the borrower may have to resort to. The Company's endeavour is to provide money for just about everything that matters to its customers. At every step and in every walk of life, we strive to empower and enrich their lives.

Shriram City has always been there for the people, with money when they have needed it most. We understand the needs, desires and aspirations of our customers, communicate with them in their language, serve them at their doorstep with minimum of hassles in the shape of documentation and collaterals.

In fact, this `**customer is the king**' philosophy has been the cornerstone of the Company's business model, that is geared towards helping the common man. Across cities, small towns and villages where the common man aspires for a better life and aims for higher goals, we are there, making money available when he needs it the most.

MOVING TOGETHER WITH THE CUSTOMER, WE CONTINUE TO BE A TREND-SETTER, IN EVERY ASPECT OF OUR BUSINESS, EXPANDING OUR CUSTOMER AND EMPLOYEE BASE, ENHANCING OUR REVENUES AND INCREASING OUR ASSETS UNDER MANAGEMENT.

Moving right

Constantly moving in the right direction….with the right business model, the right mix of products, the right risk management systems and the right team in place, we have successfully aligned our growth trajectory to service our ever-growing customer base at all times.

By becoming **agents of change**, and not just responding to change.

By **creating new opportunities**, and not just making the most of the existing ones.

By **reaching out to the future**, and not just waiting for the future to come to it.

UNIQUE BUSINESS MODEL

- CUSTOMER-CENTRIC APPROACH
- DIVERSIFIED PRODUCT MIX
- FOCUSED ON EMPOWERING PEOPLE
- TIME-TESTED SYSTEM OF REFERRALS
- STRONG DEALER & DISTRIBUTOR NETWORK
- ELABORATE MONITORING & RECOVERY
- ROBUST CREDIT & DISBURSAL POLICY FRAMEWORK
- DECENTRALISED DECISION MAKING
- BOTTOMS UP MANAGEMENT

"We strive to ensure that your power of dreams never diminishes."

Moving forward
for a better future

A FORCE OF NEW ASPIRATION, OF STEADY AMBITIONS & OF RENEWED HOPE.

A FORCE THAT CONTINUES TO GLOW IN EVERY HEART.

The force of new India that touches people's lives across cities, towns, districts, talukas and villages with the promise of a better tomorrow.

It's a force that promises to grow even stronger in the times to come.

Responding to greater demand, especially in the non-metros, semi-urban and rural areas and satisfying the demand for the essentials of good living are the target focus of Shriram City.

It's a demand that Shriram City is fully geared to gauge, determine, tackle and service relying on its strength of a business model, credit policy framework that is flexible and molded to the region-specific needs of the people.

Riding on the back of this force, Shriram City continues to move towards a brighter and better future for each and every one of its customers, employees and stakeholders across the country.

Moving forward
for a better future

E.V. MURALIKRISHNA
Muralikrishna Medical Distributors (Pharmacy)
"Loan disbursement at the customers doorstep which I thought as a myth was proved true with the smooth document execution and my loan amount was actually delivered to me at my shop. "

BOMMINENI SATYANARAYANA
Chandana Cut Pieces and Saree Centre (Cloth Merchant)
"I had initially approached another financial organisation for a business loan required to develop my small cloth store business. However, by the time the lengthy, time consuming and cumbersome application process was completed the business opportunity had vanished. However, when another opportunity for expansion came by, I approached Shriram City and thanks to their relationship based lending model, the hassle free documentation process was quick and disbursement timely."

K. CHINNA REDDAPPA
K.K.R. Readymade (Readymade Shop)
"I earnestly wanted to expand my fancy store business further, if only I could set up a readymade showroom…but finance was a hurdle…that's till I approached Shriram City ….they not only sanctioned the loan amount, it was done in a short period minus any hassel."

G.L. MANOHAR
Koundinya Car Care Centre (Car Servicing Centre)
"We service around 600 cars per month thanks to the expansion and modernisation of our service centre. The small business loan from Shriram City ushered in prosperity and am hoping to procure a car dealership soon."

M. RAMAMURTHY NAIDU
Tirumala Milk Parlour
"Nearly a decade ago, I was a simple, local retail milk vendor, today thanks to the timely finance provided by Shriram City, I have a milk parlour, many large cold storage units and have bagged several large contracts for supplying milk & milk products to various educational institutions and large corporates in Tirupathi. Thank you, Shriram City for trusting my business capabilities. Shriram City is indeed – Money when you need it most."

Sri Arun Duggal, *Chairman*

From the desk of the Chairman

ONE OF THE IMPORTANT HIGHLIGHTS FOR THE YEAR GONE BY WAS THE EXCELLENT RECEPTION YOUR COMPANY RECEIVED FROM BANKS; YOUR COMPANY HAS SUCCESSFULLY MOBILISED RS. 138950 LACS FROM BANKS AND FINANCIAL INSTITUTIONS. YOUR COMPANY FURTHER AUGMENTED A GROWTH IN ITS DEBENTURE PORTFOLIO WHICH NOW STANDS AT RS. 66898 LACS.

Dear Shareholders,

We meet at a critical moment in the history of global economy, and in our own country's economic environment. The Indian economy has, in the last year, witnessed certain difficulties involving expensive money, limited finance options, and a general slowdown. The global scenario, by all accounts, is bleak.

NBFC industry is at the crossroads, and faces immense challenges. Shriram City is among those that has not only survived but, in fact, has emerged stronger. We have consistently moved forward towards a better and brighter future on the back of our inherent strengths, the key among them being a diversified product-mix catering not to the `luxuries' of life but to the basic `necessities.'

Alongside, there have been other critical factors that have favoured your Company's growth even in this recessionary economy. The relative insulation of our focused rural and semi-urban market from the recession has ensured that your Company's loan portfolio remains largely shielded from the recessionary trends. Further, the focus on relatively small ticket sizes of the loans pre-empts the chances of delinquencies. On the positive side, several upticks signs are now visible indicating that the economy may slowly but surely be moving towards a revival -- aided by ample liquidity in the institutional system, more liberalized credit, government stimulus packages and rural demand.

Notwithstanding its inherent strengths, your Company nevertheless adopted an ultra-conservative approach to lending in the recent months, when the confidence of institutional lenders and other NBFCs seemed to be shaken on account of the current trends in the economy. Moving forward cautiously, your Company limited its loan sanctions during the year to somewhat below peak levels even during the festive period.

This partly impacted the revenue and margin, but the overall growth story of your Company remained intact during 2008-09. Piggybacking on these gains, your Company continued to move together with its customers in their aspirations and goals, moving in the right direction even in difficult times to reach new levels of success, both financially and operationally, and moving forward to chart a bigger success story for the future.

MOVING FORWARD, FINANCIALLY

One of the important highlights for the year gone by was the excellent reception your Company received from banks; Your Company has successfully mobilised Rs. 138950 Lacs from banks and financial institutions. Your Company further augmented a growth in its debenture portfolio which now stands at Rs. 66898 Lacs.

MOVING FORWARD, OPERATIONALLY

The solid financial performance of the last year helped your Company impress major investors to repose their faith in the organisation. The leading among them was TPG India Investments I, Inc (`TPG'). During the year under review, your Company approved the execution of an agreement with TPG, whereby TPG will invest upto USD 120 million (Rs. 53000 Lacs) to acquire an equity stake of up to 49% in Shriram Retail Holdings Pvt Ltd, the holding company of Shriram City.

MOVING RIGHT, PORTFOLIO & CUSTOMER WISE

In terms of its product portfolio, too, your Company's progress did not stop, despite the overall economic slowdown, which did impact demand for financing and increased the risk of delinquencies in some key financing segments, particularly Auto and Commercial Vehicles loans. With our vast and diverse product portfolio, and focus on newer and other target segments such as loan against gold, we have been able to counter these risks to a large extent.

Thus, your Company continued to expand its business operations across key product portfolios, reaching out to more and more customers, through a larger distributor network, during the fiscal under review.

FUTURE POTENTIAL

Our solid performance notwithstanding, we are fully aware of the serious structural challenges that the NBFC sector in India is currently facing in the form of increased risk of refinancing or rollover of their short-term borrowings (particularly Mutual Funds) and higher short-term asset-liability mismatch, as well as decelerating disbursement growth. While your Company cannot be totally immune to these adverse circumstances, and its implications in the short and mid-term, the fact remains that we are fully equipped, on the back of our sound financial and operational strengths, to overcome these pressures and emerge eventual winners.

Coupled with these is the inherent trust that our customers repose in our systems and processes, which are totally geared towards providing them hassle-free, simplified, at-the-doorstep services. Keeping all this in view, I am confident that your Company will not only survive the current times but will emerge even more successful in the months and years to come.

It is widely believed that the performance between better positioned and average players in the sector will widen in the current turbulence. As a better positioned player, let me assure you, your Company is comfortably placed - in view of its specialisation in low-risk segments, flexibility in product and liability mix, sound risk management standards, established origination and recovery capabilities – to successfully sail through this adverse period.

ON A CONCLUDING NOTE

Analysts are optimistic about the long-term gains of the business model of NBFCs. And our own business model is particularly blueprinted for success due to its inherent flexibility and diversity in terms of the product portfolio and a strong and well-established dealer and recovery network.

Your Company also has strong operating flexibility in terms of business segments and geographies. Our strong understanding of regional dynamics and customer needs, coupled with flexibility in capital infusion, further enhances our growth potential. I am confident, in the circumstances, which your Company will continue to move fast, move right and move on in the Indian financial services space.

One factor that really encourages me to be optimistic is the highly motivated, huge workforce that is the biggest asset of your Company. This workforce has been highly instrumental in enabling your Company to move on the right track even in not-so-positive circumstances. As a token of its appreciation to the employees, your Company had come out with an Employees' Stock Option Scheme in 2006.

I am sure that with their continued support, combined with the inherent strengths and resilience of your Company, we shall continue to move on the path to higher revenues and returns for a long time to come.

Sri Arun Duggal
Chairman

bt special

India's Most Investor-Friendly Companies

We know. You don't think there are any investor-friendly companies in this market. But in a world where performance is relative, there are some who managed to put a smile on their shareholders' faces.

UNTIL EARLY THIS YEAR, IT DIDN'T TAKE MUCH TO MAKE YOU HAPPY IF YOU WERE AN equity investor. India seemed like the flavour of the decade, India Inc.'s flagbearers were snapping up big rivals elsewhere in the world, and Sensex at 25,000 was where we were all headed (gosh, all that seems so awfully long ago now). Cut to today, investors are licking their burnt fingers and swearing never to touch equity again. Not surprising at all. In a stock market that has plunged from 21,000-something to less than 15,000 now, there's hardly anyone—small or big investor—who hasn't lost money.

But it's equally true that equity provides the best returns over the long term. So, if you are in for the long haul, who should you be investing with? Which are the companies that treat their shareholders like kings? Which companies announce their results on time, hold their annual general meetings every year and, most importantly, have a history of paying dividends consistently? As you can probably imagine, there aren't too many of them. What makes it harder still for companies is our methodology, which makes them jump through some tough hoops (see *How We*

THE INVESTOR-FRIENDLY ONES

Company Name	Gain	Dividend	Points Complaint	Results	AGM	Final
Aban Offshore	20.49	20	0	7	7.5	54.99
Jindal Steel & Power	31.56	20	0	0	1	32.56
Shriram City Union Finance	20.95	6.67	15	0	9	51.62
[illegible]	15.03	19.67	6	0	9	49.70
Core Projects & Technologies	35.00	2	6	0	6	49.00
K S Oil	35.00	3	0	0	11	49.00
Ja Corp	35.00	6.67	0	0	6	47.67
Asian Paints	6.26	20	9	0	12	47.26
Modern India	35.00	2	0	0	10	47.00
Tata Gas	16.97	20	0	0	10	46.97
Blue Star	18.31	20	0	0	8	46.31
Reliance Industries	7.95	20	0	4	13.5	45.45
Great Eastern Shipping Co.	5.89	20	10	0	9	44.89
Madras Cements	6.56	20	10	0	8	44.56
Shriram Transport Finance Co.	12.66	6.67	15	0	9	43.33
Hercules Hoists	13.75	20	0	0	9	42.75
Adani Enterprises	31.09	10	0	0	1	42.09
Sterling International Enterprises	35.00	0	5	0	0	40.00
Simplex Infrastructures	7.49	15.4	15	0	1.5	39.39
Sagar Cements	35.00	2.67	0	0	1	38.67
Nava Bharat Ventures	9.47	20	0	0	9	38.47
Zenith Pharmaceutical Works	25.01	11.4	1	0	0	37.41
Diamond Power Infrastructure	35.00	0	0	2	0	37.00
Bosch Chassis Systems India	2.16	13.67	15	0	6	36.83
Sterlite Industries (India)	16.56	20	0	0	0	36.56
Usha Martin	11.97	15.4	0	0	9	36.37
Himadri Chemicals & Inds.	28.99	5.4	0	0	1	35.39
Larsen & Toubro	9.37	20	0	0	6	35.37
Exide Industries	9.75	7	0	8	9	33.75
Jindal Drilling & Ind.	21.52	3.67	0	0	7.5	32.69
Satyam Computer Services	2.57	20	0	4	6	32.57
Petlite Industries	5.25	20	0	1	6	32.25
Opto Circuits (India)	20.92	9.4	0	0	1	31.32
Jagruti Associates	9.58	7.6	0	7	6	30.18
Amara Raja Batteries	14.14	6.33	0	0	1.5	27.97
Steel Authority of India	6.18	5.87	12	0	2	26.46
Rain Commodities	11.99	4.2	0	0	10	26.19
Gujarat Pyrochemicals	3.65	20	0	0	1	24.65
ICSA (India)	15.51	8	0	0	1	24.51
Tasmac	7.38	9.6	0	0	7.5	24.48
Mayner Ispat & Energy	10.47	7.67	0	4	1	23.14
[illegible]	17.66	4	0	0	1	22.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.99

SCUF's Kannan: Riding the boom in middle class consumption

South's Lender of Choice

ONSUMER FINANCE COMPA- nies in India are generally either scaling down their ess or shutting shop altogether, or Shriram City Union Finance). In sharp contrast, the mai-based consumer finance s bravely going where few of npetitors want to go. Result: interest income as a per- ge of revenue has shot up s 100 crore in 2005-06 to crore in 2007-08, while its fit has soared from Rs 32 Rs 88 crore in the same Guess what? It anticipates cent compounded annual rate (CAGR) at least over five years. "We estimate et market for lending to st Rs 15,000 crore," says n, the firm's MD. It's easy onsumer finance company se its disbursements; the t is to keep its profits

COMPANY: SHRIRAM CITY UNION FINANCE
CHAIRMAN: R. Thyagarajan
INDUSTRY: Consumer lending, finance
MOST INVESTOR-FRIENDLY MOVE: Consistently declaring dividend of 30-40 per cent; focussing on the small businessman and trader
SHARE PRICE AS ON JUNE 30, 2008: Rs 339.85
SHARE PRICE AS ON JULY 1, 2005: Rs 48.6
Source: CMIE Prowess; adjusted closing stock price

ricky loans, which last year ac- counted for a bare 2 per cent of to- tal advances. A healthy yield allows SCUF to reward its shareholders generously. Last year, for instance, it paid out a 40 per cent dividend.

What also gives SCUF an edge over competitors is its robust chit funds business. Over the last 30 years, Shriram Chit Funds has acquired more than three lakh customers. That explains why SCUF managed to disburse consumer loans worth Rs 3,744 crore in 2007-08 alone. Most of its borrowers are middle-class consumers and others who have little access to bank finance. That clientele ranges from a middle-class consumer to a small businessman. The average loan size is Rs 5 lakh, although SCUF is equally happy lending as little as a few thousand rupees and as much as Rs 10 lakh. "Our success is equally on account of our collection, which we have learnt from Shriram Chit Funds not to outsource," says Subhasri Sriram, Executive Director. The firm's smarts will be tested as it moves out of South, which acco-

Financial highlights

NET WORTH (RS. LACS) & RETURN ON AVERAGE NET WORTH (%)

CAPITAL ADEQUACY RATIO (%)

EARNINGS PER SHARE (RS.)

ASSETS UNDER MANAGEMENT (RS. LACS)

CREDIT EXPOSURE (RS. LACS) & NET NPA (%)

BOOK VALUE PER SHARE (RS.)

