



SUNDARAM HOME FINANCE LIMITED

6th Annual Report 2004 - 2005



SUNDARAM HOME



Board of Directors

S. Viji
G.K. Raman
T.T. Srinivasaraghavan
N. Ganga Ram
Srinivas Acharya
M.S. Parthasarathy
Nitin Palany

Chairman

Managing Director

Audit Committee

N. Ganga Ram
G.K. Raman
Srinivas Acharya

Chairman

Executive Committee

G.K. Raman
T.T. Srinivasaraghavan
Nitin Palany

Chairman

Asset Liability Risk
Management
Committee

Nitin Palany
M. Ramaswamy
G. Satish Kumar

Chairman

Senior Executives

G. Satish Kumar
S. Rajagopalan

General Manager - Finance
Deputy General Manager - Operations

Company Secretary

V. Sriraman

Auditors

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

Registered Office

21, Patullos Road, Chennai-600 002.
Tel : 044-28521181
Fax : 044-28520456

Corporate Office

Sundaram Towers, I Floor,
46, Whites Road, Chennai-600 014.
Tel : 044-28515267
Fax : 044-28515269

Website

www.sundaramhome.com
www.sundaramhomefind.com

Senior Managers

Janaki V	Assistant General Manager - Information Systems
Arun K	Senior Manager - Accounts
Prathiba Kalyan	Senior Manager - Communications
Srinivasan R	Senior Manager - Operations
Satish Menon	Head - Recievables

Area Managers

Ashok N	Area Manager - Karnataka
Jaishankar S	Area Manager - Tamil Nadu South
Krishna Kumar V	Area Manager - Kerala
Ramu GSV	Area Manager - Andhra Pradesh
Rao KV	Area Manager - Tamil Nadu North

Bankers

ICICI Bank Ltd
HDFC Bank Ltd
State Bank of Saurashtra
Indus Ind Bank Ltd
Bank of India
Canara Bank
Syndicate Bank

Systems Auditor

Tejas Brainware Systems (P) Ltd

Debenture Trustee

IL&FS Trust Company Ltd

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Directors' Report

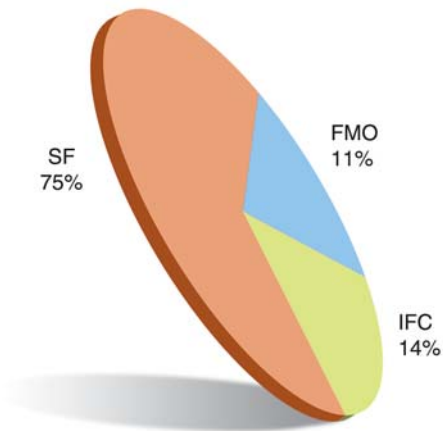
To the Members

Your Directors have pleasure in presenting the Sixth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2005.

Financial Results

	For the year ended 31st March 2005	For the year ended 31st March 2004
	Rupees	Rupees
Profit Before Tax	5,03,07,033	6,29,91,622
Provision for Tax (Including Deferred Tax)	1,02,28,612	69,92,022
Profit After Tax	4,00,78,421	5,59,99,600
Balance brought forward from the previous year	1,42,54,214	1,22,54,614
Amount available for Appropriation	5,43,32,635	6,82,54,214
Appropriations have been made as under :		
1. Transfer to Special Reserve under Section 36 (1) (viii) of the Income - Tax Act, 1961	2,50,00,000	2,40,00,000
2. Transfer to General Reserve	1,50,00,000	3,00,00,000
3. Surplus carried to Balance Sheet	1,43,32,635	1,42,54,214
Total	5,43,32,635	6,82,54,214

Share holding Pattern

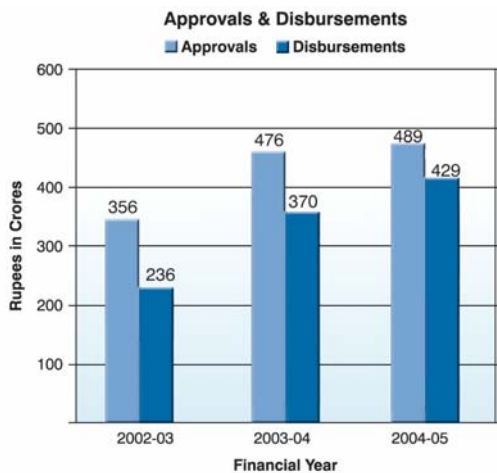


Dividend

The Company's Dividend policy is based on the need to balance the objectives of rewarding the shareholders with Dividend and retaining the earned surplus to support future growth and healthy Capital Adequacy Ratio. With a view to conserving resources and building up reserves, your Directors do not recommend payment of Dividend for the year.

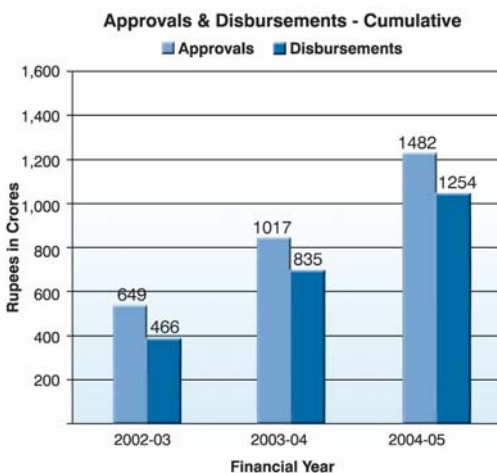
Additional Capital

During the year, the Company made an issue of 2,50,00,000 further Equity Shares of Rs.10/- each to the existing members on Rights basis calculated at 1 share for every 2 shares held, at a premium of Rs.3/- per share. Sundaram Finance Ltd. (SFL) subscribed to its full rights offer of 1,62,50,000 Equity Shares along with 37,50,000 additional shares aggregating 2,00,00,000 Equity Shares at Rs.13/- each. The other shareholders viz., IFC and FMO had neither accepted the rights offer nor renounced it in favour of any other person. Out of the issue, the Board allotted 2,00,00,000 Equity Shares to SFL at Rs.13/- per share. With this, the paid-up Equity Share Capital of the Company stands enhanced to Rs.70,00,00,000/-.