PBT & PAT (RS. LACS)

LIABILITIES - RETAIL DEBT PORTFOLIO (RS. LACS)

LIABILITIES - INSTITUTIONAL DEBT PORTFOLIO (RS. LACS)

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 Dr. 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, Ramakrishnan Street, Off North Usman Road, T. Nagar, Chennai – 600 017 Ph.: +91-44-2814 0801 – 0803
REGISTERED OFFICE:	No. 123, Angappa Naicken Street, Chennai – 600 001 Ph.: +91-44-2534 1431
SECRETARIAL OFFICE:	4th Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai – 600 004 Ph.: +91-44-2499 0356/0960 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. Andhra Bank 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 City Union Bank Ltd. Corporation Bank DBS Bank Ltd. Dena Bank HDFC Bank Ltd. The Hongkong and Shanghai Banking Corporation Ltd. ICICI Bank Ltd. Indian Bank Indian Overseas Bank Indus Ind Bank Ltd. IDBI Bank Ltd. ING Vysya Bank Ltd. Oriental Bank of Commerce Punjab National Bank Standard Chartered Bank PLC State Bank of Bikaner & Jaipur State Bank of Mysore State Bank of Indore 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:	GE Capital Services India Pvt. Ltd 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, 05th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

Our presence in India

A:
Adilabad, Adoni, Agartala, Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Alappuzha, Aligarh, Allahabad, Alwar, Amalapuram, Amaravati, Ambala, Ambikapur, Amravati, Amreli, Amristar, Anakapalli, Anand, Anantapur, Anchal, Angamaly, Angul, Arakonam, Arani, Aranthangi, Ariyalur, Asansol , Attur, Aurangabad, Azadpur.

B:
Bacheli, Bagalkot, Balaghat, Balasore, Bangalore, Bankura, Baramati, Barasat, Bardoli, Bareilly, Barmer, Baroda, Basavakalyan, Batlakundu, Beed, Begusarai, Behraich, Belapur, Belgaum, Bellary, Berhampur, Betul, Bhadrak, Bhagalpur, Bhandup, Bharatpur, Bharuch, Bhatinda, Bhatkal, Bhavanipuram, Bhavnagar, Bhilai,Bhilwara, Bhimavaram, Bhiwandi, Bhopal, Bhubaneshwar, Bhuj, Bicholim, Bidar, Bijapur , Bijnore, Bikaner, Bilaspur, Boisar, Bokaro, Burdwan, Burhanpur.

C:
Calicut, Chamarajnagar, Chandan nagar, Chandigarh, Chandikhol, Chandrapur, Channapatna, Channarayapatna, Chattarpur, Chembur, Chengalpattu, Chennai, Chickballapur, Chidambaram, Chikkamangalore, Chikkodi, Chinchwad, Chindwara,Chiplun, Chitradurga, Chittore, Chittogarh, Coimbtore, Coochbehar, Cuddalore, Cuddapah, Cumbum, Cuttack.

D:
Dahisar, Dahod, Dausa, Davangere, Deepika, Dehradun, Dewas, Dhamtari , Dhanbad, Dharmapuri, Dharwad, Dhulia, Dindigul, Durgapur.

E:
Eluru, Ernakulam, Erode, Etawah.

F:
Faizabad, Faridabad, Farrukhabad, Fathepur, Ferozepur.

G:
Gadag, Gadwal, Gajuwaka, Gandhidham, Ganganagar, Ghaziabad, Goa, Gobichettipalayam, Godhara, Godhavarikhani, Gondia, Gorakhpur, Gudiwada, Gudur, Gulbarga, Gummidipoondi, Guna, Guntur, Gurgaon, Guwahati, Gwalior.

H:
Haldwani, Hanmana, Hassan, Haveri,Hazaribagh, Himayathnagar, Himmatnagar, Hindupur ,Hissar, Hooghly, Hospet, Hosur, Hubli, Humnabad.

I:
Iikal, Indira Nagar, Indore, Itchapuram.

J:
J P Nagar, Jabalpur, Jafferkhanpet, Jagadamba, Jagdalpur, Jaipur, Jaisalmer, Jajpur, Jalandhar, Jalgaon, Jalna, Jamkhambhalia, Jammu Jamnagar, Jamshedpur, Janakpuri, Janjgir, Jhalawar, Jhansi, Jhunjhunu, Jodhpur, Junagadh, Jyepore.

K:
Kadapa, Kaithal, Kakinada, Kallakurichi, Kalyan, Kanchangadh, Kanchipuram, Kankavali, Kannur, Karad, Karaikudi, Karim Nagar, Karnal, Karol Bagh, Karur, Kasargod, Kathua, Katni, Kattappana, Kattedan, Kawardha, Kayamkulam, Keonjhar, Khamgaon, Khammam, Khargapur, Koilpatti, Kolar, Kolhapur, Kolkatta, Kompally, Koppal, Korba, Kota, Kothagudam, Kotputli, Kottayam, Krishnagiri, Krishnanagar, Kukatpally, Kullu, Kumbakonam, Kumta, Kundapur, Kunnamkulam, Kurnool.

L:
L B Nagar, Lakhimpur, Latur, Lucknow, Ludhiana.

M:
Machilipatnam, Madanapalli, Madhurawada, Madikeri, Madiwala, Madurai, Malda, Malegaon, Mancherial, Mandapeta, Manendgarh, Mangalore, Manjer, Marathali, Margao, Markapuram, Marthandam, Masjid, Matunga, Mayiladithurai, Mehboob Nagar, Mehsana, Melur, Mettupalayam Mettur, Miryalguda, Moga, Moradabad, Morbi, Morena, Mudbidiri, Mumbai, Muzaffarpur, Mysore.

N:
Nadiad, Nagarcoil, Nagole, Nagour, Nagpur, Namakkal, Nanded, Nandigama, Nandurbar, Nandyal, Nashik, Navi Mumbai, Navsari, Neemuch, Nellore, Nerul, New Delhi, Nizamabad.

0:
Ongole, Ooty, Osmanabad, Ottanchatram.

P:
Padi, Palani, Palanpur, Palayamkottai, Palghat, Palia, Pandarpur, Panvel, Paradeep, Paramakudi, Parvathipuram,Parbhani, Patan, Pathanamthitta, Pathankot, Patiala, Patna, Pattukotai, Piduguralla, Pollachi, Pondicherry, Porbander, Prodattur, Pudukottai, Pune, Puri, Puttur.

Q:
Quilon.

R:
Rai Bareilly, Raichur, Raigarh, Raipur, Rajahmundery, Rajapalayam, Rajkot, Rajnandgaon, Rajpibla, Rajsamand, Ranchi, Ranipet, Ratlam, Ratnagiri, Raygada, Renukoot, Rewa, Roha, Rohtak, Rourkela.

S:
Sadulpur, Sagar, Sagara, Sahibabad, Sakinaka, Salem, Salur, Sambalpur, Sandur, Sangagiri, Sangamner, Sangli, Sangrur, Saraipalli, Satara, Satna, Secunderabad, Sendhwa, Sewree, Shahapur, Shahdol, Shimla, Shimoga, Shivpuri, Srinagar, Shrirampur, Sikar, Siliguri, Silvassa, Sindhanur, Singarayakonda, Sirohi, Sivakasi, Solapur, Sriganganagar, Srikakulam, Sultanpur, Sulthan Bathery, Sulur, Surat, Surendranagar, Swai Modhopur.

T:
T Dasarahalli, Tadepalligudem, Tadipatri, Tambaram, Tanjavur, Tenali, Tenkasi, Thalassery, Thane, Theni, Thiruchengode, Thiruppathur, Thiruvallur, Tindivanam, Tinsukhia, Tiruchendur, Tirunelveli, Tirupathi, Tirupur, Tirur, Tiruvannamalai, Tiruvarur, Tiruvotriyur, Trichur, Trichy, Trivendram, Tumkar, Tuticorin.

U:
Udaipur, Udhampur, Udupi, Ujjain, Ulhasnagar, Una.

V:
Vapi, Varanasi, Vasai, Vashi, Vellore, Vijayawada, Vile Parle, Villupuram, Virudhachalam, Virudhunager, Visakapatnam, Vizianagaram.

W:
Wada, Wadi, Wadkhal, Waidhan, Warangal, Wardha, Wardhaman Nagar, Washim.

Y:
Yamunanagar, Yashwanthpur, Yavatmal.

Board of Directors

Facing page:

Standing left to right:

Sri Vipen Kapur, Director
Sri V. Parthasarathi, Director
Sri Mukund Govind Diwan, Director
Sri S. Krishnamurthy, Director

Sitting left to right:

Dr. T. S. Sethurathanam, Nominee Director
Sri S. Venkatakrishnan, Director
Sri Arun Duggal, Chairman
Sri R Kannan, Managing Director
Sri Sunil Varma, Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in placing before you their Twenty Third Annual Report and Accounts for the year ended March 31, 2009.

FINANCIAL PERFORMANCE

(Rs. in Lacs)

	For the Year ended	
	March 31, 2009	March 31, 2008
Profit before Depreciation and Taxation	20,178.57	13,825.98
Less: Depreciation	2,205.04	1,127.52
PROFIT BEFORE TAX	**17,973.53**	**12,698.46**
Less: Provision for taxation (including provision for Deferred Tax & Fringe Benefit Tax)	6,272.76	3,934.96
PROFIT AFTER TAX	**11,700.77**	**8,763.50**
Add: Profit brought forward from previous year	8,412.03	4,471.38
Profit available for appropriation	20,112.80	13,234.88
APPROPRIATIONS		
General Reserve	1,170.00	880.00
Statutory Reserve	2,340.00	1,761.11
Capital Redemption Reserve	2,328.98	-
Dividend on Cumulative Redeemable preference Shares of Rs.100/- each fully paid up at the stipulated rates	63.17	141.67
Dividend (Interim 10% and Final 30%) on Equity Shares of Rs.10/- each fully paid up	1,877.77	1,723.15
Tax on Dividend	329.86	316.92
Balance Carried to Balance sheet	12,003.01	8,412.03

INDUSTRY OVERVIEW

The Indian economy has recently witnessed certain difficulties involving expensive money, limited finance options, the prospect of rising delinquencies in borrowings and a general slowdown. Informed opinion and economic indicators however now point to a revival, albeit a slow one, aided by ample liquidity in the institutional system, more liberalized credit, government stimulus packages and rural demand. The fortunes of Shriram City are nevertheless not likely to be commensurately affected on account of the following facts:

There was always a latent need for the products offered by Shriram City, such finance being in the nature of maintenance/subsistence rather than being a result of any trend in the economy. The assets that Shriram City finances are more in the nature of "necessities" rather than "luxuries". The Consumer Durables that Shriram City finances facilitate ease of daily existence, especially in working households with dual incomes and changing lifestyles. The Company's loans against Commercial Vehicles and Tractors provide a livelihood to several thousand Truck/Loading Auto Operators and agriculturists who are engaged in the transportation of goods and agricultural produce. Finance offered by the Company against Cars and Two Wheelers is a boon to commuters especially in areas where public transport is insufficient to cater to the demands of a rising working class population. Personal/Gold Loans are most opportune in cases involving an unforeseen requirement of funds or in medical emergencies. Small Business Loans to retail businessmen/traders again provides a livelihood, besides helping in capital formation and encouraging the spirit of entrepreneurship

In the case of Two Wheelers, India represents the second-largest market in the world, while the growth in sales of pre-owned Cars has now overtaken that of new vehicles. In fact, despite the overall difficult situation the economy has witnessed of late, sales of *cars* and *motorcycles* in the entire last Quarter of FY 2008-09 were better than expected, with growth being witnessed month-on-month during this period. While cars registered a growth in sales of around 33% in this Quarter compared to the previous one, motorcycles grew at around 10%. According to industry sources, some sections of the auto industry have not only bucked the downturn but also managed a turnaround because of their non-urban focus *(source: SIAM and The Economic Times)*.

In Commercial Vehicles, sales of LCVs and Three-wheelers continue to register improvement, although the medium- and heavy vehicle segments still languish. Sales in these segments are however expected to pick up with an improvement in freight rates, indications of which are present *(source: The Economic Times)*.

The Small Business Loans dispensed by Shriram City cater to self-employed professionals, wholesale/ retail dealers, general merchants, builders, manufacturers, hotel/catering services, tour operators etc. We recognize that the micro-entrepreneur is critical to the nation's economy, and contributes significantly to the country's domestic production, total exports and industrial employment. Despite their economic significance, this segment of prospective borrowers faces a number of bottlenecks that prevent budding entrepreneurs from achieving their full potential, a major obstacle being their inability to access timely and adequate finance. This is where Shriram City steps in. A large portion of our Small Business Loan portfolio comprises existing/past Shriram Group customers, especially Chit Fund members. While this assists risk mitigation, a conservative approach to credit has not hindered growth.

The company's loans against pledged gold ornaments are currently offered in the States of Tamil Nadu and Andhra Pradesh.

YEAR IN RETROSPECT

Income from Operations for the period under consideration was Rs.93393.75 Lacs, and Total Expenditure was Rs.75420.22 Lacs.

Your Company earned a Profit before Tax of Rs.17973.53 Lacs for the year ended March 31, 2009, registering an increase of Rs.5275.07 Lacs (41.54%) over the previous year. The Profit after Tax, at Rs.11700.77 Lacs was also 33.52% higher than the previous year.

DIVIDEND

Your Directors at the Board meeting held on October 30, 2008 declared a 10% interim dividend on Equity Shares for the year 2008-09. These dividends were duly paid in November 2008. The Interim Equity Dividend involved an outflow of Rs.458.50 Lacs. Tax on dividends amounted to Rs.77.92 Lacs.

Your Directors have pleasure in informing you that at the Board Meeting held today, a final Dividend of 30% (same as in the previous year) has been recommended, subject to your approval. The said Dividend on approval will be payable to those Shareholders whose name appears in the Register of Members on July 30, 2009. The outflow for the Company on final equity Dividend, inclusive of tax thereon will be Rs.1609.75 Lacs.

It may be noted that the above Dividends (declared in October 2008 and recommended now) are tax free in the hands of the shareholders.

RESOURCES

The deposit portfolio as on 31st March 2009 stood at Rs.112.80 Lacs as against Rs.165.67 Lacs in the year 2008. The privately-placed Secured Non-Convertible Debenture Portfolio stood at Rs.127741.10 Lacs as on 31st March 2009 (Rs.69106.39 Lacs as on March 31, 2008). Sub-ordinated Debts as on March 31, 2009 stood at Rs.41718.53 Lacs (Rs.28036.78 Lacs as on March 31, 2008).

As on March 31, 2009, 126 deposits amounting to Rs.19.79 Lacs 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 100 deposits amounting to Rs.14.68 Lacs. 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

During the year, the Company allotted 6,800 Fully paid up equity shares of the face value of Rs 10 each to its employees on exercise of stock options by them.

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.

WARRANTS CONVERSION

The Company at the meeting held on December 29, 2006, had issued 35,00,000 warrants to Shriram Enterprise Holdings Pvt Ltd on preferential basis as per SEBI Guidelines. Out of 35,00,000 warrants held by Shriram Enterprise Holdings Pvt Ltd, 20,55,000 warrants were converted into 20,55,000 Equity Shares of Rs.10 each, at the meeting held on March 20, 2008. The balance 14,45,000 warrants have been converted into 14,45,000 equity shares of Rs.10/- each at the Business Development Committee of Directors held on June 27, 2008.

RBI DIRECTIONS

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

DIRECTORS

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

Sri Mukund Govind Diwan, 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.

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 March 31, 2009 at the meeting held on May 30, 2009 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, your Company ceases to be a holding Company of Shriram Non Conventional Energy Ltd with effect from March 20, 2008.

Now, it has been decided to go ahead with the transfer of the Bio mass plant to Shriram Non Conventional Energy Limited. This transfer is mainly to carry out only the core business of financing in Shriram City Union Finance Limited. Hence, your Company decided to consider making Shriram Non Conventional Energy Limited, a wholly owned subsidiary of the Company and effect the transfer of the Bio Mass plant from the holding Company, i.e., Shriram City Union Finance Limited to its wholly owned subsidiary, i.e., Shriram Non Conventional Energy Limited. Hence, w.e.f. January 10, 2009 Shriram Non Conventional Energy Ltd has become a subsidiary of your Company.

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.

ACKNOWLEDGEMENT

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 enabled 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

Place : Chennai — Arun Duggal
Date : May 30, 2009 — Chairman

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).

Mr.R.Thyagarajan, Shriram Ownership Trust, Shriram Transport Finance Company Limited, Shriram Chits (Karnataka) Private Limited, Shriram Chits Private Limited, Shriram Chits Tamilnadu Private Limited, Shriram Motor Finance, S R Real Estate Finance, Shriram Capital Limited and its subsidiaries namely Shriram Holdings (Madras) Private Limited, Shriram Credit Company Limited, Shriram Retail Holdings Private Limited, Shriram Life Insurance Company Limited, Shriram General Insurance Company Limited, Shriram Investment Holdings Limited, Bharat Re-Insurance Brokers Private Limited, SJK Powergen Limited, Shriram Infrastructure & Power Limited, Shriram Projects Development 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.

ANNEXURE TO THE DIRECTOR'S REPORT, 2009

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as at March 31, 2009.