Lending Operations

- During the year under review, loan approvals amounted to Rs.489 Crores as compared to Rs.476 Crores in the previous year, representing a growth of 3%.
- Loan disbursements aggregated Rs.429 Crores as compared to Rs.370 Crores in the previous year, a rise of 16%.
- Cumulative loan approvals and disbursements as at 31st March 2005 were Rs.1,482 Crores and Rs.1,254 Crores, respectively. Cumulative disbursements worked out to 85% of Cumulative approvals.
- Total outstanding portfolio as of 31st March 2005 stood at Rs.868 Crores with individual loans comprising 96% as against Rs.619 Crores at the end of the previous year, an increase of 40%. The portfolio excludes securitised loans aggregating Rs.51.69 Crores of which Rs.44 Crores were outstanding as on 31st March 2005.



Mortgaged Backed Securities

- During the year, the Company sold housing loans amounting to Rs.51.69 Crores to a Special Purpose Vehicle [SPV] under a mortgage backed securitisation [MBS] programme.

- The Company subscribed to Pass Through Certificates [PTC] aggregating Rs.8.05 Crores issued by the SPV. Besides, the Company also provided an additional collateral of Rs.1.47 Crores as a part of credit enhancement structure.
- The MBS programme was rated AAA [SO] by ICRA indicating the highest degree of safety. The Company will continue to service the loans sold under the programme.

Repayments

During the year under review, the Company received a total sum of Rs.124.35 Crores on account of repayment of principal through monthly instalments and prepayment of loans as compared to Rs.100.29 Crores in the previous year.

Resource Mobilisation

Term Loans

As a part of its liability side management, the Company endeavours to diversify its resource base in order to reduce the weighted average cost of borrowed funds.

During the year, the Company raised term loans from commercial banks amounting to Rs.66 Crores and prepaid / re-priced some of its high cost bank loans.

NHB Refinance

During the year, the Company availed refinance to the extent of Rs.315.10 Crores and made repayments to NHB amounting to Rs.28.47 Crores.

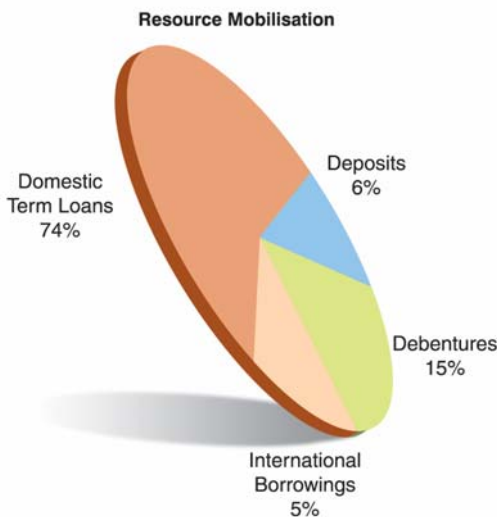
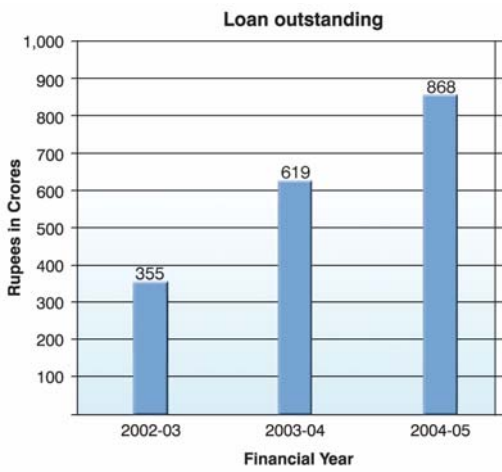
Deposits

ICRA has assigned “MAA⁻” rating for the deposit programme, indicating high safety.

CRISIL has assigned “FAA⁺” rating with a ‘stable outlook’ for the deposit programme. This rating represents a high degree of safety.

As on 31st March 2005, deposits outstanding amounted to Rs.47.57 Crores.

As at the year end, 146 deposit amounting to Rs.48.95 Lakhs had matured for repayment and were due to be claimed or renewed. After close follow



up of repayments / renewals, the figures are currently down to 103 and Rs.32.15 Lakhs, respectively. Steps are continuously being taken to arrange for repayment / renewal of these deposits.

The interest rates on the Company's deposit schemes remained unchanged during the year.

Non Performing Loans

Gross Non Performing Loans [NPLs] defined by the National Housing Bank [NHB] as loans where the interest or instalment is overdue for a period of 90 days or more as on 31st March 2005 amounted to Rs.14.59 Crores. This was equivalent to 1.68% of the total loan portfolio.

Total provision made for NPLs during the year, taking into account the NHB norms, stands at Rs.2.68 Crores and cumulative provision at Rs.4.55 Crores.

Net NPLs as on 31st March 2005 constitutes 1.16% of the total loan portfolio.

Regulatory Guidelines

The Company has complied with Housing Finance Companies [NHB] Directions 2001 prescribed by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit and credit rating.

The Capital Adequacy Ratio as on 31st March 2005 is 18.27% as against the minimum requirement of 12%.

With effect from 31st March 2005, NHB has stipulated that an asset will be classified as non-performing if the interest or instalment is overdue for a period of 90 days or more. NHB has permitted HFCs to phase out the additional provisioning over a period of three years commencing from 31st March 2005 with a minimum of 20% of the additional provisioning being required to be made each year.

Statutory Compliance

The Company has complied with all the statutory requirements under the Companies Act, 1956, Income-tax Act, 1961 and other applicable Laws.

Personnel

The Company had 176 employees as on 31st March 2005. None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

Information as per Section 217(1)(e) of the Companies Act, 1956

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption stipulated in the Companies [Disclosure of particulars in the Report of the Board of Directors] Rules, 1988 are not applicable.

During the year, the Company used foreign exchange to the extent of Rs.55,194/- for travel and other matters. There was no earning in foreign exchange.

Directors

Sri N. Ganga Ram and Sri S. Viji, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment.

Sri M.S. Parthasarathy who was appointed as an Additional Director by the Board at its Board Meeting held on 29th January 2005, holds office till the conclusion of the ensuing Sixth Annual General Meeting. The Company has received a notice from a Member under Section 257 of the Companies Act, 1956, proposing Sri M.S. Parthasarathy as a Director at the General Meeting.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Board of Directors confirm:

- That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any ;
- That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of Financial Year and of the profit of the Company for that period ;
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- That the Directors had prepared the Annual Accounts on a 'going concern' basis.