Particulars	SCUF Employees Stock Option Scheme, 2006
a) Options Granted	13,27,500 Equity Shares of Rs.10 each
b) The pricing formula	Rs.35/- per option
c) Options vested	1,32,750
d) Options exercised (as at March 31, 2009)	6,800
e) The total number of shares arising as a result of exercise of option	6,800
f) Options lapsed (as at March 31, 2009)	NIL
g) Variation of terms of options	NIL
h) Money realised by exercise of options	Rs.2,38,000/-
i) Total number of options in force (as at March 31, 2009)	13,20,700
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	NIL
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	NIL
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.22.44
i) Method of calculation of employee compensation cost	INTRINSIC 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*	Empolyee Compensation cost As per Instrinsic Value method — Rs.3006.12 Lacs As per Fair Value method Using Black Scholes Model — Rs.3018.93 Lacs 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 09 As per Instrinsic Value method — Rs.1111.28 Lacs As per Fair Value method — Rs.1116.04 Lacs Using Black Scholes Method Impact on Profit — (Rs.4.76 Lacs) Impact on Diluted EPS
l) Weighted average exercise price	Rs.35/-
Weighted average fair value	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

The Company's philosophy on Corporate Governance is aimed at :

(a) Enhancing long term shareholder value through

- Assisting the top management in taking sound business decisions; and
- Prudent financial management.

(b) Achieving transparency and professionalism in all decisions and activities of the Company.

(c) Achieving excellence in Corporate Governance by

- Conforming to the prevalent guidelines on Corporate Governance, and excelling in, wherever possible.
- Reviewing periodically the existing systems and controls for further improvements.

BOARD OF DIRECTORS :

Board Composition and Category :

The Board of Directors of the Company consists of optimum combination of Executive and Non Executive-Independent Directors to ensure independent functioning of the Board.

The present Strength of Directors is 9, consisting of Chairman-Non Executive,One Managing Director and 7 Directors.The Board of Directors of the Company consist of professionals from varied disciplines. The Board Members posses the skill, experience and expertise required to guide the Company.

Name of the Director	Category of Directorship	Designation
Sri Arun Duggal	Non Executive, Independent	Chairman
Sri R Kannan	Executive	Managing Director
Sri S Krishnamurthy	Non Executive ,Independent	Director
Sri Mukund Govind Diwan	Non Executive,Independent	Director
Sri V Parthasarathi	Non Executive , Independent	Director
Dr T S Sethurathnam	Non Executive,Nominee of Indian Renewable Energy Development Agency Limited	Director
Sri Sunil Varma	Non Executive,Independent	Director
Sri S Venkatakrishnan	Non Executive	Director
Sri Vipen Kapur	Non Executive, Independent	Director

Board Process :

The Board meets at least once a quarter to review the quarterly performance and financial results. The Board meetings are generally scheduled well in advance.The notice and agenda of each Board Meeting is given in writing to each Director well in advance of the meeting. The information given as per the requirement of corporate governance norms is made available to the Board. The Board is also free to recommend inclusion of any matters for discussion in consultation with the Chairman.

Functioning of the Board :

The day to day management of the affairs of the Company is entrusted with the senior management personnel, which is headed by the Managing Director, who functions under the overall supervision, direction and control of the Board of Directors of the Company. The Board meets to discuss, review and decide upon the matters such as policy formulation, setting up of goals, appraisal of performances with the goals and control functions etc., Some of the powers of the Board have also been delegated to Committee/s of Directors, who monitor the day-to-day affairs relating to operational matters. The Board thus exercises close control over the overall functioning of the Company with a view to enhance the shareholder value.

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS :

Seven meetings of the Board of Directors were held during the year ending March 31, 2009 - on April 4, 2008, June 16, 2008, August 1, 2008, September 12, 2008, October 30, 2008, November 22, 2008 and January 31, 2009 and the maximum time gap between two board meeting did not exceed three months.

The Compliance Officer records the minutes of the proceeding of the meeting of the Board and Committees of Directors.The finalised Minutes are entered in the Minute Book within 30 days of the conclusion of the respective meeting by adhereing to all the rules and regulations including Companies Act 1956.

The composition of the Board, category of Directors, attendance at Board Meetings, Annual General Meeting (AGM) /Extraordinary General Meeting (EGM) and number of memberships/chairmanships of Directors in other Boards and Board Committees are as follows:

Name of the Director	Category	Position	No of Board Meetings Held	Attendance				No of Directorship held in other Companies @	Membership and Chairmanship of the committees of the Board	
				Board Meetings	AGM held on dt August 1, 2008	EGM held on dt May 3, 2008	EGM Held on dt December 4, 2008		Membership #	Chairmanship #
Sri Arun Duggal	Independent And Non Executive	Chairman	7	5	Present	Not present	Not present	17	5	3
Sri R Kannan	Executive	Managing Director	7	7	Present	Present	Present	6	-	-
Sri S Krishnamurthy	Independent And Non Executive	Director	7	6	Present	Present	Present	1	1	-
Sri Mukund Govind Diwan	Independent And Non Executive	Director	7	4	Present	Not present	Not present	9	3	1
Sri V Parthasarathi	Independent And Non Executive	Director	7	7	Present	Present	Present	-	-	-
Dr T S Sethurathnam	Non Executive, Nominee of Indian Renewable Energy Development Agency Limited	Director	7	4	Present	Present	Present	5	2	1
Sri Sunil Varma	Independent And Non Executive	Director	7	4	Present	Present	Not Present	2	1	-
Sri Venkatakrishnan	Non Executive	Director	7	7	Present	Present	Present	17	1	1
Sri Vipen Kapur	Independent And Non Executive	Director	7	4	Present	Present	Present	1	-	-

@ While considering the total number of directorships of Directors, their directorships in private companies, section 25 companies and foreign companies, if any, have been included and their directorship in the Company has been excluded.

#The memberships and chairmanships of Directors in committees do not include their memberships and chairmanships in the Company into consideration. Membership /Chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee in public Ltd Companies are taken into consideration.

None of the Directors of the Board is a member of more than 10 Committees and chairman of more than 5 Committees as per Clause 49(1) (c) (ii) across the companies in which he is a Director.All Directors have made requisite disclosures regarding Committee positions occupied by them in other Companies.

BUSINESS DEVELOPMENT COMMITTEE OF DIRECTORS :

- 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. The Committee meets regularly to discharge its functions.

Composition and Attendance of Directors:

The Committee met 46 times during the year 2008-09.The Composition of the Committee and their attendance are as under :

Name of the Director	Position	Category	No of Meetings attended (2008-2009)
Sri S Venkatakrishnan	Chairman	Non Executive	46
Sri R Kannan	Member	Executive	46

AUDIT COMMITTEE :

The Audit Committee is constituted as per section 292 A of the Companies Act ,1956 and guidelines set out in the Listing Agreement with Stock Exchanges.The Terms of Reference of Audit Committee is set out as under :

- Overseeing the financial reporting process.
- To ensure proper disclosure in the quarterly, half yearly and Audited Financial Statements.
- To recommend appointment of Auditors and their remuneration.
- Reviewing, with the management, the Financial Statements before submission to the Board.
- Reviewing, with the management, performance of Statutory and Internal Auditors, adequacies of the internal control systems.
- Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussing with Internal Auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal examinations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To discuss with management, the senior internal audit executives and the Statutory Auditor/s the Company's major risk exposures and guidelines and policies to govern the processes by which risk assessment and risk management is undertaken by the Company, including discussing the Company's major financial risk exposures and steps taken by management to monitor and mitigate such exposures and from time to time conferring with another Committee/s of the Board about risk exposures and policies within the scope of such other Committee's oversight.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
- To review the functioning of the Whistle Blower Mechanism.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Composition and Attendance :

The Committee met 6 times during the year under consideration on May 3, 2008, June 16, 2008, July 31, 2008, September 12, 2008, October 30, 2008 and January 30, 2009

The Composition of the Audit Committee and their attendance are as under :

Name of the Director	Position	Category	No of Meetings attended (2008-2009)
Sri Sunil Varma	Chairman	Independent And Non Executive	5
Sri S Venkatakrishnan	Member	Non Executive	6
Sri V Parthasarathi	Member	Independent And Non Executive	6

REMUNERATION AND COMPENSATION COMMITTEE :

The Committee is responsible for assisting the Board of Directors in the Board's overall responsibilities relating to determination on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages and any eompensation payment for the Managing Director/Whole-time Directors and Executive Directors,Employees Stock Option Scheme (ESOS) . The role of the Committee includes,

- To provide independent oversight of and to consult with the management regarding the Company's compensation, bonus, pension and other benefit plans, policies and practices applicable to the Company's executive management.
- To develop guidelines for and annually review and approve (a) the annual basic salary, (b) the annual incentive and bonus, including the specific goals and amount and (c) equity compensation for the Managing Director and the other executive officers of the Company.
- To review and approve (a) employment agreements, severance arrangements and change in control agreements/ provisions and (b) any other benefits, compensation or arrangements for the Managing Director and the other executive officers of the Company.
- Administration of the Company's stock incentive plans and other similar incentive plans and interpret and adopt rules for the operation thereof.
- Establishment of guidelines for and approval of the grant of stock options to key employees, officers and directors of the Company, including determination of the number of shares to be covered by each option, whether the option will be an incentive stock option or otherwise and the vesting schedule for such options.

Composition and attendance :

The Committee had 3 meetings during the year 2008-09 on June 16, 2008, October 30, 2008 and January 30, 2009.The composition of the Committee and their attendance are as under :

Name of the Director	Position	Category	No of Meetings attended (2008-2009)
Sri Vipen Kapur	Chairman	Independent And Non Executive	2
Sri S Krishnamurthy	Member	Independent And Non Executive	3
Sri Mukund Govind Diwan	Member	Independent and Non Executive	3

Remuneration policy of the Company :

For Managing Director : The Managing Director is not paid any Remuneration

Non executive – Independent Directors

Non Executive Directors get Sitting fees for attending each meeting of the Board of Directors/Committees thereof and reimbursement of out-of-pocket expenses incurred,wherever applicable,for attending such meetings.

The sitting Fee is payable only to Independent Directors and Nominee of Indian Renewable Energy Development Agency Ltd.The sitting fee payable per meeting is as under :

For attending Board Meeting Rs. 10,000/-
For attending Committee Meeting Rs. 10,000/-

The details of sitting fees/ remuneration paid to the Managing Director are disclosed in Schedule 19 in the notes on accounts forming part of the annual accounts vide note No. 17 (i).

The details of sitting fees / remuneration paid to the Directors during the year 2008-2009 are given below :

Sl.No	Name of the Director	Category	Position	Sitting Fees for attending Meetings (Rs.)	Salary, allowances & Perquisites (Rs.)	Total(Rs.)
1.	Sri Arun Duggal	Independent And Non Executive	Chairman	50,000/-	-	50,000/-
2.	Sri R Kannan	Executive	Managing Director	-	-	-
3.	Sri S Krishnamurthy	Independent And Non Executive	Director	-	-	-
4.	Sri Mukund Govind Diwan	Independent And Non Executive	Director	70,000/-	-	70,000/-
5.	Sri V Parthasarathi	Independent And Non Executive	Director	1,60,000/-	-	1,60,000/-
6.	Dr T S Sethurathnam	Non Executive,Nominee of Indian Renewable Energy Development Agency Limited	Director	60,000/-	-	60,000/-
7.	Sri Sunil Varma	Independent And Non Executive	Director	1,00,000/-	-	1,00,000/-
8.	Sri S Venkatakrishnan	Non Executive	Director	-	-	-
9.	Sri Vipen Kapur	Independent And Non Executive	Director	80,000/-	-	80,000/-

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 March 31, 2009, 1,32,750 options were vested out of which 6,800 options have been exercised by the employees and the shares were allotted to the employees.

SHAREHOLDERS'/ INVESTORS ' GRIEVANCE COMMITTEE :

The Committee is responsible for assisting the Board of Directors in the Board's overall responsibilities relating to attending to and redressal of the grievances of the shareholders and the investors of the Company.

The Committee shall in particular look into:

- the listing of securities on stock exchanges
- the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividends and matters related thereto including complaints of Shareholders/Investors routed through SEBI/Stock Exchange/RBI/ Any other forum.
- the matters that can facilitate better investor services and relations.
- amounts transferable to Investor Education and Protection Fund, (Unpaid Dividend)
- profile of investors
- global depository receipts
- secretarial audits and
- Such other matters as may from time to time be required by any statute,contractual or other regulatory requirements

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

Composition and Attendance :

The Committee met 3 times on June 16, 2008, October 30t, 2008 and January 30, 2009.

Name of the Director	Position	Category	No of Meetings attended (2008-2009)
Sri S Venkatakrishnan	Chairman	Non Executive	3
Sri R Kannan	Member	Executive	3
Sri S Krishnamurthy	Member	Independent And Non Executive	3

The status of investor grievances is monitored by the Committee periodically and the reports of the Committee are made available to the Board. The complaints received from the shareholders, SEBI, Stock Exchanges, etc. are reviewed and they are replied to by the Company/ Share Transfer Agents regularly. The status of the pending complaints as well as the system of redressal mechanism is reviewed by the Committee periodically.

Sri J Radhakrishnan, Company Secretary, is the Compliance Officer. The Company received 4 complaints during the year ended on March 31, 2009. These complaints have been attended on time and none of the complaints were pending for a period exceeding 30 days.

FINANCIAL RESULTS REVIEW COMMITTEE :

This Committee has been constituted by the Board of Directors of the Company on August 17, 2007, under Clause 41 of the Listing Agreement. The Committee is responsible for approving the quarterly financial results when the Board of Directors does not meet.

Composition and Attendance :

The Committee met on July 31, 2008 to review the Unaudited Financial Results and the Limited Review Report of the Auditors for the quarter ended June 30, 2008.

Name of the Director	Position	Category	No of Meetings attended (2008-2009)
Sri S Venkatakrishnan	Chairman	Non Executive	1
Sri R Kannan	Member	Executive	1
Sri S Krishnamurthy	Member	Independent And Non Executive	1
Sri V Parthasarathi	Member	Independent And Non Executive	1

ASSET LIABILITY MANAGEMENT COMMITTEE :

The Committee is responsible for assisting the Board of Directors in Balance Sheet planning from risk-return perspective including the strategic management of interest and liquidity risk. Its function includes -

- Liquidity risk management
- Management of market risks
- Funding and capital planning
- Profit planning and growth projection
- Forecasting and analysing future business environment and preparation of contingency plans.

During the year under review, the Committee met 2 times on April 28, 2008 and October 29, 2008.

Composition and Attendance :

Name	Position	No of Meetings attended (2008-2009)
Sri R Kannan	Chairman	2
Smt Subhasri Sriram	Member	2
Sri Vinay Kelkar	Member	2

GENERAL BODY MEETINGS :

Details of location and time of holding the last three Annual General Meetings (AGMs.)

Financial Year	AGM	Location	Date	Time
2005-2006	20th AGM	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	September 28, 2006	3.00 P M
2006-2007	21st AGM	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006	August 17, 2007	3.00 P M
2007-2008	22nd AGM	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	August 1, 2008	10.15 A M

SPECIAL RESOLUTIONS PASSED AT LAST THREE ANNUAL GENERAL MEETINGS :

There are no special resolutions passed in previous three Annual General Meetings (AGM) held on date September 28, 2006, August 17, 2007 and August 1, 2008.

EXTRAORDINARY GENERAL MEETINGS (EGMS) :

Financial Year	Date	Location	Time	Particulars
2008-2009	May 3,2008	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	12.00 Noon	Special resolutions were passed for amending the Articles of Association, Preferential Issue of Equity Shares and Warrants and Employee Stock Option Plan/Scheme . The resolutions were put to vote by show of hands and it was passed unanimously
2008-2009	December 4, 2008	Sri Thyaga Brahma Gana Sabha, "Vani Mahal", 103, G N Road, T Nagar, Chennai 600 017	11.00 A.M	Special resolution was passed for amending the Articles of Association as per the Share Subscription Agreement between the Company and TPG India Investments Inc .The resolution was put to vote by show of hands and it was passed unanimously

PASSING OF RESOLUTION BY POSTAL BALLOT :

Last year no special resolution was passed through Postal Ballot. No special resolution is proposed to be conducted through Postal Ballot at the ensuing AGM.

DISCLOSURES :

There are no materially significant related party transactions with the Company's promoters, directors, key managerial personnel or their relatives, which may have potential conflict with the interest of the Company at large.

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

There are no instances of non-compliance by the Company, penalties or strictures imposed by the Stock Exchanges and SEBI on any matter related to capital markets during the last three years.

The Company has adopted the Whistle Blower Policy and has established the necessary mechanism in line with clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to clause 49 of the Listing Agreement with the Stock Exchanges;

a. The Company has set up a Remuneration Committee. Please see para on Remuneration and Compensation Committee for details

b. The Company has adopted the Whistle Blower Policy.

The Company has adopted Code of Conduct ('Code') for the Members of the Board and Senior Management Personnel as required under Clause 49 of the Listing Agreement. All the Board Members and the Senior Management Personnel have affirmed compliance of the Code. The Annual Report of the Company contains a declaration to this effect signed by the Managing Director.

SUBSIDIARY :

The Company promoted a non listed Indian subsidiary Company by name Shriram Non Conventional Energy Ltd, in terms of Clasue 49 (III) of the Listing Agreement . The Company disinvested the shares and was ceased to be the holding Company w.e.f. March 20,2008. It has become a subsidiary of Shriram City Union Finance Ltd w.e.f. January 10, 2009.