Auditors

M/s. Brahmayya & Co., Chartered Accountants, Statutory Auditors of the Company retire at the Sixth Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, will be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

Corporate Governance

Securities and Exchange Board of India (SEBI) in terms of its circular dated 1st November 2004, has laid down separate listing requirements for Companies which issue debt securities. Pursuant to this, the Company has entered into an agreement with National Stock Exchange of India Ltd., Mumbai.

The agreement has three parts. Part (1) contains clauses, which shall be complied with by all issuers irrespective of mode of issue. Part (2) contains clauses, which are to be complied with by issuers of securities through public or rights issue. Part (3) contains clauses which include those relating to Corporate Governance are to be complied with by issuers of securities by way of private placement. The Company need to comply with only Part (1) and Part (3) as it has not issued debt securities through public / rights issue. The Corporate Governance requirements specified under Part (3) are not statutorily required to be complied with by the Company. However, a report on Corporate Governance as followed by the Company is attached forming part of the Annual Report.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of this Report.

Acknowledgement

Your Directors gratefully express their sincere appreciation to all the valued stakeholders – shareholders, borrowers, depositors, banks and financial institutions for extending their support and co-operation during the year and look forward to their continued support.

Your Directors also place on record their appreciation of the dedication, loyalty and professionalism of the employees of the Company.

For and on behalf of the Board of Directors

Place: Chennai
Date : 11th May 2005

S.Viji
Chairman

Management Discussion and Analysis Report

Economic overview

During the year, the Indian economy managed to maintain a 6.90% growth in GDP. This was in spite of deficient south - west monsoon, hardening of international prices of oil and steel and a devastating Tsunami which caused extensive damage to life and property in the coastal areas of Tamil Nadu, Kerala, Andhra Pradesh and Pondicherry.

There was a surge in inflation index in the first half of 2004-05, caused by a combination of volatility in global oil and commodity prices and deficient monsoons. The year 2004-05 after starting with a point-to-point annual inflation rate of 4.50% on 3rd April 2004 witnessed a peak level inflation at 8.70% on 28th August 2004, the highest in the last four years. However, as a result of measures taken by the Government, a slight easing of global petroleum prices and the base effect, inflation declined subsequently to 5.11% as on 31st March 2005.

The first half of FY05 had witnessed a steep rise in interest rates with 10 year G - Sec moving up from 5.12% in April 2004 to 6.23% at the end of the first half-year and further peaking in the first week of November 2004 at 7.31%. The benchmark then declined to a low of 6.45 % in the first week of January 2005 and stabilized in the range of 6.55% to 6.75% during the months of February and March 2005.

Corporate Bond yields were largely in line with the movement of Government Securities. However, with reference to Corporate Bond Yield Curve, spreads for 3-5 year papers for corporates rated AA and AA⁻ widened.

During the year, there was a marginal firming up of deposit rates by 25 basis points. Interest rates on housing loans also firmed up by 25-50 basis points during the second half of the year.

Housing Finance Sector

- Real estate sector is the second largest employment generator in the country. For every rupee invested in construction, 78 paise is added to the GDP. According to an estimate, over 269 allied industries have forward and backward linkages with the real estate sector. The share of real estate as a percentage of India's GDP has risen from 5.25% in 2001-02 to over 7.00% in 2002-03 reflecting a growing prominence of the sector.

- As per NHB, it is estimated that there is a housing shortage of about 17 million units. Funds requirement for housing as per the Tenth Five Year Plan [2002–07] is estimated to be Rs.7,26,000 Crores out of which financial institutions are expected to provide Rs.4,50,000 Crores.
- Housing finance constitutes about 4.40% of GDP which is much lower compared to housing finance penetration in China and other South Asian countries. Home loan disbursements by HFCs and Banks during the year 2003–04 were approximately Rs.20,800 Crores and Rs.32,800 Crores, respectively. [Total : Rs.53,600 Crores]. During the year 2004–05, total disbursements are expected to touch Rs.65,000 Crores and grow at 30% during 2005–06, as per NHB.
- Besides a phenomenal growth of IT & ITES sector, Bio–technology, Insurance, Banking and Consulting businesses have also been growing and driving the demand for real estate. The higher demand could be seen in the retail segment with an expected influx of clothing and life style stores, restaurants and entertainment complexes.
- With corporates moving away from main cities towards Tier II towns, the residential market is growing countrywide. Among other factors, affordable prices, low home loan rates and tax sops on home loans are leading the way.
- The Government of India have now permitted 100% FDI in the real estate sector including townships. In order to attract global players for effective development of the real estate sector, the Government needs to initiate policy measures to remove constraints such as –
 - Reduction of stamp duty and registration charges on property transactions.
 - Simplification of building approval process and land development permission under a single window clearance system.
 - Computerisation of property records to ensure simplification and transparency of property transactions.
- While the real estate has been an attractive investment option for institutions and other large investors, actual flow of funds from these sources to the sector has been limited. With the venture capital funds taking off and the introduction of Real Estate Investment Trusts [REITs] as and when they are permitted, substantial flow of funds could be expected in the real estate sector.

- The NHB has taken the initiative to launch a programme for the preparation of real estate price indices for the residential housing segment. This welcome project envisages compilation of the indices for selected towns and cities which will be useful for various stakeholders in the country.

Operating & Financial Performance

- During the year under review, loan approvals by Sundaram Home amounted to Rs.489 Crores as compared to Rs.476 Crores in the previous year, representing a growth of 3%.
- Loan disbursements aggregated Rs.429 Crores as compared to Rs.370 Crores in the previous year, representing a growth of 16%.
- Cumulative loan approvals and disbursements as at 31st March 2005 were Rs.1,482 Crores and Rs.1,254 Crores, respectively. Cumulative disbursements worked out to 85% of cumulative approvals.
- Total outstanding portfolio as of 31st March 2005 stood at Rs.868 Crores with individual loans comprising 96% as against Rs.619 Crores at the end of the previous year, an increase of 40%. The portfolio excludes securitised loans aggregating Rs.51.69 Crores of which Rs.44 Crores were outstanding as on 31st March 2005.
- Number of individual customers stood at 20,363.
- The average individual loan size was Rs.4 Lakhs.
- During the year, Rs.56 Crores were disbursed under the Golden Jubilee Rural Housing Refinance Scheme of the Government of India.
- The Company's endeavour is to reach out to middle income households in smaller towns and cities. The Company extends its marketing efforts to about 62 locations across all Southern States for penetration into areas which are underserved by mortgage institutions. The Company also leverages the infrastructure of Sundaram Finance as a part of its business development strategy.
- Keeping in mind the Company's credo of value creation through experience, the Company has been using specially designed buses which act as Mobile Offices in order to cater to households located in smaller towns of Tamil Nadu and Karnataka.

- The Company distributes property insurance offered by Royal Sundaram Alliance Insurance under which home loan customers get property insurance by paying a one-time premium.
- The Company also offers optional life cover to its customers under a referral fee programme with SBI Life Insurance.
- Gross Non Performing Loans [NPLs] defined by the National Housing Bank [NHB] as loans where the interest or instalment is overdue for a period of 90 days or more as on 31st March 2005 amounted to Rs.14.59 Crores. This was equivalent to 1.68% of the total loan portfolio.
- Total provision made for NPLs during the year, taking into account the NHB norms, stands at Rs.2.68 Crores and cumulative provision at Rs.4.55 Crores.
- Net NPLs as on 31st March 2005 stand at 1.16% of the total loan portfolio.
- During the year, the Company has written off loans aggregating Rs.14.16 Lakhs.
- Gross interest income for the year at Rs.62.08 Crores net of Mortgaged Backed Securities (MBS) income grew by 31% from Rs.47.41 Crores in the previous year. Whereas Financial Expenses increased by 36% from Rs.36.05 Crores in the previous year to Rs.49.07 Crores.
- Profit Before Tax (PBT) for the year amounted to Rs.5.03 Crores as compared to Rs.6.29 Crores in the previous year, the lower PBT being mainly on account of additional provision made for NPL.
- The weighted average yield on portfolio was 8.73% as on 31st March 2005 as compared to 9.15% in the previous year. The weighted average cost of borrowed funds was 6.88% as on 31st March 2005 as compared to 7.05% in the previous year. Thus, the spread on loans was 1.85% as against 2.10% in the previous year.

Internal Audit and Compliance

- The Company has put in place a mechanism to minimize operational risk by way of effective internal control systems, systems review and on-going internal audit programme. The Internal Auditors of the Company undertake a comprehensive audit of functional areas and operations at all branches of the Company. The Internal Audit Team reports directly to the Audit Committee of the Board.

- The Company has internalized its Legal and Technical appraisal functions to ensure optimum control over these functions. The Company has a multi-level authorization structure to ensure that higher levels of exposure are duly authorized by personnel and committees with requisite experience and authority. Training programmes and guidelines are provided with the object of implementing appropriate links between the policy goals and the operational level.

Risk Management

- The management of credit risk, interest rate risk and liquidity risk are critical components in risk management for HFCs .
- The Company has laid down stringent credit norms through Lending Policy Framework approved by the Board. A detailed Process Manual ensures effective management of Operational Risk.
- The Company has developed an asset–liability management model to measure and manage interest rate and liquidity risks. The Company believes that risk management and optimisation strategy is critical for balancing the risk–reward paradigm in the housing finance business. Considering that housing finance is essentially a long-term financing activity, the Company has been regularly monitoring the tenor and repricing framework of its Assets and Liabilities to ensure an optimum mix of structured liquidity and interest rate protection.
- The cash flows are monitored continuously and appropriate steps are taken to set right mismatch, if any, to address the liquidity risk.
- An analysis of the portfolio in terms of trends in prepayments and conversions is also periodically mapped to determine movement in yield on assets and to aid in forecasting and managing the spread.
- These issues are periodically discussed and reviewed in the meetings of the Asset Liability Risk Management Committee. The Company has also implemented the ALM Guidelines as prescribed by NHB and submits the prescribed Returns to it periodically.

Human Resources

- The Company believes that its human capital is a key strength to achieve differentiation by value creation through experience.
- The Company endeavours to create organizational conditions under which employee passion flourishes by offering opportunities to do new, unconventional work.
- The Company organized a series of programmes for executives to develop entrepreneurial capabilities which include deep customer insight, innovation, business acumen and managerial capabilities to cultivate thinking and leadership.
- In-house, on-the-job coaching programmes are conducted for employees for achieving functional effectiveness.
- During the year, the Company also launched its in-house Intranet facility to enable its employees to tap into the Company's knowledge base covering product information, policies, procedures and operational data.
- The Company continues to bring out a house magazine called *Pulse*.

Report on Corporate Governance

Sundaram Home, since its inception has adopted good practices for Corporate Governance, disclosure standards and enhancing the shareholder value which have been consistently followed by its promoter Company, Sundaram Finance Limited (SF) for the last five decades.

The Company has imbibed the SF Group philosophy of observing Corporate Governance based on the principles of dedicated customer service, ethical business practices with transparency and accountability, efficient, safe and trusted financial policies.

The Directors present below the Company's policies and practices on Corporate Governance :

Board of Directors

Size and Composition of the Board

All the members of the Board are persons with considerable expertise and experience in banking, finance, insurance and housing finance.

As per the Articles of Association of the Company, the maximum number of Directors on the Board can be 12. At present, the Board consists of 7 Directors with Sri S.Viji as Non-Executive Chairman. Sri Nitin Palany is the Managing Director of the Company. Sri G.K.Raman, Sri T.T. Srinivasaraghavan, Sri N.Ganga Ram, Sri Srinivas Acharya and Sri M.S. Parthasarathy are the other Non-Executive Directors. Sri N. Ganga Ram and Sri M.S. Parthasarathy are Independent Directors on the Board.

The Company has no Nominee Director.

The Managing Director is appointed by the shareholders for periods upto 5 years but can be re-appointed on completion of term, if eligible.

Membership term

As per the Articles of Association of the Company, atleast two-thirds of the Board of Directors should be retiring Directors. One-third of the Directors are required to retire every year by rotation and, if eligible, the retiring Directors qualify for re-appointment.

Membership of other Boards

None of the Directors of the Company is a member of more than 10 Committees or is acting as Chairman of more than 5 Committees, as

prescribed by SEBI, across all Public Limited Companies of which he is a Director.

Details of Directorships held by the Directors of the Company in other Public Limited Companies are given below :

S No.	Name of the Director	Directorships (other than Sundaram Home Finance Limited)		Committees in which Chairman/Member (other than Sundaram Home Finance Limited)	
		Chairman	Director	Chairman	Member
1.	Sri S. Viji	1	9	-	5
2.	Sri G.K. Raman	1	5	2	1
3.	Sri T.T. Srinivasaraghavan	1	4	-	2
4.	Sri N. Ganga Ram	-	5	2	2
5.	Sri Srinivas Acharya	-	4	-	1
6.	Sri M.S. Parthasarathy	-	1	-	-
7.	Sri Nitin Palany	-	1	-	-

Responsibilities

The Board formulates and implements Company policies, reviews Corporate performance, ensures regulatory compliance and safeguards the interest of shareholders in optimizing long – term value of their stake in the Company. The Board provides strategic directions and guidance to the Executive Management which functions under its overall control and supervision.