CERTIFICATION BY MANAGING DIRECTOR AND EXECUTIVE DIRECTOR :

Certification by the Managing Director and the Executive Director is provided elsewhere in the Annual Report .

MEANS OF COMMUNICATION :

The audited financial results, the quarterly results and half-yearly results of the Company are published in English (Business Line) and Tamil newspapers (Makkal Kural).

From the quarter ended September 30, 2002, in compliance of Clause 51 of the Listing Agreement, all data relating to quarterly financial results, shareholding patterns, etc. are filed within the time stipulated therefor on Electronic Data Information Filing and Retrieval (EDIFAR) website www.sebiedifar.nic.in maintained by National Informatics Centre (NIC), on line.

GENERAL SHAREHOLDER INFORMATION :

i. Annual General Meeting :

Twenty Third Annual General Meeting	
a. Date and Time	July 30, 2009 , 11.00 A M
b. Venue	Narada Gana Sabha (Mini Hall) 314, T T K Road, Alwarpet, Chennai 600018.
c. Book Closure Date	29.7.2009 – 30.7.2009
d. Dividend	An Interim Dividend of 10% was declared by the Board of Directors at their meeting held on October 30, 2008 and the payments were effected on November 28, 2008. The payment of final dividend, upon approval by the shareholders at the Annual General Meeting, will be made on or after July 30, 2009

ii. Financial Calendar (tentative) :

Year	2009-10
Annual General Meeting	September 2010
Unaudited results for the quarter ending June 30, 2009	Last week of July 2009
Unaudited results for the quarter/half-year ending September 30, 2009	Last week of October 2009
Unaudited results for the quarter ending December 31, 2009	Last week of January 2010
Audited results for the year ending March 31, 2010	June 2010

iii. Listing — The Shares of the Company are listed on the Madras Stock Exchange Ltd, Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd

iv. Listing Fees — The Company paid Listing Fees for the year 2009-10 to Madras Stock Exchange Ltd,Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd

v. Stock Details (Stock Code, Trading symbol at) :

Madras Stock Exchange Limited	SRIRACITUN
Bombay Stock Exchange Limited	532498
National Stock Exchange of India Limited	SHRIRAMCIT
Demat ISIN Number in NSDL & CDSL	INE722A01011

vi. Stock Market Data :

The high and low market price and volume of shares traded during each month of the financial year ended March 31, 2009, are given 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 08	383.00	358.40	40117	382.00	359.95	81731
May 08	385.00	357.00	3515549	387.10	349.60	48569
June 08	383.00	339.85	6277106	383.85	340.20	250247
July 08	382.15	350.80	160997	381.25	356.15	239403
Aug 08	380.00	369.50	76279	380.15	369.00	152594
Sep 08	370.25	360.00	49075	370.25	360.05	86458
Oct 08	361.95	318.00	48604	364.60	318.70	126408
Nov 08	349.95	325.50	11335	347.45	330.00	43561
Dec 08	350.00	340.15	12006	352.00	337.00	26300
Jan 09	355.00	340.00	11558	355.00	339.70	43572
Feb 09	339.95	325.00	7255	337.50	325.00	81543
Mar 09	329.00	325.00	31775	332.70	326.60	37844

vii. The Share Price performance of the Company in comparison to broad based indices - BSE Sensex and NSE Nifty :

viii. The Registrar and Share Transfer Agents of the Company are :

Integrated Enterprises (India) Limited
II Floor, Kences Towers, No 1, Ramakrishna Street
North Usman Road, T Nagar, Chennai - 600 017
Ph : 044 - 2814 0801 - 03
Fax no: 044 - 28142479

ix. Share Transfer System :

The authority to approve share transfers has been delegated by the Board of Directors to the Share Transfer Committee. Requests received for transfer of shares are processed within 30 days of receipt.

x. Distribution of shareholding as on March 31, 2009 :

No. of equity shares held	Share holders		Shares	
	Number	%	Number	%
Upto 500	4816	89.93	577774	1.26
501 – 1000	336	6.27	237522	0.52
1001 – 2000	104	1.94	149344	0.33
2001 – 3000	27	0.50	69571	0.15
3001 – 4000	11	0.21	39264	0.09
4001 – 5000	14	0.26	65229	0.14
5001 – 10000	13	0.24	94540	0.21
10001 and above	34	0.65	44623556	97.30
Total	5535	100.00	45856800	100.00

xi. Dematerialisation of Shares :

The Company's scrip forms part of the compulsory Demat segment for all investors effective July 24, 2000. To facilitate the investors in having an easy access to the demat system, the Company has signed up with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The connectivity has been established through Integrated Enterprises (India) Limited. As on March 31, 2009, 45356505 equity shares 98.91% of the shares, have been dematerialised.

xii. The Company has not issued any GDRs / ADRs / Warrants or other instruments which are pending for conversion except

35,00,000 warrants allotted to Shriram Retail Holdings Private Limited on May 16, 2008 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.

12,50,000 Warrants allotted to Bessemer Venture Partners Trust on May 14, 2008 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.

7,50,000 Warrants allotted to IDBI Trusteeship Services Ltd on May 16, 2008 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 .

6,62,500 Warrants allotted to Van Gogh Limited on May 16, 2008 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 .

5,87,500 Warrants allotted to Asiabridge Fund I LLC on May 14, 2008 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 .

xiii. Address for correspondence & Regd Office :

Registered Office: 123, Angappa Naicken Street, Chennai 600 001
Phone : (044)- 25341431

Secretarial Office : 4th Floor, 'Mookambika Complex', No 4, Lady Desika Road, Mylapore Chennai 600 004
Phone : (044) -24990356, (044)- 24990960
Email ID for Investor Grievance : sect@shriramcity.in

xiv. Branches : Given elsewhere in the Annual Report :

PROFILE OF DIRECTORS BEING REAPPOINTED AT THE ENSUING ANNUAL GENERAL MEETING :

i. S. Venkatakrishnan - Director :

Sri. S. Venkatkrishnan is an IA& AS (retired). He has served at senior positions in the Finance, Audit & Accounts department of the Government and other Public Undertakings. He is also on the Board of Galada Finance Limited, Shriram Transport Finance Limited, Shriram Powergen Limited, Shriram Non Conventional Energy Limited, Shriram Housing Finance & Development Company Limited, Novochem Laboratories Limited, Madras Shoe Fabric Company Limited, Shriram Credit Company Limited, Shriram Trade Finance Limited, Shriram Industrial Holding Private Limited, Shriram Exports Private Limited, Hymavathi Enterprises Private Limited, Bhilari Enterprises Private Limited, Charukesi Investments Private Limited, Road Safety Club Private Limited, Ranjani Enterprises Private Limited, and Rambal Properties Private Limited.

ii. Mukund Govind Diwan – Director :

Sri Mukund Govind Diwan has got rich experience in Insurance Industry. He is on the Board of VLS Finance Ltd , G M Breweries Ltd, Dwarikesh Sugar Industries Ltd, Marketing Research Corporation of India Ltd, Shriram Chits (Maharastra) Ltd.,GDA Trustee & Consultancy Ltd, Deepajyoti Insurance Consultancy and Services Pvt Ltd, Indian Institute of Public Opinion Pvt Ltd and DS Actuarial Education Services Pvt Ltd

CEO / CFO CERTIFICATION

We , to the best of our knowledge and belief, certify that -

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2009 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 that there were

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

   ii) no significant change in accounting policy has been made during the year

   iii) no significant instances of fraud.

For **SHRIRAM CITY UNION FINANCE LIMITED**

Place : Chennai
Date : May 30, 2009

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 March 31, 2009, 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.

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

Place : Chennai
Date : May 30, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

The weakening of the U.S. economy, led by the failure of several large international financial institutions and banks, triggered a worldwide slowdown in 2008-09. This also impacted the growth momentum of the Indian economy, which was pacing till then with the Gross Domestic Product (GDP) clocking an average of 9% p.a. for the past three years. To counter the adverse impact of the global meltdown, several positive measures were initiated by the Government and the Reserve Bank of India. Coupled with these positive fiscal & monetary actions, the decreasing commodity & crude prices and the slow and steady easing of liquidity in the financial market has resulted in a general perception that the worst is now behind us. It is expected that the Indian economy could continue to register a robust growth rate of around 6.5% to 7% in the year 2009-10.

While the slowdown adversely impacted India's export-oriented industries, throwing the capex plans of several companies astray, and resulted in increased costs of funds, the Indian financial sector has shown tremendous stability in the face of unprecedented challenges. Unlike the developed countries, there has been no collapse or closure of any financial institution or bank and while negative perception prevailed actual results were quite contrary.

YEAR 2008-09 AT SHRIRAM CITY

In case of Shriram City, the loan products have always enjoyed a latent demand as they are used to fund purchase of assets that are for personal / the family's maintenance/subsistence – an asset that is critical to the everyday life of people, rather than a result of any trend in the economy. The Company operates largely in the non-metro, semi-urban and rural pockets of India, which are relatively unaffected by the slow off take witnessed in cities. Hence, while a boom in the economy has definitely augured well for the Company in the past (as it will for other lenders too), the Company has continued to exhibit reasonable growth trends even in case of a slow-down in economic conditions. The Company's loan portfolio across segments is largely shielded from recessionary trends. Thus, a downturn in the economy, if and when it occurs, is not expected to impact the business of the Company in any major way something that is strongly vindicated by the results of the current defining, watershed year of global crises.

Shriram City, with a trusted and creditable presence and a robust business model, has confidently emerged unscathed with a stable performance even in this phase of uncertainty. The Company continued to enjoy adequate credit and demand continued to remain strong, though disbursals were on a cautionary note. The Company's Total Income grew by 50% from Rs.62319 Lacs to Rs.93394 Lacs as on March 31, 2009, while Net Profit grew by 33.50% from Rs.8764 Lacs to Rs.11700 Lacs.

The year 2008-09 also saw the financial sector face a fresh set of challenges in terms of high delinquencies and increasing NPAs due to job losses, especially in the urban areas. However, the Company adopted an ultra-conservative approach to lending, prioritizing collections over advances at a time when the global recessionary trends showed vindictive signs of strangulating the Indian economy too. The Company chose to consolidate its reserve cash position and continued to disburse around Rs.25000 Lacs a month in the festive season — a period in which it would otherwise have enhanced its advances to at least Rs.40000 Lacs per month.

The Company maintained the quality of its loan portfolio, which may be gauged from the fact that delinquencies continue to be well in check. The Company's Gross and Net NPAs for the 12 months ended March 31, 2009 were 2.07% and 0.96% respectively.

LENDING –RETAIL ASSETS

INDUSTRY OVERVIEW:

The year 2008-09, despite uncertainty and a sudden increase in retail lending interest rates, saw the demand for financing of various assets remain stable. This happened despite a perception of a slowdown, where people were expected to purchase less and thus seek less financing support. Several factors favoured this positive development. One, employees of central and state governments, public sector units and defence units have seen a significant increase in their income with the implementation of the Sixth Pay Commission during the year. Second, the demand from the semi-urban and rural segments has not only sustained but in fact grown stronger. Being more conservative than their urban counterparts, the semi-rural and rural populace has not burnt its fingers in the real estate or stock market bust.

In addition, the rural economy is relying on the positive stimulus to employment & education, debt waiver plan and higher support prices, which will further aid rural demand. Besides, the sheer size of the semi-rural and rural segment, which still remains largely untapped by the organized lending institutions, provides asset financing companies like Shriram City an enormous growth potential.

The growth of the Company is backed by the existence of the following factors:

(a) **Product Mix:**

The Company has a comprehensive range of product offerings, ranging from the consumer durables financing, two wheeler financing, auto loans, small business loans and personal loans to loans against gold. The product offerings are comprehensive and the product mix well–defined. All these loan assets comprise necessities rather than luxuries for the borrowers and therefore demand is protected from recessionary trends.

(b) **Target Customers:**

The Company has defined its target customers well and that the credit is for those who are *Credit Starved*. *Credit starved* are defined as those clients who are eligible for credit – but are unable to avail due to the sheer number of formalities and time involved in getting the loan processed from other lenders.

The customer bases of the Company are those who have been traditionally under penetrated as the other banks / financial institutions have been reluctant to lend to these segments mainly due to their inability to present the required documents in the specific formats required

(c) **Unique Business Model:**

To cater to the needs of these customers, the Company has adopted a model of **Relationship–based lending**. Direct contacts with the customers are prioritized and thus both Marketing & Recovery operations are performed in – house.

The Company strongly believes in ascertaining the needs of the customers first and so the product offerings are tailor–made. While formulation of broad credit policies is centralized, the business outlets are allowed to take the final credit call, and this decentralized decision- making process helps in quick processing of the loans.

(d) **Dedicated human resources:**

The efficiency of the organization is attributable to the dedicated human resource of the Company. The Company's focus also remains on the human capital acquisition and development. Most of the second level executives have been with Shriram Group for a length of time.

(e) **Well – Defined organization structure:**

The organization structure of the Company is effective to accompany centralized policy formulations and decentralized decision – making within these broad guidelines.

RESOURCES & TREASURY

The sources of finance for the Company are either:

- **Retail Borrowing – Fixed Deposits / Non Convertible Debentures:**

  Shriram City is registered with RBI as a deposit- accepting NBFC and so has access to retail investors by way of offering them Fixed Deposits / Non – Convertible Debentures.

  The retail resource-base has been quite significant to the Company, and this can be observed from the fact that the Company has had a gross mobilization of Rs.66898 Lacs in the Debenture portfolio alone. This is attributable to the Brand image & the brand value of Shriram City.

- **Institutional Borrowings – Cash credit limits / Term Loan Borrowings:**

  The Company has a credit relationship with 38 Banks and Institutions. The Company has a Bank Loan Rating of "A" from Fitch Ratings as per the requirements of Basel II. During the year the Company has raised fresh resources by way of institutional borrowings of Rs.138950 Lacs.

  In addition to the above sources of finance, the Company also undertakes assignment of receivables and for the year under review, the amount of securitization was Rs.88844 Lacs.

- **Credit Rating:**

  Fitch Ratings has granted Credit Ratings of "A" for Long term debt and "F1" as the company's Short Term Rating. These ratings denote strong credit risk and strongest capacity for timely payment of financial commitments relative to other issuers or issues in the country*. The ratings of the Company have not been downgraded while other players in the industry faced this problem and also the outlook on the Company was upgraded to positive from stable in the year under review

  **definition as per Fitch ratings*

SWOT ANALYSIS

Using the SWOT – one of the most common strategic management models, the Company seeks to provide a brief summary here of its own internal strengths and weaknesses with the opportunities and threats in its external environment. The SWOT below compiles the most important results from the analysis of external drivers and the analysis of the internal competences of the Company. This summary can be read in conjunction with the Risk Management Section where the Company's competitive position within industry is analyzed in detail.

Strengths

- Wide product range under one roof
- Well defined business model
- Pan India presence
- Knowledge of the market & localized presence
- Relationship based lending
- Strong management in the core business & execution
- Entire process is in-housed with experienced man power
- Well equipped collection & recovery team

Weaknesses

- Low penetration in East Indian markets

Opportunities

- Changing lifestyle and opportunities leading to sustained/ higher demand for credit
- Untapped own database
- Huge market potential across all segments of operations- especially in the small business loan segment

Threats

- Unfavourable fluctuations in the interest rates
- Competition from the local markets

RISK MANAGEMENT:

Risk is inherent part of any business. Effective Risk Management is critical to any organization for achieving financial soundness. In view of this, aligning Risk Management to company's organizational structure and business strategy has become integral in our business. Over a period of years, the Company has taken various initiatives for strengthening risk management practices. The Company has an integrated approach for management of risk and in tune with this, formulated policy documents taking into account the business requirements / best international practices or as per the guidelines of the national supervisor. These policies address the different risk classes viz., Credit Risk, Market Risk and Operational Risk.

Credit Risk

1. Credit Risk Management Policy dictates the Credit Risk Strategy.

2. These Polices spell out the target markets, risk acceptance / avoidance levels, risk tolerance limits, preferred levels of diversification and concentration, credit risk measurement, monitoring and controlling mechanisms.

3. Standardised Credit Approval Process with well-established methods of appraisal is the pivot of the credit management of Company.

- The current focus is on augmenting abilities to quantify risk in a consistent, reliable and valid fashion, which will ensure advanced level of sophistication in the Credit Risk Measurement and Management in the years ahead.

Market Risk

1. The Company has well-established framework for Market Risk management with the Asset Liability Management Policy and the Treasury Policy forming the fulcrum for procedures, processes and structure. It has a major objective of protecting the Company's net interest income in the short run and market value of the equity in the long run for enhancing shareholders wealth. The important aspect of the Market Risk includes liquidity management and interest rate risk management.

2. The objective of liquidity management is to ensure adequate liquidity without affecting the profitability. In tune with this, the Company ensures adequate liquidity at all times through systematic funds planning, maintenance of liquid investments and focusing on more stable funding sources.

Operational Risk

1. The Company is exposed to many types of operational risks, including the risk of fraud or misconduct by employees or outsiders, unauthorized/improper transactions by employees or operational errors, including clerical or record keeping errors or inappropriate documentation or errors resulting from faulty system, or failure in maintenance of proper security policies. Employee misconduct could also expose the Company to liabilities for transactions exceeding authorized limits or present unacceptable risks, which may result in substantial financial losses and damage to the Company's reputation. Employee or executive misconduct could also involve improper use or disclosure of confidential information, which could result in regulatory sanctions and serious harm to the Company's reputation and financial condition. It is not always possible to deter employee or executive misconduct and the precautions taken and systems put in place to prevent and detect such activities may not be sufficient or effective in all cases at all times.

2. Further, a portion of the Company's collections may be in the form of cash transactions. Collection in cash presents risks of robbery, theft, misuse and employee embezzlement. There is no assurance that the Company will be able to safeguard cash collections at all times. Moreover, given the large volume of transactions, errors or misconducts may be repeated or compounded before they are detected and rectified. Besides, there is also a risk that the Company's control procedures may prove inadequate or may be circumvented, thereby causing delays in detecting errors or misconducts

3. The Company has a comprehensive system of internal controls, systems and procedures to monitor and mitigate risk. The Company has also institutionalized product approval process to identify the risk inherent in the approval process & other related activities.

4. The Internal audit system plays a vital role in mitigation of these Operational risks

PROCESS OF RISK MANAGEMENT:

- **Risk Identification:**

  Every Business has various types of risks which are inherent and for the sound performance of the organization, the vital risk are to be identified. The identification of the various risks is a continuous exercise as the same are to be aligned with various internal & external business factors.

  The top management identifies the strategic risks and upon interaction with the various identified levels the consultation with the various organization levels the policies of Risk management are formulated.

- **Measurement of the Risk:**

  The levels of risks are measured based on the probability and the significance of their potential impact.

  The impacts of the risks are classified as:

- Negligible
- Minor

- Moderate
- Significant
- Disastrous
- **Limit Setting:**

  The tolerance levels of each of the identified risks are spelt out. The risk response setting is made by classification of the risks as:

• Terminate/ Avoid	• Actions taken to exit the identified activity
• Take / Accept insignificant	• Take no action as the risk are
• Reduce	• Actions taken to reduce the impact
• Transfer	• Actions taken to reduce the impact by transfer full or portion of risk

- **Risk Monitoring:**

  The control mechanisms for the identified risks are developed in form of regular Internal Audits and all the risks are assessed. This continuous activity helps the management to identify any new risks and take necessary measures to mitigate the same.

  The risks are not only monitored but also the certain defined control actions are taken in order to respond to the assessed risk.

- **Issue Escalation**

  The risks so assessed are escalated wherever necessary depending upon the impact of such risk.

  The Effectiveness of the Risk management process is achieved only on the monitoring the implementation of the risk mitigation action plan. Also the clear organization relationship structure helps to report to the appropriate level the necessary reporting requirements.

REPORTING STRUCTURE:

IT initiatives

The Company uses the power of modern IT tools and platforms to improve productivity and enhance efficiencies of the organization. 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. Thus, Shriram City focuses unwaveringly on leveraging IT to function seamlessly across tasks, departments and geographies. The Company currently runs on a legacy application developed on 'FoxPro' a widely popular Data Base Management System and the Operating System used is Novell NetWare. The future set up just initiated is the implementation of an ERP application. This application is developed on SQL 2005, .Net and operates on Windows servers

Human Capital Management

The quality of servicing, the passion of the employees to reach out to new customers, achieve aggressive targets, while following the stringent screening processes and at the same time retaining and winning diverse customers' confidence plays a vital role in the Company's business. Thus, employees are an invaluable asset and play an important role in the Company's business growth strategy. The Company invests in training and development to ensure that local staff is well versed with the business dynamics and its policy and procedures. Training, along with right exposure, ensures a continuous and consistent talent pipeline for future business growth and also enhances the managerial pipeline for future. The Company encourages the development of leadership competencies required for different levels to create future leaders - leaders who are well integrated with business dynamics and procedure and who can, through long years of field exposure, imbibe fresh approaches and introduce better practices. The Company's remunerations and incentive scheme match the industry level and are visited from time to time and updated when necessary.

Internal systems & controls

The Company 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 March 31, 2009 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 March 31, 2009 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 March 31, 2009;

      (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 : May 30, 2009

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 not 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
Wealth Tax Act, 1957	Wealth Tax demands	0.75	A.Y.2001-02	CIT(Appeals)
Wealth Tax Act, 1957	Wealth Tax demands	0.57	A.Y.2002-03	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 to 2007-08	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 not given any guarantee for loans taken by others from bank or financial institutions.

(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 : May 30, 2009

BALANCE SHEET AS AT MARCH 31, 2009

(Rs. in Lacs)

	Schedule	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	4,585.68	6,444.48
Stock option outstanding	2	1,637.97	542.08
Optionally convertible warrants		2,700.00	232.20
Reserves and surplus	3	62,050.59	37,761.03
Loan Funds			
Secured loans	4	390,445.43	262,795.40
Unsecured loans	5	41,831.33	37,127.45
Deferred tax liabilities (net) (Refer note 10 of Schedule 19)		-	632.99
Total		**503,251.00**	**345,535.63**
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		7,918.90	7,100.42
Less : Accumulated depreciation		3,010.11	1,992.36
Less : Impairment Provision		1,186.81	-
Net block		3,721.98	5,108.06
Investments	7	606.45	604.98
Deferred tax asset (net) (Refer note 10 of Schedule 19)		313.05	-
Current Assets, Loans and Advances			
Current assets	8		
- Receivables under Financing Activities		375,395.10	274,857.78
- Sundry Debtors		89.03	75.82
- Cash & Bank Balances		160,803.74	87,605.23
- Other Current Assets		413.71	325.18
Loans and advances	9	2,817.56	10,277.10
		539,519.14	373,141.11
Less : Current Liabilities & Provisions			
Current liabilities	10	33,125.35	29,048.76
Provisions	11	7,784.27	4,269.76
		40,909.62	33,318.52
Net Current Assets		498,609.52	339,822.59
Total		**503,251.00**	**345,535.63**
Significant Accounting Policies and Notes to Accounts	19		

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 & on behalf of Pijush Gupta & Co.
Chartered Accountants

Place : Chennai
Date : May 30, 2009

R. Kannan
Managing Director

S.Venkatakrishnan
Director

J.Radhakrishnan
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2009

(Rs. in Lacs)

	Schedule	Year Ended March 31, 2009	Year Ended March 31, 2008
Income			
Income from operations	12	92,356.19	61,055.77
Other income	13	1,037.56	1,262.99
Total		**93,393.75**	**62,318.76**
Expenditure			
Interest & other charges	14	43,072.66	25,037.03
Personnel expenses	15	3,582.75	2,274.74
Operating & other expenses	16	18,858.72	16,084.92
Depreciation and lease adjustments		1,018.23	1,127.52
Impairment loss / (reversals) on fixed assets and stock		1,186.81	-
Share & debenture issue expenses written off	17	-	2.13
Provisions & write offs	18	7,701.05	5,093.96
Total		**75,420.22**	**49,620.30**
Profit before taxation		**17,973.53**	**12,698.46**
Provision for taxation			
Current tax		7,055.25	6,134.29
Deferred tax (Refer note 10 of Schedule 19)		(946.04)	(2,340.33)
Wealth Tax		1.76	-
Fringe benefit tax		161.79	141.00
Total tax expense / (income)		**6,272.76**	**3,934.96**
Net profit		**11,700.77**	**8,763.50**
Balance brought forward from previous year		8,412.03	4,471.38
Profit available for appropriation		**20,112.80**	**13,234.88**
Appropriations:			
Interim dividend - Equity		501.85	391.00
Cumulative Redeemable Preference Shares		63.17	141.59
Proposed Final Equity dividend		1,375.92	1,332.15
Proposed Final Preference dividend		-	0.08
Tax on dividend		329.86	316.92
Transfer to Statutory Reserve		2,340.00	1,761.11
Transfer to General Reserve		1,170.00	880.00
Transfer to Capital Redemption Reserve		2,328.98	-
Surplus carried to Balance Sheet		**12,003.01**	**8,412.03**
Earnings per share (refer note 8 of Schedule 19)			
Basic (Rs.)		25.77	21.95
Diluted (Rs.)		22.44	21.74
Nominal Value of Share (Rs.)		**10.00**	**10.00**
Significant Accounting Policies and Notes to Accounts	19		

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 & on behalf of Pijush Gupta & Co.
Chartered Accountants

Place : Chennai
Date : May 30, 2009

R. Kannan
Managing Director

S.Venkatakrishnan
Director

J.Radhakrishnan
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Schedule 1		
Share Capital		
Authorised		
6,00,00,000 (Previous Year : 4,50,00,000) Equity Shares of Rs.10/- each	6,000.00	4,500.00
40,00,000 (Previous Year : 40,00,000) Cumulative Redeemable Preference Shares of Rs.100/- each	4,000.00	4,000.00
	10,000.00	8,500.00
Issued, Subscribed & Fully Paid up		
Equity Shares		
4,58,56,800 (Previous Year : 4,11,55,000) Equity Shares of Rs.10/- each #	4,585.68	4,115.50
of the above:		
i) 15,00,000 Equity shares of Rs.10/- each issued as Bonus shares by capitalisling of Securities Premium Account		
ii) 6800 (Previous Year : Nil) Equity shares of Rs.10/- each have been issued under employee stock option scheme . [Refer note no:14 of schedule 19]		
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			
	83,260	8.00%	-	83.26	
	2,950	12.00%	-	2.95	
	4,210	5.00%	-	4.21	
	2,00,000	13.50%	-	200.00	
	1,900	14.00%	-	1.90	
	16,270	10.00%	-	16.27	
	1,800	15.00%	-	1.80	
	20,18,590	6.00%	-	2,018.59	2,328,98
	23,28,980				
			4,585.68		**6,444.48**
Schedule 2					
Stock option outstanding					
Employee Stock option outstanding			2,990.73		3,006.12
Less : Deferred Employee compensation outstanding			1,352.76		2,464.04
			1,637.97		**542.08**

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Schedule 3		
Reserves and Surplus		
Capital Redemption Reserve		
Balance as per Last account	-	-
Add: Transfer from Profit & Loss account*	2,328.98	-
	2,328.98	-
Securities Premium Account		
Balance as per last account	22,181.10	19,098.60
Add: Amount received during the year#	14,859.60	3,082.50
	37,040.70	22,181.10
Investment Allowance Reserve		
Balance as per last account	-	7.90
Less: Transfer to General Reserve since utilised	-	7.90
	-	-
Statutory Reserve *		
Balance as per last account	4,920.00	3,158.89
Add: Transfer from Profit & Loss Account	2,340.00	1,761.11
	7,260.00	4,920.00
General Reserve		
Balance as per last account	2,247.90	1,360.00
Add: Transfer from Investment Allowance Reserve	-	7.90
Add: Transfer from Profit & Loss Account	1,170.00	880.00
	3,417.90	2,247.90
Balance in Profit & Loss Account	12,003.01	8,412.03
	12,003.01	8,412.03
	62,050.59	**37,761.03**

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

Includes Rs.15,312 Lacs (including share premium of Rs.14,842.50 Lacs) raised by the Company by way of Preferential issue was utilised for the purpose of increasing the networth and augmenting the working capital.

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Schedule 4		
Secured Loans		
Redeemable non convertible debentures	127,741.10	69,106.39
[Refer note 2(1)(a) of Schedule 19]		
Term loans		
i) From Banks [Refer note 2(1)(b)(ii) of Schedule 19]	143,562.74	115,755.02
ii) From Financial Institutions / Corporate	9,426.40	10,513.00
[Refer note 2(1)(b)(i) of Schedule 19]		
Cash credit from banks including working capital demand loan	109,715.19	67,420.99
[Refer note 2(1)(c) of Schedule 19]		
	390,445.43	**262,795.40**
Schedule 5		
Unsecured Loans		
Fixed deposits	112.80	165.67
[Due within one year Rs.73.59 Lacs (Previous Year : Rs.107.35 Lacs)]		
Inter corporate deposits	-	925.00
[Due within one year Rs. Nil Lacs (Previous Year : Rs.925 Lacs)]		
Subordinated debts	41,718.53	28,036.78
[Due within one year Rs.40.88 Lacs (Previous Year : Rs.132 Lacs)]		
Redeemable non-convertible debentures	-	3,500.00
[Due within one year Rs. Nil (Previous Year : Rs.3500 Lacs)]		
Commercial papers	-	4,500.00
[Maximum amount raised at anytime during the year : Rs.10000 Lacs (Previous Year : Rs. 6500 Lacs)]		
	41,831.33	**37,127.45**

*Debentures having put/call option and loans with recall option are considered as due within one year.

Schedule 6 - Fixed Assets

(Rs. in Lacs)

Particulars	Gross Block					Depreciation / Amortisation					Lease Adjustment	Impairment Loss	Net Block	
	As at April 1, 2008	Additions during the year	Deletions during the year	Adjustment	As at March 31, 2009	As at April 1, 2008	For the year	Deletions	Adjustment	As at March 31, 2009			As at March 31, 2009	As at March 31, 2008
Land - Freehold	131.70	-	58.81	-	72.89	-	-	-	-	-	-	-	72.89	131.70
Buildings	12.94	-	-	-	12.94	1.72	0.21	-	1.93	-	-	-	11.01	11.22
Plant and Machinery*	6,494.09	431.77	0.05	1.25 #	6,925.81	1,862.83	866.80	0.02	2,729.62	1,186.81	-	-	* 3,009.38	4,631.26
Furniture and Fixtures	121.31	269.08	-	-	391.64	26.68	46.62	-	73.67	-	-	-	317.97	94.63
Vehicles	11.44	11.08	1.68	-	20.84	1.21	1.56	0.47	2.30	-	-	-	18.54	10.23
Leasehold Improvement	328.94	161.81		(1.25) #	489.50	99.92	102.41	-	201.96	-	-	-	287.54	229.02
INTANGIBLE ASSETS														
Computer Software	-	5.28	-	-	5.28	-	0.63	-	0.63	-	-	-	4.65	-
TOTAL	**7,100.42**	**879.02**	**60.54**	**-**	**7,918.90**	**1,992.36**	**1,018.23**	**0.49**	**3,010.11**	**1,186.81**	**-**	**-**	**3,721.98**	**5,108.06**
Year ended March 31,2008	**7,224.79**	**670.25**	**794.62**	**-**	**7,100.42**	**1,654.30**	**1,127.52**	**789.46**	**1,992.36**	**-**	**-**	**-**	**5,108.06**	**-**

Adjustment respresents reclassification of amounts of Furniture and Fixtures which were earlier included in Lease Hold improvement

* Includes Rs. 2194.11 Lacs towards windmills held for Sale for which MOU is executed with a buyer and sale will be subject to satisfactory completion of the technical due diligence

(Rs. in Lacs)

	As at March 31, 2009 Quantity	As at March 31, 2008 Quantity	As at March 31, 2009 Amount	As at March 31, 2008 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
(Redeemed during the year)				
6.13% G.I. Loan 2028 (Face Value - Rs.100 Lacs)			101.45	101.45
[Refer note no.2 of Schedule 19]				
B. Shares : Fully paid up				
Unquoted - Equity shares				
Shriram Life Insurance Company Limited	5,000,000	5,000,000	500.00	500.00
(Face value of Rs 10/- each)				
Current Investments (At lower of cost and fair value)				
Other than trade				
A. Shares : Fully paid up				
Unquoted - Equity shares in Subsidiary				
Shriram Non Conventional Energy Limited	50,000	4,500	5.00	0.45
(Face value of Rs 10/- each)				
(Purchased during the year 45500 shares)				
			606.45	**604.98**
Aggregate Value of Quoted Investments for which quotations are available				
Cost			101.45	104.53
Market Value			83.52	86.69
Aggregate Value of Unquoted Investments				
Cost			505.00	500.45

Units of Mutual Funds Purchased and Redeemed during the year

Current Investments (At cost)

(Rs. in Lacs)