Board Meetings

The Board Meetings are normally held at the Company’s Registered Office in Chennai. The Board meets at least once in a quarter. The Meetings are scheduled well in advance and the Notice of each Board Meeting is given in writing to all the Directors.

The Agenda for the Board Meeting is circulated to the Directors in advance.

During the year 2004 – 05 [April – March] under review, the Board met 11 times on the dates given below :

2004		2005
23rd April	24th September	11th January
7th May	27th October	29th January
23rd July	4th December	26th March
12th August	24th December	

The Board Meetings were attended as shown below :

S.No.	Name of the Director	No. of Meetings Attended
1.	Sri S. Viji	11
2.	Sri G.K. Raman	09
3.	Sri T.T. Srinivasaraghavan	09
4.	Sri N. Ganga Ram	10
5.	Sri Srinivas Acharya	10
6.	Sri M.S. Parthasarathy	02
7.	Sri Nitin Palany	11

The day-to-day operations of the Company are looked after by the Managing Director under the overall superintendence, guidance and control of the Board.

Board Committees

The Board has constituted Committees consisting of Executive and Non-Executive Directors to focus on certain functions of the Company.

Executive Committee

The Executive Committee comprises two Non-Executive Directors viz., Sri G.K. Raman and Sri T.T. Srinivasaraghavan and the Managing Director, Sri Nitin Palany as Members. Sri G.K. Raman is Chairman of the Committee.

The Committee has been delegated powers to approve loans, borrow monies and make investments up to the limits specified by the Board.

The Committee reviews conduct of business and operations, considers new products and parameters and suggests business reorientation.

The Executive Committee met 57 times during the year.

Audit Committee

The Audit Committee consists of three Non-Executive Directors. The Members of the Committee are qualified and experienced in the fields of Finance / Accounts / Law. The quorum for the meetings of the Committee is two Members. The Company Secretary is the Secretary of the Committee.

The Members of the Audit Committee are Sri N. Ganga Ram - Chairman, Sri G.K. Raman and Sri Srinivas Acharya.

The Chairman of the Audit Committee remains present at the Annual General Meeting.

The external and internal auditors of the Company are invited to the Meetings of the Audit Committee.

The Managing Director and senior executives are also invited to the Meetings of the Committee.

The role of the Audit Committee, inter alia covers :

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing the unaudited quarterly financial statements and make recommendation to the Board to take the same on record.
- Reviewing the effectiveness and adequacy of internal control systems and ensure compliance with the regulatory guidelines.
- Reviewing the Audit plans, nature and scope of Audit (both internal and external) and post-audit discussion to ascertain any area of concern.
- Fixing the Audit Fees and also approving payment for any other services.

The Audit Committee met six times during the year under review. The details of sitting fees paid to the Members are as follows :

S.No.	Member	No. of Meetings	Sitting Fees paid
1.	Sri N. Ganga Ram	6	Rs. 60,000/-
2.	Sri G.K. Raman	4	Nil
3.	Sri Srinivas Acharya	6	Rs. 60,000/-

Remuneration of Directors

Independent Directors were remunerated by way of sitting fees for attending the Board / Committee Meetings as below for the Financial Year 2004 – 05:

S.No.	Name	Sitting Fees Paid
1.	Sri N. Ganga Ram	Rs.1,60,000/-
2.	Sri Srinivas Acharya	Rs.1,60,000/-
3.	Sri M.S. Parthasarathy	Rs.20,000/-

The Managing Director has been appointed on a contractual basis with the approval of the shareholders. His remuneration package comprises salary, allowances and perquisites. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

The details of managerial remuneration paid are disclosed in the Notes to the Accounts forming part of the Annual Accounts.

As on 31st March 2005, the amount of Deposits placed by the Directors in the Company aggregated Rs.17,10,000/-. The interest on these Deposits paid / credited during the year amounted to Rs. 2,20,164/-.

Related party transactions

There are no materially significant transactions with related parties, i.e. its promoters, Directors and their relatives conflicting with the Company’s interest.

Share Transfer / Investors Grievances Committee

The Promoters, Sundaram Finance Limited and other Institutional Investors. viz., International Finance Corporation (Washington) and FMO, Netherlands hold Equity Shares of the Company.

As the Company’s Equity Shares are not listed, the requirement to form a Share Transfer/Investors Grievance Committee is not applicable.

The Debentures of the Company have been issued by way of private placement and are listed under model Listing Agreement with the National Stock Exchange of India Ltd.

Sri V. Sriraman, Company Secretary is the Compliance Officer.

Annual General Meetings

Time and venue of the last three Annual General Meetings :

Year	Date	Time	Venue
2003 - 04	23.07.2004	12.30 p.m.	Registered Office
2002 - 03	07.08.2003	02.30 p.m.	Registered Office
2001 - 02	24.06.2002	04.00 p.m.	Registered Office

No Special Resolutions were put through postal ballot in the year under review.

Listed Debentures

The Company has issued four series of Non Convertible Debentures aggregating Rs.125 Crores and these have been listed under the model Listing Agreement with the National Stock Exchange of India Ltd. (NSE). They are being compulsorily traded in dematerialized form. The listing details are as under :

NSE Stock Code : Security Type - DB DB DB CF
Security - SHF07 SHF07 SHF 08 SHF07

The Company has duly paid the Listing Fees for the Financial Year 2004 - 05 to NSE.

M/s. Cameo Corporate Service Ltd., have been appointed as the Registrar and Transfer Agents of the Company. The Registrar and Transfer Agents can be contacted by the investors at the following address :

M/s. Cameo Corporate Services Ltd.
' Subramaniam Building '
No.1, Club House Road, Chennai 600 002.
Phone : 044 - 28460390
Fax : 044 - 28460129
Email : Cameo@Cameoindia.com
Contact Person : Sri R.D. Ramaswamy, General Manager

Means of Communication

In accordance with the provisions of the Listing Agreement with NSE, unaudited quarterly / audited half-yearly financial results are forwarded to NSE periodically. Further, the same are also published in the Newspapers as per the provisions of the said Agreement and are displayed on the Company's Website, viz. www.sundaramhome.com

Address for correspondence and any assistance / clarification :

Sri V. Sriraman
Compliance Officer
Sundaram Home Finance Limited
First Floor, Sundaram Towers
46, Whites Road
Chennai 600 014

Management Discussion and Analysis Report

This Report forms part of the Annual Report.

General Shareholder Information

Sixth Annual General Meeting

Date	Time	Venue
28th July 2005	2.00 pm	No.21, Patullos Road, Chennai 600 002.

Financial Calendar

The financial calendar giving the dates on which the Company's Board will consider Audited results are as under :

Financial Year – 1st April 2004 to 31st March 2005	11th May 2005
Audited Results for Half-year ending 30th September 2005	End of October 2005.

Share Price Performance

Not applicable.

Distribution of Shareholding as on 31st March 2005

No. of Equity Shares Held	No. of Shareholders	Total No. of Shares	% to Capital
1	4	4	...
1,00,001 and above	3	6,99,99,996	100%
Total	7	7,00,00,000	100%

All the Shares are held in physical mode.

**Auditors' Report
to the Members
of Sundaram
Home Finance
Ltd.**

1. We have audited the attached balance sheet of M/s. Sundaram Home Finance Limited, as at 31st March 2005, and also the profit and loss account and the 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of The Companies Act, 1956, (the Act) we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.

- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- (v) On the basis of written representations received from the directors, as on 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March 2005;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date

For **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 11th May 2005

Membership No.25929

**Annexure to the
Auditors' Report
Referred to in
Paragraph 3 of our
report of even date**

1.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - c) There was no substantial disposal of fixed assets during the year.
2.
 - a) In our opinion and according to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - b) The Company granted a housing loan of Rs.5,00,000/- to the Managing Director of the Company in an earlier year and a housing loan of Rs.12,00,000/- during the year. The Company in the previous year granted a housing loan of Rs.24,85,605/- to a Director of the Company, prior to his appointment as a Director. This loan has been repaid during the year. Apart from the above, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register under Section 301 of the Act.
 - c) The rate of interest and other terms and conditions of the above loans are prima facie, not prejudicial to the interest of the Company.
 - d) The payment of interest and the repayment of principal are regular.
 - e) There are no amounts overdue in respect of these loans.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.

4. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under Section 301 of the Act have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year have prima facie made at prices which are reasonable having regard to prevailing market prices at the relevant time.
5. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the National Housing Bank and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act and the rules framed thereunder with regard to the deposits accepted from the public.
6. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
8. According to the records of the Company, Provident Fund, Employees State Insurance, Income-Tax, Wealth-Tax and Service Tax were regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March, 2005 for a period of more than six months from the date they become payable.
9. According to the records of the Company and the information and explanations given to us, there are no dues of Income-Tax, Sales Tax, Wealth-Tax, Service Tax, Excise Duty, Cess which have not been deposited on account of any dispute.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the current and immediately preceding financial years.

11. Based on our audit procedures and the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund / nidhi / mutual benefit fund / society.
14. Based on our examination of records and information and explanations given to us, the Company has not dealt / traded in shares and debentures during the year. As informed and explained to us, proper records have been maintained of the transactions and contracts relating to dealing / trading in securities and other investments and timely entries have been made therein. The securities and other investments have been held by the Company in its own name.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company, were prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment, pending application.
17. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the balance sheet of the Company, funds raised on short term basis, prima facie, have not been used during the year for long term investment, other than temporary deployment.
18. The Company has issued equity shares to the existing equity shareholders on a "Rights Basis" during the year. Based on the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued debentures during the year. According to the information and explanations given to us, the Company has created securities in respect of secured debentures issued in earlier years.

20. The Company has not raised monies by public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
22. In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year have been such that clauses ii and xiii of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 11th May 2005

Membership No.25929

Balance Sheet As at 31st March 2005

Schedule	31st March 2005 Rupees		31st March 2004 Rupees	
I Sources of Funds				
1. Shareholders' Funds				
a) Capital	1	70,00,00,000		50,00,00,000
b) Reserves and Surplus	2	23,63,32,635	93,63,32,635	13,62,54,214
2. Loan Funds				
a) Secured Loans	3	776,60,08,478		547,32,76,340
b) Unsecured Loans	4	47,57,46,532	824,17,55,010	50,67,27,443
Total		917,80,87,645		661,62,57,997
II Application of Funds				
1. Loans	5		867,79,84,926	618,79,65,731
2. Fixed Assets :	6			
Gross Block		4,63,57,823		4,08,99,600
Less : Depreciation		2,52,46,574		1,87,71,539
Net Block			2,11,11,249	2,21,28,061
3. Investments	7		31,17,12,036	36,28,89,168
4. Deferred Tax Asset (Net)				
Deferred Tax Asset		1,79,19,399		72,01,017
Less : Deferred Tax Liability		9,38,471	1,69,80,928	9,01,477
5. Current Assets, Loans and Advances :				
a) Current Assets	8	19,24,33,706		7,00,51,189
b) Loans and Advances	9	8,40,28,727		5,51,37,802
	(A)	27,64,62,433		12,51,88,991
Less : Current Liabilities and Provisions				
a) Current Liabilities	10	7,92,41,742		6,95,13,494
b) Provisions	11	4,69,22,185		1,87,00,000
	(B)	12,61,63,927		8,82,13,494
Net Current Assets	(A - B)		15,02,98,506	3,69,75,497
Total		917,80,87,645		661,62,57,997
Notes to the Accounts	19			