Name of Funds	Units	Amount
Reliance Liquidity Fund Daily Dividend Reinvesment Option	24,992,252	2,500.00
Mirae Asset Liquid Fund - Super Institutional - Dividend Plan (Daliy)(Re- Investment)	399,714	4,000.00
ING Liquid Fund Super Institutional - Daily Dividend Option	34,983,208	3,500.00
Standard Chartered Liquidity Manager - Daily Dividend	349,927	3,500.00
SBI Premier Liquid Fund - Super Institutional - Daily Dividend	19,935,211	2,000.00
Birla Cash Plus - Institutional Premier - Daily Dividend - Reinvesment	29,941,614	3,000.00
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvesment	294,278	3,000.00
Standard Chartered Liquidity Manager - Daily Dividend	299,937	3,000.00
Birla Cash Plus - Institutional Premier - Daily Dividend - Reinvesment	29,941,614	3,000.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend Reinvesment	29,716,799	3,000.00
Birla Cash Plus - Institutional Premium - Daily Dividend - Reinvesment	29,941,614	3,000.00
Tata Liquid Super High Investment Fund - Daily Dividend	269,174	3,000.00
Dws Insta Cash Plus Fund - Institutional Plan Daily Dividend	34,931,883	3,500.00
ICCI Prudential Institutional Liquid Plan Super Institutional Daily Dividend Reinvesment	34,998,250	3,500.00
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvesment	343,324	3,500.00
PNB Principal Cash Management Fund Liquid Option Institutional Premium	29,997,900	3,000.00
Plan-Daily Dividend Reinvesment		
IDFC Liquidity Manager - Plus - Daily Dividend	149,969	1,500.00
Brila Cash Plus - Institutional Premier - Daily Dividend - Reinvesment	39,922,152	4,000.00
ING Liquid Fund Super Institutional - Daily Dividend Option	39,980,809	4,000.00
Reliance Liquidity Fund Daily Dividend Reinvesment Option	26,991,633	2,700.00
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvesment	490,463	5,000.00
Reliance Liquidity Fund Daily Dividend Reinvesment Option	24,992,252	2,500.00
ING Liquid Fund Super Institutional - Daily Dividend Option	39,980,809	4,000.00
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvesment	294,278	3,000.00
HDFC Cash Management Fund - Saving Plan - Daily Dividend Reinvesment	28,205,032	3,000.00
Brila Cash Plus - Institutional Premier - Daily Dividend - Reinvesment	24,951,345	2,500.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend Reinvesment	29,221,519	2,950.00
IDFC Liquidity Manager - Daily Dividend	399,916	4,000.00
SBI Premier Liquid Fund - Super Institutional - Daily Dividend	29,902,816	3,000.00
	586,819,689	**92,150.00**

Previous investment (At cost)

Name of Funds	As at March 31, 2008 Units	As at March 31, 2008 Amount
ICICI Prudential Institutional liquid Plan-Super Institutional Daily Divident	14,999,250	1,500.00
ICICI Prudential Institutional liquid Plan-Super Institutional Daily Divident	19,999,000	2,000.00
Standard Chartered Liquidity Manager- Plus - Daily Divident	199,958	2,000.00
HDFC Liquid Fund Premium - Dividend - Daily Reinvesement	16,313,480	2,000.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Divident Reinvestment	19,811,199	2,000.00
DBS Chola Short Term Floating Rate Fund -Daily Divident Reinvesment Plan	19,936,800	2,000.00
DBS Chola Short Term Floating Rate Fund -Daily Divident Reinvesment Plan	49,918,134	5,000.00
Standard Chartered Liquidity Manager- Plus - Daily Divident	499,895	5,000.00
Lotus India Liquid Fund - Super Institutional Daily Divident	34,994,751	3,500.00
Reliance Liquidity Fund - Daily Divident Reinvestment	29,990,703	3,000.00
AIG India Liquid Fund Super Institutional Daily Divident	149,878	1,500.00
Birla Cash Plus -Institutional Premium-Daily Divident - Reinvesment	29,941,614	3,000.00
SBI Premeir Fund - Institutional- Daily Divident	19,935,211	2,000.00
ING Liquid Fund Super Institutional - Daily Divident Option	29,295,607	3,000.00
Standard Chartered Liquidity Manager-Plus - Daily Divident	199,958	2,000.00
Sundaram BNP Paribas Money Fund Super Institutional Daily Divident Reinvestment	19,811,199	2,000.00
Lotus India Liquid Fund - Super Institutional Daily Divident	23,998,560	2,400.00
Templeton India Treasury Management Account Super Institutional Plan-Daily Divident Reinvestment	149,963	1,500.00
Birla Sun Life Cash Manager- Daily Divident - Reinvesment	19,994,002	2,000.00
	350,139,161	**47,400.00**

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Schedule 8		
Current Assets		
Receivables under Financing Activities		
a) Secured		
i) Hypothecation Loan	329,837.20	235,141.66
ii) Loan against Securities	1,206.84	1,502.58
iii) Loan to subsidiaries	4,392.66	-
b) Unsecured		
i) Personal Loan	39,755.49	37,814.52
ii) Microfinance	202.91	399.02
	375,395.10	**274,857.78**
Sundry Debtors		
(Unsecured, considered Good)		
Debts outstanding for a period exceeding six months	-	-
Other Debts	89.03	75.82
	89.03	**75.82**
Cash & Bank Balances		
i) Cash on hand	1,515.96	1,686.20
ii) Remittances in transit	86.81	221.04
iii) Balances with scheduled banks in:		
Fixed Deposit Accounts*	121,673.88	49,003.41
Current accounts	37,527.09	36,694.58
	160,803.74	**87,605.23**
Other Current Assets		
i) Interest accrued on Fixed Deposits, Loans and Investments	413.71	325.18
	413.71	**325.18**
	536,701.58	**362,864.01**

* Includes Fixed deposits of Rs. 9941.77 Lacs (March 31,2008 : Rs.4299.21 Lacs) pledged with Banks as margin for securitisation and Rs. 64.76 Lacs (March 31, 2008: Rs.61.38 Lacs) as pledged Lien against loan taken.

Schedule 9		
Loans and Advances		
Secured - Considered Good		
Loans	8.20	8.75
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	1,452.60	2,017.57
Advance - Capital Assets	50.00	4,128.96
Advance - Hypothecation loans	822.35	2,360.84
Advance tax (net of provisions for tax)	262.71	1,030.88
Prepaid expenses	38.21	202.35
Security deposits **	183.49	527.75
	2,817.56	**10,277.10**

** Includes Rs.75.77 Lacs (March 31, 2008: Rs.396.67 Lacs) pledged with corporate as margin for securitisation.

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Schedule 10		
Current Liabilities		
Sundry creditors (Refer Note 19 of Schedule 19)	1,776.37	2,857.83
Interest accrued but not due	21,543.25	13,595.42
Application Money on Redeemable non convertible debentures	172.09	392.23
Application Money on Subordinated debts	43.11	216.33
Investor Education and Protection Fund shall be credited by the following amounts (as and when due)		
- Unclaimed Matured Deposits	19.79	13.71
- Unclaimed Matured Debentures	2,219.30	1,932.21
- Interest accrued and due on above	614.44	669.57
- Unclaimed dividend	20.87	22.78
Temporary credit balance in bank accounts	2,796.97	2,473.35
Securitisation deferred income	2,228.49	5,176.46
Other liabilities	1,690.67	1,698.87
	33,125.35	**29,048.76**
Schedule 11		
Provisions		
For non-performing assets	4,193.68	1,732.96
For fringe benefit tax(net of advance tax)	0.52	-
For diminution in value of investments	17.93	17.93
For hedging contracts	1,805.86	811.68
For leave encashment	16.88	15.37
For gratuity	139.64	133.18
Dividend on		
- Equity Shares	1,375.92	1,332.15
- Cumutlative Redeemable Preference Shares	-	0.08
Corporate dividend tax	233.84	226.41
	7,784.27	**4,269.76**

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Rs. in Lacs)

	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008
Schedule 12 **Income from Operations**		
Finance & service charges *	86,137.34	51,335.05
Interest on Margin money on securitisation	405.96	457.44
Income on securitisation	5,812.89	9,255.64
Lease Rentals	-	7.64
	92,356.19	**61,055.77**
*Tax deducted at source of Rs.605.70 Lacs (March 31, 2008 : Rs.722.20 Lacs)		
Schedule 13 **Other Income**		
Interest on deposits with banks*	251.85	221.73
Interest on Loans & Advances*	1.54	16.52
Sale of electricity	500.59	476.13
Income from Long Term Investment (non trade)		
- Interest on government securities	6.29	6.91
Income from Current Investments (non trade)		
- Dividend	56.47	46.06
Profit on sale of assets	-	0.01
Commission received *	101.71	121.22
Compensation charges	24.74	242.54
Miscellaneous income	94.37	131.87
	1,037.56	**1,262.99**
*Tax deducted at source of Rs.58.93 Lacs (March 31, 2008: Rs.55.84 Lacs)		
Schedule 14 **Interest & Other Charges**		
Interest & Other Charges on :		
Debentures	12,863.43	8,777.67
Subordinated debts	4,460.21	2,971.95
Fixed deposits	11.56	36.35
Loans from banks	19,430.72	9,944.02
Loans from institutions and others	1,670.87	453.36
Commercial paper	250.72	291.17
Bank charges	2,700.70	1,591.33
Processing charges on loans/securitisation	1,684.45	971.18
	43,072.66	**25,037.03**
Schedule 15 **Personnel Expenses**		
Salaries & other allowances	3,452.64	2,163.40
Gratuity expenses	9.24	31.77
Contribution to provident and other funds	90.09	60.07
Staff welfare expenses	30.78	19.50
	3,582.75	**2,274.74**

(Rs. in Lacs)

	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008
Schedule 16 **Operating and other Expenses**		
Rent	476.63	526.83
Electricity expenses	393.97	232.87
Repairs & Maintenance		
- Plant & machinery	127.29	80.58
- Others	759.43	723.26
Rates & taxes	1.26	0.68
Printing & stationery	727.74	803.06
Travelling & conveyance	1,968.38	1,720.74
Advertisement	61.04	63.53
Business Promotion Expenses	2,257.86	1,880.57
Brokerage & commission	6,379.03	6,192.14
Sourcing fees	135.70	63.37
Royalty	269.55	147.50
Directors' sitting fees	5.20	3.03
Insurance	21.59	21.47
Communication expenses	1,533.99	1,493.66
Auditor's remuneration		
- Audit fees	6.05	4.50
- Tax audit fees	2.08	1.50
- Other services	9.65	4.50
Professional charges	1,472.68	606.01
Recovery Expenses	1,077.92	843.91
Donations	65.00	41.50
Loss on sale of assets	0.12	3.36
Loss on sale of Long Term Investments (non trade)	0.08	-
Miscellaneous expenses	1,106.48	626.35
	18,858.72	**16,084.92**
Schedule 17 **Share & Debenture issue expenses written off**		
Share issue expenses	-	2.13
	-	**2.13**
Schedule 18 **Provisions & Write offs**		
Provision for non performing assets	2,460.72	253.75
Bad debts written off	5,348.64	4,921.23
Bad debt recovery	(108.31)	(81.02)
	7,701.05	**5,093.96**

SCHEDULES TO THE ACCOUNTS

Schedule 19 : Significant Accounting Policies and Notes to Accounts

1. Significant Accounting Policies

Back Ground

Shriram City Union Finance Limited (SCUFL) was incorporated on March 27, 1986, as a Private Limited Company and became a Public Limited Company on October 29, 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 have been prepared under historical cost convention on an accrual basis and in accordance with generally accepted accounting principles in India and specifically to comply in all material respects with the notified Accounting Standards (AS) issued under the Companies Accounting Standard Rules, 2006 and 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 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) Fixed Assets, depreciation / Amortisation and impairment of assets

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation/amortisation 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 / Amortisation

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 higher rates are applied are as follows.

Particulars	Rates (SLM)	Schedule XIV rates (SLM)
Windmills	10%	5.28%
Computer Software	33.33%	16.67%

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.

(d) 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 market value if quoted. Unquoted 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 long term investments.

(e) Receivables under Hypothecation Loans

Receivables under Hypothecation Loans are stated at the amount advanced including finance charges accrued and expenses recoverable, as reduced by the amounts received up to March 31, 2009 and stocks securitized.

(f) Leases

Where the Company is the lessee and the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, the leases are classified as operating leases. Rental payments against operating leases are recognized as expense in the Profit and Loss Account as and when incurred over the lease term.

(g) Provisioning / Write-off of assets

Loan 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.

(h) Foreign currency translation

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 recognized as gain or loss as the case may be in the profit and loss account.

(i) Revenue recognition

i Income on loans is recognised on the basis of internal rate of return.

ii Additional interest are treated to accrue only on realization, due to uncertainty of realization and are accounted for 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.

(j) 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.

(k) 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 is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The un-recognized deferred tax assets are re-assessed by the Company at each balance sheet date and are recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(l) 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.

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement which is prepared in accordance with Accounting Standard AS 3 issued by the Institute of Chartered Accountants of India comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

(o) Expenses on deposits / debentures

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

(p) 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 and the net loss after considering the off setting effect on the underlying hedge item is charged to profit and loss account. Net gains are ignored.

(q) 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, 1999and 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, 2009	As at March 31, 2008
Number	1,00,74,110	64,10,639
Amount	1,00,741.10	64,106.39

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, 2009	As at March 31, 2008	
28.03.2008	5,000.00	5,000.00	15.04.2009
28.05.2008	12,500.00	-	28.10.2009
17.12.2008	9,500.00	-	17.12.2009
Total	**27,000.00**	**5,000.00**	

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, 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, 2009	As at March 31, 2008
i. From Financial Institutions/Corporate:		
(a) Secured by an exclusive charge by way of hypothecation of receivables relating to Loans	9,103.00	10,100.00
(b) Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery and Receivables relating to the Windmills	323.40	413.00
Total	**9,426.40**	**10,513.00**

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
ii. **From Banks :**		
(a) Secured by an exclusive charge by way of hypothecation of receivables relating to Loans	1,40,150.93	1,11,568.53
(b) Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery and Receivables relating to the Windmills	1,448.70	1,910.78
(c) Secured by an exclusive charge by way of hypothecation of specific charge on Land, Plant & Machinery relating to the Bio Mass Plant	1,963.11	2,275.71
Total	**1,43,562.74**	**1,15,755.02**

c) **Cash Credit from Banks**

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Cash Credit from Banks	1,09,715.19	67,420.99

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

2. **Fixed Deposits**

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.101.45 Lacs in favour of trustees representing the public deposit holders of the Company.

3. **Subordinated Debt**

The Company has raised during the year subordinated debt bonds amounting to Rs.13,813.75 Lacs (March 31, 2008: Rs. 8,170.49 Lacs) with coupon rate of 11.5% to 13% per annum which are redeemable over a period of 62 months to 73 months.

4. **Cash & Cash Equivalents**

(Rs. in Lacs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Cash & Bank balance (as per schedule 8)	1,60,803.74	87,605.23
Less : Fixed deposits having original maturity greater than 3 months or pledged with banks or lien marked deposits	10,813.87	4,958.17
Balance considered as cash & cash equivalents for cash flow statement	**1,49,989.87**	**82,647.06**

5. **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, 2009	Gratuity March 31, 2008
Current service cost	35.29	45.67
Interest cost on benefit obligation	13.37	5.93
Expected return on plan assets	N.A	N.A
Net actuarial (gain) / loss recognized in the year	(39.51)	53.10
Past service cost	NIL	NIL
Net benefit expense	**9.15**	**104.70**
Actual return on plan assets	N.A	N.A

Balance sheet

Details of Provision for gratuity (Rs. in Lacs)

Particulars	Gratuity March 31, 2009	Gratuity March 31, 2008
Defined benefit obligation	139.64	133.18
Fair value of plan assets	N.A	N.A
Total	139.64	133.18
Less: Unrecognized past service cost	NIL	NIL
Plan asset / (liability)	**(139.64)**	**(133.18)**

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

(Rs. in Lacs)

Particulars	Gratuity March 31, 2009	Gratuity March 31, 2008
Opening defined benefit obligation	133.18	28.48
Interest cost	13.37	5.93
Current service cost	35.29	45.67
Benefits paid	(2.69)	NIL
Actuarial (gains) / losses on obligation	(39.51)	53.10
Closing defined benefit obligation	**139.64**	**133.18**

The Company would not contribute any amount to gratuity in 2009-10 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, 2009	Gratuity March 31, 2008
	%	%
Investments with insurer	NA	NA

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

Particulars	Gratuity March 31, 2009	Gratuity March 31, 2008
Discount Rate	7.75%	8%
Increase in compensation cost	5.00%	5%
Employee Turnover	3.25%	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, 2009	March 31, 2008
Defined benefit obligation	139.64	133.18
Plan assets	N.A.	N.A.
Surplus / (deficit)	(139.64)	(133.18)
Experience adjustments on plan liabilities	(39.51)	53.10
Experience adjustments on plan assets	N.A.	N.A.

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.