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

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

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
11th May 2005

S. Viji
Chairman

Nitin Palany
Managing Director

G. Satish Kumar
General Manager-Finance

V. Sriraman
Company Secretary

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

M.S. Parathasarathy

Profit and Loss Account

For the year ended
31st March 2005

	Schedule	31st March 2005 Rupees	31st March 2004 Rupees
Income			
Income from Operations	12	66,97,40,264	50,16,34,451
Loan Processing and Other Fees		2,78,94,937	2,65,10,128
Other Income	13	3,53,41,017	3,63,38,863
Total	(A)	73,29,76,218	56,44,83,442
Expenditure			
Financial Expenses	14	49,07,45,091	36,19,25,735
Establishment Expenses	15	4,57,48,769	3,38,01,825
Administrative and Other Expenses	16	10,51,65,865	7,95,01,593
Provisions and Write off	17	3,40,06,116	1,96,47,457
Preliminary Expenses Written off	18	-	1,52,002
Total	(B)	67,56,65,841	49,50,28,612
Profit Before Depreciation and Tax	(A - B)	5,73,10,377	6,94,54,830
Less : Depreciation		70,03,344	64,63,208
Profit Before Tax		5,03,07,033	6,29,91,622
Less : Provision for Taxation (Including Wealth Tax)			
Current		2,09,10,000	1,50,05,000
Deferred Tax		(1,06,81,388)	(80,12,978)
Profit After Tax		4,00,78,421	5,59,99,600
Balance brought forward from the previous year		1,42,54,214	1,22,54,614
Amount available for Appropriation		5,43,32,635	6,82,54,214
Appropriations			
Special Reserve		2,50,00,000	2,40,00,000
General Reserve		1,50,00,000	3,00,00,000
Surplus - Balance carried to Balance Sheet		1,43,32,635	1,42,54,214
		5,43,32,635	6,82,54,214
Notes to the Accounts	19		
Earnings per Equity Share			
Number of Shares (Face Value of Rs.10/- per Share)		7,00,00,000	5,00,00,000
Basic and Diluted Earnings per Share		0.67	1.12

Schedules 1 to 19 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

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

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
11th May 2005

S. Viji
Chairman

Nitin Palany
Managing Director

G. Satish Kumar
General Manager-Finance

V. Sriraman
Company Secretary

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

M.S. Parathasarathy

Schedules

Forming part of
the Accounts

Schedule 1

Capital

	31 / 03 / 2005 Rupees	31 / 03 / 2004 Rupees
Authorised		
10,00,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 equity shares of Rs.10/- each)	100,00,00,000	50,00,00,000
Issued		
7,50,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 equity shares of Rs.10/-each)	75,00,00,000	50,00,00,000
Subscribed and Fully Paid-up		
7,00,00,000 Equity Shares of Rs.10/- each [Of the above, 5,25,00,000 equity shares are held by M/s.Sundaram Finance Limited (the Holding Company) and its nominees]	70,00,00,000	50,00,00,000
Previous year		
3,25,00,000 equity shares of Rs.10/- each held by M/s.Sundaram Finance Limited (the Holding Company) and its nominees]	70,00,00,000	50,00,00,000

Schedule 2

Reserves and Surplus

Special Reserve				
Per last Balance Sheet	4,70,00,000		2,30,00,000	
Add : Transfer from Profit and Loss Account	2,50,00,000	7,20,00,000	2,40,00,000	4,70,00,000
Securities Premium Account				
Received during the year		6,00,00,000		-
General Reserve				
Per last Balance Sheet	7,50,00,000		4,50,00,000	
Add : Transfer from Profit and Loss Account	1,50,00,000	9,00,00,000	3,00,00,000	7,50,00,000
Surplus - Balance in Profit and Loss Account		1,43,32,635		1,42,54,214
		23,63,32,635		13,62,54,214

Schedule 3

Secured Loans

Non Convertible Debentures		125,00,00,000		125,00,00,000
From Scheduled Banks:				
Rupee Term Loans	209,76,77,477		221,57,15,000	
Foreign Currency Loan	-	209,76,77,477	39,30,30,340	260,87,45,340
From Others				
Term Loans:				
National Housing Bank	398,08,31,000		111,45,31,000	
International Finance Corporation, Washington	43,75,00,001	441,83,31,001	50,00,00,000	161,45,31,000
		776,60,08,478		547,32,76,340

Schedule 4

Unsecured Loans

Fixed Deposits				
From Directors		17,10,000		26,60,000
From Others		47,40,36,532		50,40,67,443
		47,57,46,532		50,67,27,443

Schedule 5

Loans

Housing Loans				
Individuals	800,54,19,937		609,94,39,659	
Others	65,87,883	801,20,07,820	1,06,97,883	611,01,37,542
Other Loans				
Individuals	44,39,78,212		5,17,71,943	
Others	22,19,98,894	66,59,77,106	2,60,56,246	7,78,28,189
		867,79,84,926		618,79,65,731

Schedule 6
Fixed Assets

Description	In Rupees									
	Gross Block at Cost				Depreciation				Net Block	
	As at 01/04/2004	Additions	Deductions	As at 31/03/2005	Up to 01/04/2004	For the year	Deductions	Up to 31/03/2005	As at 31/03/2005	As at 31/03/2004
Land	1,91,829	-	-	1,91,829	-	-	-	-	1,91,829	1,91,829
Furniture and Fittings	1,36,60,478	13,20,709	8,37,212	1,41,43,975	63,93,539	20,11,381	4,32,609	79,72,311	61,71,664	72,66,939
Office Equipment	35,60,490	17,23,192	1,14,807	51,68,875	11,46,530	5,81,699	43,566	16,84,663	34,84,212	24,13,960
Computers	1,22,83,389	20,74,484	-	1,43,57,873	69,72,631	27,17,686	-	96,90,317	46,67,556	53,10,758
Plant and Machinery	40,65,508	3,77,429	1,40,117	43,02,820	14,40,370	4,13,796	52,134	18,02,032	25,00,788	26,25,138
Vehicles	71,37,906	10,54,545	-	81,92,451	28,18,469	12,78,782	-	40,97,251	40,95,200	43,19,437
Total	4,08,99,600	65,50,359	10,92,136	4,63,57,823	1,87,71,539	70,03,344	5,28,309	2,52,46,574	2,11,11,249	2,21,28,061