6. Segment Reporting

(Rs. in Lacs)

Particulars	Year ended March 31, 2009			Year ended March 31, 2008		
	Financing Activities	Unallocated reconciling items	Total	Financing Activities	Unallocated reconciling items	Total
Segment Revenue	92,893.16	500.59	93,393.75	61,842.63	476.13	62,318.76
Segment Results (Profit before tax and after interest on Financing Segment)	19,785.18	(1,552.74)	18,232.43	13,366.42	(347.14)	13,019.28
Less: Interest on unallocated reconciling items	-	258.90	258.90	-	320.82	320.82
Net profit before tax			17,973.53			12,698.46
Less: Income taxes			6,272.76			3,934.96
Net profit			**11,700.77**			**8,763.50**
Other Information:						
Segment assets	5,33,858.67	9,726.13	5,43,584.80	3,69,451.13	8,372.14	3,77,823.27
Unallocated corporate assets	-	575.82	575.82	-	1,030.88	1,030.88
Total Assets	5,33,858.67	10,301.95	5,44,160.62	3,69,451.13	9,403.02	3,78,854.15
Segment liabilities	4,69,776.83	1,799.79	4,71,576.62	3,28,489.90	4,752.31	3,33,241.21
Unallocated corporate liabilities	-	-	-	-	632.99	632.99
Total Liabilities	4,69,776.83	1,799.79	4,71,576.62	3,28,489.90	5,384.30	3,33,874.20
Capital expenditure	879.02	-	879.02	670.25	-	670.25
Depreciation	285.12	1,919.93	2,205.05	394.40	733.12	1,127.52
Other non - cash expenses	9,922.91	-	9,922.91	6,652.54	-	6,652.54

7. Related Party Disclosures

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

Subsidiary : Shriram Non-Conventional Energy Limited (From January 10, 2009)

Enterprises having significant influence over the Company : Shriram Enterprise Holdings Private Limited
Shriram Retail Holdings Private Limited
Shriram Capital Limited

Key Managerial Personnel : R Kannan, Managing Director

(Rs. in Lacs)

	Enterprises having significant influence over the Company		Subsidiary		Total	
	2009	2008	2009	2008	2009	2008
Payments						
Royalty	269.55*	147.50*	-	-	269.55*	147.50*
Data Sourcing fees	135.70*	63.38*	-	-	135.70*	63.38*
Service Charges	814.18*	380.24*	-	-	814.18*	380.24*
Equity dividend	-	162.60*	-	-	-	162.60*
Equity dividend	716.86#	432.64#	-	-	716.86#	432.64#
Equity dividend	217.67@	-	-	-	217.67@	-
Investments in shares	-	-	-	4.99^	-	4.99^
Loan to Subsidiary	-	-	4392.66^	-	4392.66^	-
Receipts						
Sale of investments	-	-	-	4.54^	-	4.54^
Subscription of equity shares	-	-	-	-	-	-
Subscription to optionally convertible warrants	1400.00@	-	-	-	1400.00@	-
Conversation of Warrants into Equity / Securities Premium	2080.80#	2959.20#	-	-	2080.80#	2,959.20#
Interest Received	-	-	78.00^	-	78.00^	-
Balance outstanding at the year end	-	-	-	-	-	-
Share Capital	-	542.00*	-	-	-	542.00*
Share Capital	1,792.15#	1,647.65#	-	-	1,792.15#	1,647.65#
Share Capital	544.17@	-	-	-	544.17@	-
Share Warrants	1,400.00@	232.20#	-	-	1,400.00@	232.20#
Investment in Shares	-	-	5.00^	0.45^	5.00^	0.45^
Outstanding Expenses	60.90*	174.28*		-	60.90*	174.28*
Interest receivable on Loan to Subsidiary	-	-	60.32^	-	60.32^	-

* Denotes transactions with Shriram Capital Limited

\# Denotes transactions with Shriram Enterprise Holdings Private Limited

@ Denotes transactions with Shriram Retail Holdings Private Limited

^ Denotes transactions with Shriram Non Conventional Energy Limited

8. Earnings per share

(Rs. in Lacs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Net Profit after tax as per profit and loss account (Rs. in Lacs)	11,700.77	8,763.50
Less : Preference Dividend	73.91	165.74
Net Profit for Equity Shareholders (A)	11,626.86	8,597.76
Weighted average number of equity shares for calculating Basic EPS (in Lacs) (B)	451.16	391.67
Weighted average number of equity shares for calculating Diluted EPS (in Lacs) (C)	518.15	395.41
Basic earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A)/(B)	**25.77**	**21.95**
Diluted earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A)/(C)	**22.44**	**21.74**

(Rs. in Lacs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Weighted average number of equity shares for calculating EPS (in Lacs)	451.16	391.67
Add : Equity shares arising on conversion of optionally convertible warrants (in Lacs)	59.28	1.45
Add : Equity shares for no consideration arising on grant of stock options under ESOP (in Lacs)	7.71	2.29
Weighted average number of equity shares in calculation diluted EPS (in Lacs)	518.15	395.41

9. Consolidated Financial Statements

The Company has further acquired 45,500 equity shares of M/s. Shriram Non Conventional Energy Limited (SNEL) during the year and consequently SNEL has become wholly owned subsidiary with effect from January 10, 2009. This investment is intended to be temporary since the subsidiary is acquired and held exclusively with a view to dispose it in the near future. Complying with Accounting Standard 21 issued by the Institute of Chartered Accountants of India consolidated accounts are therefore not presented. The Company has at its Extra Ordinary General Meeting of the shareholders held on May 11, 2009 obtained the approval of the shareholders to sell the shares held as Investments in its wholly owned subsidiary.

10. Deferred Tax Liabilities/(Asset) (Net)

(Rs. in Lacs)

The break up of deferred tax asset / liabilities is as under:-	As at March 31, 2009	As at March 31, 2008
Deferred Tax Liabilities		
Timing difference on account of :		
Differences in depreciation in block of fixed assets as per tax books and financial books	881.85	1,495.39
Gross Deferred Tax Liabilities (A)	**881.85**	**1,495.39**
Deferred Tax Asset		
Timing difference on account of :		
Expenses disallowed under Income Tax Act, 1961	581.09	586.51
Provision for hedging contracts	613.81	275.89
Gross Deferred Tax Assets **(B)**	**1194.90**	**862.40**
Deferred Tax Liabilities/(Asset) (Net) (A-B)	**(313.05)**	**632.99**

11. Capital Commitments

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	NIL	276.84

12. Contingent Liabilities not provided for

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Guarantees issued by the Company	6.81	6.81

Income Tax/Wealth Tax/Service Tax/Fringe Benefit Tax

Disputed Income tax/Wealth Tax/Service Tax/Fringe Benefit Tax demands contested in appeal as on March 31, 2009 amount to Rs.1554.83 Lacs (March 31, 2008: Rs.1,603.12 Lacs). However provision is made in the books for any liability that may arise.

13. The Company during the year converted 14,40,000 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. 2167.50 Lacs received from the said preferential allotment was utilized for the purpose of increasing the net worth and working capital of the Company. The company has further issued 35,00,000 warrants to Shriram Retail Holdings Private Limited on a preferential basis with an option to convert into equity shares of Rs.400/- each (including securities premium of Rs.390/-) within 18 months from the date of issue i.e. May 16, 2008.

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, 2009		As at March 31, 2008	
	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	13,27,500	Rs. 35.00
Less: Forfeited during the year	Nil	-	Nil	-
Less: Exercised during the year	6,800	Rs.35.00	-	-
Less: Expired during the year	-	-	-	-
Outstanding at the end of the year	13,20,700	Rs. 35.00	13,27,500	Rs. 35.00
Exercisable at the end of the year		-		-
Weighted average remaining contractual life (in years)		11.55		12.55
Weighted average fair value of options granted		Rs. 227.42		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, 2009	Rs.35/-	13,27,500	11.55	Rs.35/-
March 31, 2008	Rs.35/-	13,27,500	12.55	Rs.35/-

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, 2009	As at March 31, 2008
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1,111.28	542.08
Liability for employee stock options outstanding as at year end	2,990.73	3,006.12
Deferred compensation cost	1,352.76	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:

(Rs. in Lacs)

	Year ended March 31, 2009	Year ended March 31, 2008
Profit as reported (Rs. in Lacs)	11,700.77	8,763.50
Add: Employee stock compensation under intrinsic value method (Rs. in Lacs)	1,111.28	542.08
Less: Employee stock compensation under fair value method (Rs. in Lacs)	1,116.04	544.40
Proforma profit (Rs. in Lacs)	11,696.01	8,761.18
Less Preference Dividend	73.91	165.74
Proforma Net Profit for Equity Shareholders	11,622.10	8,595.44
Earnings per share		
Basic (Rs.)		
- As reported	25.77	21.95
- Proforma	25.76	21.95
Diluted (Rs.)	-	-
- As reported	22.44	21.74
- Proforma	22.43	21.74

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, 2009 and March 31, 2008 is given below:

	Year ended March 31, 2009	Year ended March 31, 2008
Total number of loan assets securitized	3,14,685	3,98,691
Total book value of loan assets securitised (Rs. in Lacs)	88,844.37	75,781.80
Sale consideration received for the securitised assets (Rs. in Lacs)	91,874.15	83,539.14
Net gain on account of securitization (Rs. in Lacs)	3,029.78	7,757.34

The information on securitisation & direct assignment activity of the Company as an originator as on March 31, 2009 and March 31, 2008 is given in the table below :

(Rs. in Lacs)

	As at March 31, 2009	As at March 31, 2008
Outstanding credit enhancement- Deposit with banks/corporate	10,017.54	4,695.88
Outstanding credit enhancement - Receivables	1,762.03	3,200.86

16. Derivative Instruments

The Notional principal amount of derivative transactions outstanding as on March 31, 2009 for interest rate swaps Rs.12,500 Lacs (March 31, 2008 – 50,000 Lacs).

17. Supplementary Statutory Information

17.1 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.

17.2 Expenditure in foreign currency (On cash basis)

(Rs. in Lacs)

	Year ended March 31, 2009	Year ended March 31, 2008
Travelling	-	1.67
Others	0.08	-
	0.08	**1.67**

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

18.1 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 units)		Sales Value (Rs. in Lacs)	
		2009	2008	2009	2008	2009	2008	2009	2008
Electricity - Windmill	34	NA	NA	12,550	12,550	1,71,19,786	1,65,56,603	500.59	476.13

19. Based on the intimation received by the Company, none of the suppliers have confirmed to be registered under The Micro, Small and Medium Enterprises Development (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.

20 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 :			
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :**	**Amount outstanding**	**Amount overdue**
	(a) Debentures : Secured	144720.26	2826.03
	Unsecured (other than falling within the meaning of public deposits*)	nil	nil
	(b) Deferred Credits	nil	nil
	(c) Term Loans	153594.21	nil
	(d) Inter-corporate loans and borrowings	nil	nil
	(e) Commercial Paper	nil	nil
	(f) Public Deposits*	155.19	27.50
	(g) Other Loans - HP Refinance	nil	nil
	- Cash Credit from banks	109771.11	nil
	- Others - Subordinated Debts	48647.97	nil
	- ICD	nil	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	155.19	27.50
	* 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	1215.04
	(b) Unsecured	39958.40
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	335118.24

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	101.45
	(v) Others(please specify)	nil
	2 Unquoted:	
	(I) Shares: (a) Equity	505.00
	(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	4369.66	nil	4369.66
	(b) Companies in the same group	nil	nil	nil
	(c) Other related parties	nil	nil	nil
2	Other than related parties	328872.90	38855.44	367728.34
	Total	**333242.56**	**38855.44**	**372098.00**

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	5.00	5.00
(b) Companies in the same group	nil	nil
(c) Other related parties	nil	nil
2 Other than related		
parties	583.52	583.52
Total	588.52	588.52

** 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	7784.03
(ii)	Net Non-Performing Assets	
	(a) Related Parties	nil
	(b) Other than related parties	3590.35
(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.

21 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 & on behalf of Pijush Gupta & Co.
Chartered Accountants

R. Kannan
Managing Director

S.Venkatakrishnan
Director

J.Radhakrishnan
Company Secretary

Place : Chennai
Date : May 30, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,2009

(Rs. in Lacs)

	Year Ended March 31, 2009	Year Ended March 31, 2008
A. Cash flow from operating activities		
Net profit before taxation	17,973.53	12,698.46
Depreciation and impairment of assets	1,018.23	1,127.52
Share and debenture issue expenses written off	-	2.13
(Profit) / loss on sale of assets (net)	0.12	3.35
(Profit) / loss on sale of investments (net)	0.08	-
Interest and dividend received	(314.61)	(648.74)
Employees Stock option compensation cost	1,111.28	542.09
Provision for impairment	1,186.81	-
Provision for hedging contracts	994.18	811.68
Provisions and write off	7,809.37	5,174.98
Provision for gratuity	6.46	104.70
Provision for leave encashment	1.51	13.60
Provision for diminution in value of investments	-	-
Operating profit before working capital changes	**29,786.96**	**19,829.77**
Movements in working capital		
(Increase) / decrease in stock on hire	-	3,117.30
(Increase) / decrease in assets under financial lease	-	2,485.26
(Increase) / decrease in assets under loan agreement	(105,885.95)	(114,297.53)
(Increase) / decrease in other loans and advances	6,691.37	(2,073.73)
(Increase) / decrease in other receivables (current assets)	(101.74)	(45.36)
Increase / (decrease) in current liabilities	4,076.59	(2,274.14)
Cash generated from operations	**(65,432.77)**	**(93,258.43)**
Direct taxes paid (net of refunds)	(6,450.11)	(6,522.66)
Net cash used in operating activities (A)	**(71,882.88)**	**(99,781.09)**
B. Cash flows from investing activities		
Investment in bank deposits (net)	(5,855.70)	52.63
Purchase of fixed assets	(879.02)	(670.26)
Proceeds from sale of fixed assets	59.93	1.81
Investment in subsidiary company	(4.55)	(4.99)
Proceeds from sale of investments in subsidiary company	-	4.55
Proceeds from sale of investments	3.00	59.50
Interest received	258.14	602.68
Dividend received	56.47	46.06
Net cash used in investing activities (B)	**(6,361.73)**	**91.98**

(Rs. in Lacs)

	Year Ended March 31, 2009	Year Ended March 31, 2008
C. Cash Flows from financing activities		
Proceeds from issue of equity share capital including share premium	12,985.41	3,288.00
Procceds from issue of share warrants	2,467.80	(327.80)
Increase / (decrease) in bank borrowings (net)	70,101.91	114,921.35
Increase / (decrease) in long term borrowings (net)	57,548.12	17,578.19
Increase / (decrease) in fixed deposits (net)	(52.87)	(214.31)
Increase / (decrease) in subordinate debts (net)	13,681.75	8,235.77
Increase / (decrease) in unsecured redeemable non convertible debentures (net)	(3,500.00)	3,500.00
Increase / (decrease) in unsecured loans	(5,425.00)	5,425.00
Dividend paid	(1,897.26)	(1,324.00)
Tax on dividend	(322.44)	(225.01)
Net cash from financing activities (C)	**145,587.42**	**150,857.19**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	67,342.81	51,168.08
Cash and Cash Equivalents at the beginning of the year	82,647.06	31,478.98
Cash and Cash Equivalents at the end of the year	**149,989.87**	**82,647.06**

Components of Cash and Cash Equivalents (Refer note 4 of schedule 19)	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Cash, Cheques on Hand and remittance in transit	1,602.77	1,907.24
With Banks - in Current Account	37,527.09	36,694.58
- in fixed deposits (Original maturity being three months or less)	110,860.01	44,045.24
	149,989.87	**82,647.06**

Significant Accounting Policies and Notes to Accounts 19

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 & on behalf of Pijush Gupta & Co.
Chartered Accountants

R. Kannan
Managing Director

S.Venkatakrishnan
Director

J.Radhakrishnan
Company Secretary

Place : Chennai
Date : May 30, 2009

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: 1 2 8 4 0 — State Code: 1 8

Balance Sheet Date: 3 1 (Date) 0 3 (Month) 0 9 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	47018

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

	Total Liabilities	Total Assets
	503251000	503251000

Sources of Funds

Paid-up Capital	Reserves & Surplus
458568	6205059
Secured Loans	**Unsecured Loans**
39044543	4183133
Optionally Convertible Warrants	**Other Liabilities**
270000	163797

Application of Funds

Net Fixed Assets	Investments
372198	606445
Net Current Assets	**Other Assets**
49860952	313005
Accumulated Losses	
NIL	

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

Turnover	Total Expenditure
9393375	7542022

Profit/Loss Before Tax (+ / -)	Profit/Loss After Tax (+ / -)
+ 1797353	+ 1170077

Earnings Per Share in Rs.	Dividend Rate %
25.77	40

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

Item Code No. (ITC Code)	Product Description
N.A	Hypothecation Loan

For Shriram City Union Finance Limited

Place : Chennai
Date : May 30,2009

R. Kannan — Managing Director
S. Venkatakrishnan — Director
J. Radhakrishnan — Company Secretary

STATEMENT PURSUANT TO SECTION 212 (1) (E) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

(Rs. in Lacs)

1	**Name of the Subsidiary Company**	**M/s. Shriram Non Conventional Energy Ltd**
2	Financial year of the Subsidiary ended on	**31-03-2009**
3	Holding Company's Interest in the Subsidiary	50000 Equity shares of Rs 10/- each (100%)
4	Net aggregate amount of the profit of the subsidiary not dealt with in the Holding company's accounts	
	a) For the financial year of the Subsidiary Company	**(249.39)**
	b) For the previous financial years since it became a Subsidiary Company	Nil
5	Net aggregate amount of the profits of the subsidiary not dealt with in the Holding company's accounts by way of Dividends on the shares held in Subsidiary Company	
	a) For the financial year of the Subsidiary Company	Nil
	b) For the previous financial years since it became a Subsidiary Company	Nil

For **Shriram City Union Finance Limited**

Place : Chennai
Date : May 30, 2009

R. Kannan — Managing Director
S.Venkatakrishnan — Director
J.Radhakrishnan — Company Secretary

Financials
for
Shriram Non Conventional Energy Limited

DIRECTORS' REPORT

The Directors of your Company have pleasure in submitting the first Annual Report of the Company together with the Audited Accounts for the period ended March 31, 2009.

OPERATIONS

The Company has commissioned its Bio Mass Plant at Pattukotai Taluk of Tanjavur District in Tamilnadu and the generation of power has commenced from January 12, 2009.

SUBSIDIARY

Your Company was a subsidiary Company of Shriram City Union Finance Ltd (SCUF). SCUF has disinvested the shares held in your Company and your Company ceases to be a subsidiary Company of SCUF with effect from March 20, 2008.

Now, it has been decided to go ahead with the transfer of the Bio mass plant to your Company. This transfer is mainly to carry out only the core business of financing in SCUF. Hence, SCUF decided to consider making your Company, a wholly owned subsidiary of SCUF and effect the transfer of the Bio Mass plant from SCUF to your Company. Hence, w.e.f. January 10, 2009, your Company has become a subsidiary of your Company.

DEPOSITS

The Company has not accepted any deposits during the period under consideration.

DIRECTORS

Smt Brinda Kesavan, retires by rotation and has expressed her inability to continue as a Director of the Company. Smt Brinda Kesavan will cease to be a Director from the date of the Annual General Meeting.

Smt.Subhasri Sriram, Sri R Chandrasekar and Sri Y S Chakravarti have been appointed as Additional Director of the company with effect from April 2, 2009.As per the provisions of the Companies Act,1956 they hold the office upto the date of the ensuing Annual General Meeting . The company has received notices from the members along with the requisite deposit proposing the names as Directors of the company.

During the year under consideration Sri.S.Venkatakrishnan and Sri. R.Kannan ceased to be Directors of the Company. Your Directors wish to place on record the meritorious services rendered by them during their tenure as Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed :

I) that in the preparation of the annual accounts, the relevant applicable accounting standards have been followed and no material departures have been made from the same;

ii) that the Directors 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 loss of the Company for that year;

iii) that the Directors 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;

iv) that the Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s Pijush Gupta & Co., Chartered Accountants, Statutory Auditors retire at this Annual General Meeting and being eligible offer themselves for re-appointment.

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT 1956.

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

2. Foreign Exchange Earnings and Outgo :

The Company has no foreign exchange earnings or outgo during the year under review.

PERSONNEL

The Company has no employees whose remuneration exceeds the limit specified in Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors record their appreciation of the work done by the employees.

By Order of the Board
for **SHRIRAM NON CONVENTIONAL ENERGY LIMITED**

Place : Chennai
Date : May 27, 2009

R.Chandrasekar
Director

AUDITOR'S REPORT

To the Members of M/s. Shriram Non Conventional Energy Limited

We have audited the attached Balance Sheet of M/s. Shriram Non Conventional Energy Limited as at March 31, 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, as on March 31, 2009 and taken on record by the company, none of the directors are disqualified as on March 31, 2009 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 March 31, 2009;
     - (ii) in the case of profit and loss account, of the loss 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 : May 27, 2009

ANNEXURE TO AUDITOR'S REPORT

(Referred to in Paragraph 1 of the Auditors' Report of even date)

Re: Shriram Non Conventional Energy 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 been physically verified by the management during the year. As informed, no material discrepancies were noticed on such verification.
(c) There was no disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) As informed, the Company has not granted or taken any loans, secured or unsecured to / from 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) As the company has not accepted or renewed any deposit from public, the directives issued by the Reserve Bank of India and the provisions of Section 58A and Section 58AA or any other relevant provisions of the Companies Act,1956 and the rules framed there under are not applicable. We have been informed by the company that no order has been passed by the company Law board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

(vii) As the Company is not listed on any stock exchange and the paid up capital and reserve of the company at the commencement of financial year do not exceed Rs.50 lacs or average annual turnover do not exceed five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the clause as regards internal audit system is not applicable.

(viii) Maintenance of cost Records under section 209(1)(d) of he Companies Act, 1956 is not applicable to the Company at this stage.

(ix) According to the information and explanations given to us and according to the books and records produced before us the Company was not liable to pay any dues in respect of Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess at any time during the period. Accordingly the question of delay in deposit of such dues and /or disputed dues does not arise.

(x) The Company, being into existence for a period of less than five years, the clause relating to accumulated losses and /or cash losses during the period or immediately previous period is not applicable.

(xi) According to the information and explanations given to us and according to the books and records produced and examined by us, the company has not obtained any loans from financial institutions, bank or from debenture holders.

(xii) According to the information and explanation given to us and according to the books and records produced before us and examined by us, during the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) According to the information and explanation given to us, the Company is not a chit fund, nidhi fund, or a mutual benefit fund/society.

(xiv) According to the books account examined by us, the Company is not dealing in shares securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others banks or financial institutions.

(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 taken.

(xvii) According to the information and explanations given to us and according to books and records examined by us, we report that no funds were raised on short-term investments.

(xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment to parties and Companies covered in the Register maintained under Section 301 of the Companies Act,1956.

(xix) During the year the Company has not issued any debentures.

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

(xxi) Based upon the audit procedures performed by us for the purpose of reporting whether the financial statement present a true and fair view of state of affairs/ loss and as per the information and explanation given by the management we report that no 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 : May 27, 2009

BALANCE SHEET AS AT MARCH 31, 2009

(Amount in Rs.)

	Schedule	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	500000.00	500000.00
Reserves and surplus	2	(24995423.17)	(56155.58)
Loan Funds			
Secured loans	3	439266131.00	-
Total		**414770707.83**	**443844.42**
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		409126770.00	-
Less : Accumulated depreciation		8941895.65	-
Net block		400184874.35	-
Current Assets, Loans and Advances			
Current assets	5		
- Inventories		10436353.00	-
- Sundry Debtors		15915853.00	-
- Cash & Bank Balances		950328.48	498955.42
Loans and advances	6	919631.00	-
		28222165.48	498955.42
Less : Current Liabilities & Provisions			
Current liabilities	7	13636332.00	55111.00
		13636332.00	55111.00
Net Current Assets		**14585833.48**	**443844.42**
Total		**414770707.83**	**443844.42**
Significant Accounting Policies and Notes to Accounts	10		

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 Non Conventional Energy Limited

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

R.Chandrasekar Director
Subhasri Sriram Director

Place : Chennai
Date : May 27, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2009

(Amount in Rs.)

	Schedule	Year Ended March 31, 2009	Year Ended March 31, 2008
INCOME			
Income from operations	8	15915853.00	-
Total		**15915853.00**	**-**
EXPENDITURE			
Interest Paid		7799545.00	-
Fuel Cost		14332666.00	-
Operating & other expenses	9	9781013.94	38455.58
Depreciation		8941895.65	-
Preliminary Expenses written off		-	17700.00
Total		**40855120.59**	**56155.58**
Profit before taxation		**(24939267.59)**	**(56155.58)**
Provision for taxation			
Current tax		-	-
Deferred tax Asset		-	-
Total tax expense / (income)		**-**	**-**
Net Loss		**(24939267.59)**	**(56155.58)**
Balance brought forward from previous year		(56155.58)	-
Deficit carried to Balance Sheet		**(24995423.17)**	**(56155.58)**
Earnings per share (refer note 8 of Schedule 10)			
Basic (Rs.)		(498.79)	(1.12)
Nominal Value of Share (Rs.)		10.00	10.00
Significant Accounting Policies and Notes to Accounts	10		

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 Non Conventional Energy Limited

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

R.Chandrasekar Director
Subhasri Sriram Director

Place : Chennai
Date : May 27, 2009

SCHEDULES TO THE BALANCE SHEET

(Amount in Rs.)

	As at March 31, 2009	As at March March 31, 2008
Schedule 1 **Share Capital**		
Authorised		
50,000 Equity Shares of Rs.10/- each	500000.00	500000.00
	500000.00	500000.00
Issued, Subscribed & Fully Paid up Equity Shares		
50,000 (Previous year 50,000) Equity Shares of Rs.10/- each	500000.00	500000.00
	500000.00	**500000.00**
Schedule 2 **Reserves & Surplus**		
Reserves & Surplus		
Balance in Profit & Loss Account	(24995423.17)	(56155.58)
	(24995423.17)	**(56155.58)**
Schedule 3 **Secured Loan**		
Loan from Shriram City Union Finance Ltd - Holding Company (Secured by an exclusive charge by way of hypothecation of plant and machinery and receivables relating to Bio-Mass Plant. The charge filing formalities have been completed on May 26, 2009.)	439266131.00	-
	439266131.00	**-**

Schedule 4 - Fixed Assets

(Amount in Rs.)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at April 1, 2008	Additions during the year	Deletions during the year	As at March 31, 2009	As at April 1, 2008	For the year	Deletions	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
OWN USE										
Land *	-	5880944.00	-	5880944.00	-	-	-	-	5880944.00	-
Building	-	3500000.00	-	3500000.00	-	12347.81	-	12347.81	3487652.19	-
Plant & Machinery	-	398354377.00	-	398354377.00	-	8913494.45	-	8913494.45	389440882.55	-
Vehicle	-	1391449.00	-	1391449.00	-	16053.40	-	16053.40	1375395.60	-
TOTAL	**-**	**409126770.00**	**-**	**409126770.00**	**-**	**8941895.65**	**-**	**8941895.65**	**400184874.35**	**-**
Year ended March 31,2008	-	-	-	-	-	-	-	-	-	-

* Registration formalities are in process.

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at March 31, 2009	As at March 31, 2008
Schedule 5 **Current Assets**		
Inventories - Fuel Stock	10436353.00	-
Sundry Debtors		
Debts outstanding for a period exceeding six months	-	-
Other Debts	15915853.00	-
Cash & Bank Balances		
Cash on Hand	616840.00	-
Balances with scheduled banks in Current accounts	333488.48	498955.42
	950328.48	498955.42
	27302534.48	**498955.42**
Schedule 6 **Loans and Advances**		
Unsecured - Considered Good		
Advance recoverable in cash or in kind or for value to be received	919631.00	-
	919631.00	**-**
Schedule 7 **Current Liabilities**		
Sundry creditors	7604167.00	55111.00
Interest accured but not due	6032165.00	-
	13636332.00	**55111.00**

(Amount in Rs.)

	For the year ended March 31, 2009	For the year ended March 31, 2008
Schedule 8 **Income from Operations**		
Sale of electricity	15915853.00	-
	15915853.00	**-**
Schedule 9 **Operating and other Expenses**		
Cost of power	1146212.00	-
Rates & Taxes	180500.00	-
Freight charges	163261.00	-
Repairs & Maintenance - Plant & Machinery	1937169.00	-
- Others	3690248.00	-
Printing & stationery	16987.00	-
Travelling & conveyance	37036.00	-
Machinery and other hire charges	918261.00	-
Insurance	1454984.00	-
Communication expenses	78532.00	-
Registration & Filing Fees	892.50	2900.00
Auditor's remuneration		
- Audit fees	56512.00	6000.00
- Tax audit fees	11030.00	-
- Other services	-	5000.00
Professional charges	75000.00	23350.00
Miscellaneous expenses	14389.44	1205.58
	9781013.94	**38455.58**

Schedule 10: Significant Accounting Policies & Notes to Accounts

Significant Accounting Policies

(1) Back Ground

The company was incorporated on April 24, 2007 and received the certificate for commencement of business on June 6, 2007. The company has commissioned its Bio Mass Plant at Pattukotai Taluk of Tanjavur District in Tamilnadu and the generation of power has commenced from January 12, 2009. The company has become wholly owned subsidiary of Shriram City Union Finance Limited with effect from January 10, 2009.

(2) Basis of preparation

The financial statements have been prepared under historical cost convention on an accrual basis and in accordance with generally accepted accounting principles in India and specifically to comply in all material respects with the notified Accounting Standards (AS) issued under the Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies are consistent with those used in the previous year.

(3) 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 actual results and estimates are recognized in the year in which results are known and / or materialized.

(4) Fixed Assets, Depreciation/ Amortisation and Impairment Loss

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation/amortisation 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 / Amortisation

Depreciation/Amortisation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of useful lives of respective assets and are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act. All fixed assets individually costing Rs.5000 or less are fully depreciated in the year of acquisition / installation. Depreciation on assets purchased / sold during the year is recognized on a pro-rata basis from /upto the dates of such purchase / sale.

Impairment Loss

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, carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(5) Inventories

Inventories comprising of fuel are valued at lower of cost and net realizable value.

(6) Revenue Recognition

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 grid.

(7) Taxation

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 is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The un-recognized deferred tax assets are re-assessed by the Company at each balance sheet date and are recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that, sufficient future taxable income will be available.

(8) 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 year are adjusted for the effects of all dilutive potential equity shares.

(9) Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement which is prepared in accordance with Accounting Standard AS 3 issued by the Institute of Chartered Accountants of India comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

(10) Segment Reporting

The entire business of the company is of one segment only, viz., business of generating alternate energy. Therefore separate disclosures required under Accounting Standard AS 17 issued by the Institute of Chartered Accountants of India is not applicable to the Company.

(11) Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of schedule VI to the Act

11.1 Licensed Capacity, Installed capacity, Actual production and Sales

Class of Goods	Units	Licensed Capacity as as at March 31,		Installed Capacity as at March 31, (in KW)		Actual Production & Sales for the year ended March 31, (in units)		Sales Value (Rs.)	
		2009	2008	2009	2008	2009	2008	2009	2008
Electricity-Biomass	1	NA	NA	7500	NIL	5052652	NIL	15915853	NIL

(12) Related Party Disclosure

Holding Company — **M/s. Shriram City Union Finance Limited**

Related Party Transactions

Particulars	Amount in Rupees
Interest Paid on Loans	7799545.00
Secured Loan	439266131.00
Interest Payable	6032165.00

(13) 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

Pijush Kumar Gupta
Partner
Membership No:015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants.
Place : Chennai
Date : May 27, 2009

For and on behalf of the Board of Directors
Shriram Non Conventional Energy Limited

R. Chandrasekar Director
Subhasri Sriram Director

(Amount in Rs.)

	Year Ended March 31, 2009	Year Ended March 31, 2008
A. Cash flow from operating activities		
Net profit before taxation	(24,939,267.59)	(56,155.58)
Depreciation	8,941,895.65	-
Operating profit before working capital changes	**(15,997,371.94)**	**(56,155.58)**
Movements in working capital		
(Increase) / decrease in stock	(10,436,353.00)	-
(Increase) / decrease in other loans and advances	(919,631.00)	-
(Increase) / decrease in other receivables (current assets)	(15,915,853.00)	-
Increase / (decrease) in current liabilities	13,581,221.00	55,111.00
Cash generated from operations	**(29,687,987.94)**	**(1,044.58)**
Direct taxes paid (net of refunds)	-	-
Net cash used in operating activities (A)	**(29,687,987.94)**	**(1,044.58)**
B. Cash flows from investing activities		
Purchase of fixed assets	(409,126,770.00)	-
Net cash used in investing activities (B)	**(409,126,770.00)**	-
C. Cash Flows from financing activities		
Proceeds from issue of equity share capital including share premium	-	500,000.00
Increase in Other Reserves		
Increase / (decrease) in unsecured loans	439,266,131.00	-
Net cash from financing activities (C)	**439,266,131.00**	**500,000.00**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	451,373.06	498,955.42
Cash and Cash Equivalents at the beginning of the year	498,955.42	-
Cash and Cash Equivalents at the end of the year	**950,328.48**	**498,955.42**

Components of Cash and Cash Equivalents (Refer note 9 of Schedule 10)	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Cash, Cheques on Hand and remittance in transit	616,840.00	-
With Banks - in Current Account	333,488.48	498,955.42
	950,328.48	**498,955.42**
Significant Accounting Policies and Notes to Accounts 10		

As per our Report of even date

Pijush Kumar Gupta
Partner
Membership No:015139
For and on behalf of Pijush Gupta & Co.,
Chartered Accountants.
Place : Chennai
Date : May 27, 2009

For and on behalf of the Board of Directors of
Shriram Non Conventional Energy Limited

R. Chandrasekar Director
Subhasri Sriram Director

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. U 4 0 1 0 7 T N 2 0 0 7 P L C 0 6 3 2 6 1

Balance Sheet Date 3 1 (Date) 0 3 (Month) 0 9 (Year) State Code 1 8

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

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

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

	Total Liabilities	Total Assets
	41471	41471
Sources of Funds	Paid-up Capital	Reserves & Surplus
	500	-2499 5
	Secured Loans	
	43926 6	
Application of Funds	Net Fixed Assets	Net Current Assets
	40185	14586

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

	Turnover	Total Expenditure
	15916	40855
+ -	Profit/Loss Before Tax	+ - Profit/Loss After Tax
√	24939	√ 24939
+ -	Earning Per Share in Rs.	Dividend Rate %
√	498.79	NIL

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

Item Code No. (ITC Code)	Product Description
N.A	Biomass Based Power Plants

For **Shriram Non Conventional Energy Limited**

Place : Chennai
Date : May 27, 2009

R.Chandrasekar Director
Subhasri Sriram Director

Inside back cover

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