	Face Value Rupees	31 / 03 / 2005 Rupees	31 / 03 / 2004 Rupees
Schedule 7			
<u>Investments</u>			
At Cost - Fully Paid			
Long Term Investments			
1	In Government / Trust Securities		
	Non Trade		
A	Quoted :		
	Government Securities		
	Central Government Loans		
	2,84,47,000	3,47,03,809	3,29,59,089
	(Face Value of Rs.49,20,000/- purchased during the year and Rs.32,00,000/- redeemed during the year)		
B	Un-Quoted :		
	In Trust Securities		
	Sundaram Floater - Long Term Institutional Plan - Growth Option		
	4,00,00,000	4,00,00,000	-
	40,00,000 units of Rs.10/- each (Purchased during the year)		
	Prudential ICICI Floating Rate Plan C - Growth Option		
	2,99,70,030	3,00,00,000	-
	29,97,003 units of Rs.10 /- each (Purchased during the year)		
	Templeton Floating Rate Income Fund - Long Term Plan - Growth Option		
	2,58,45,140	3,00,00,000	-
	25,84,514 units of Rs.10 /- each (Purchased during the year)		
	Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option		
	4,00,00,000	4,00,00,000	-
	40,00,000 units of Rs.10/- each (Purchased during the year)		
	Reliance Fixed Term Scheme Annual Plan 4 - Growth Option		
	3,00,00,000	3,00,00,000	-
	30,00,000 units of Rs.10 /- each (Purchased during the year)		
	Birla Floating Rate Fund - Long Term Plan - Growth Option		
	2,83,42,260	3,00,00,000	-
	28,34,226 units of Rs.10/- each (Purchased during the year)		
	Sundaram Bond Saver - Institutional Plan - Quarterly Dividend Option		
	-	-	3,88,14,812
	(37,30,221 units of Rs.10/- each sold during the year)		
	Prudential ICICI Mutual Fund-Flexible Income Plan-Dividend Plan		
	-	-	3,91,19,129
	(36,59,619 units of Rs.10/- each sold during the year)		
	Templeton Floating Rate Income Fund - Long Term Plan		
	-	-	3,01,03,645
	(29,69,036 units of Rs.10/- each sold during the year)		
	Kotak Floater - Weekly Dividend Plan		
	-	-	2,01,45,399
	(Opening balance 20,13,736 units of Rs.10/- each, 70,76,901 units purchased and 90,90,637 units sold during the year)		

	Face Value Rupees	31 / 03 / 2005 Rupees	31 / 03 / 2004 Rupees
Birla Floating Rate Fund - Long Term Plan (Opening balance 30,09,596 units of Rs.10/- each, 29,915 units purchased and 30,39,511 units sold during the year)	-	-	3,11,70,688
Grindlays Dynamic Bond Fund - Quarterly Dividend Option (Opening balance 39,38,516 units of Rs.10/- each, 98,014 units purchased and 40,36,530 units sold during the year)	-	-	4,06,07,672
2 In Bonds Unquoted :			
11.25% NHB Priority Sector Bonds	10,00,000	10,00,000	10,00,000
3 In Mortgage Backed Securities (on Securitisation) in SHFL Housing Finance Trust August, 2004 Unquoted :			
Investment in Senior Pass Through Certificate (PTC) (A2) Securities		4,23,37,817	-
Investment in Subordinate Tranche Securities		3,36,70,410	-
Total		<u>31,17,12,036</u>	<u>23,39,20,434</u>
Current Investments			
Un-Quoted :			
In Trust Securities			
Grindlays Dynamic Bond Fund - Growth Option (Opening balance 12,48,180 units of Rs.10/- each sold during the year)	-	-	1,50,00,000
Sundaram Money Fund - Appreciation (2,84,05,045 units of Rs.10/-each purchased and sold during the year)	-	-	-
Sundaram Money Fund - Daily Dividend Reinvestment Plan (Opening balance of 19,90,929 units of Rs.10/- each, 4,81,68,383 units of Rs.10/- each purchased and 5,01,59,312 units of Rs.10/- each sold during the year)	-	-	2,00,91,491
Sundaram Money Fund - Institutional Plan - Appreciation (1,54,26,377 units of Rs.10/- each purchased and sold during the year)	-	-	-
Sundaram Money Fund - Institutional Plan - Daily Dividend Option (4,49,05,183 units of Rs.10/- each purchased and sold during the year)	-	-	-
Sundaram Floater-Long Term Institutional Plan - Quarterly Dividend Option (60,00,000 units of Rs.10/- each purchased and sold during the year)	-	-	-
Sundaram Floater - Short Term Institutional - Daily Dividend Option (60,00,695 units of Rs.10/- each purchased and sold during the year)	-	-	-
Sundaram Money Fund - Appreciation (29,61,910 units of Rs.10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Floating Rate Plan C - Growth Option (2,13,36,986 units of Rs.10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Flexible Income Plan - Growth Option (Opening balance 11,52,597 units of Rs.10/- each, 29,20,220 units of Rs.10/- each purchased and 40,72,817 units, of Rs.10/- each sold during the year)	-	-	1,37,00,000

	Face Value	31 / 03 / 2005	31 / 03 / 2004
	Rupees	Rupees	Rupees
Prudential ICICI Floating Rate Plan - Growth Option (1,35,66,955 units of Rs.10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Institutional Liquid Plan - Daily Dividend Option (Opening balance of 67,65,898 units of Rs.10/- each, 1,43,36,135 units of Rs.10/- each purchased and 2,11,02,033 units, of Rs.10/- each sold during the year)	-	-	8,01,77,243
Prudential ICICI Long Term Floating Rate Plan C-Growth Option (49,90,768 units of Rs.10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Institutional Liquid Plan (3,75,212 units of Rs.10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Floating Rate Plan - Daily Dividend Option (20,07,317 units of Rs.10/- each purchased and sold during the year)	-	-	-
Templeton Floating Rate Income Fund - Short Term Plan - Growth Option (1,31,66,540 units of Rs.10/- each purchased and sold during the year)	-	-	-
Templeton Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option (2,17,79,238 units of Rs.10/- each purchased and sold during the year)	-	-	-
Templeton India Treasury Management - Daily Dividend Reinvestment Option (62,914 units of Rs.1000/- each purchased and sold during the year)	-	-	-
Templeton Floating Rate Fund - Income Fund - Long Term Plan - Growth Option (42,78,771 units of Rs.10/-each purchased and sold during the year)	-	-	-
HSBC Cash Fund - Institutional Plan - Daily Dividend Option (52,77,156 units of Rs.10/- each purchased and sold during the year)	-	-	-
HSBC Floating Rate Fund - Short Term - Institutional Plan (77,92,314 units of Rs.10/- each purchased and sold during the year)	-	-	-
DSP Merrill Lynch - Liquidity Fund - Daily Dividend Option (95,03,722 units of Rs.10/- each purchased and sold during the year)	-	-	-
DSP Merrill Lynch - Floating Rate Fund - Daily Dividend Option (2,21,27,624 units of Rs.10/- each purchased and sold during the year)	-	-	-
DSP Merrill Lynch - Floating Rate Fund - Growth Option (2,29,53,875 units of Rs.10/- each purchased and sold during the year)	-	-	-

	Face Value Rupees	31 / 03 / 2005 Rupees	31 / 03 / 2004 Rupees
Kotak Floater - Short Term Plan - Growth Option (70,58,637 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Floating Rate Fund - Short Term Plan - Growth Option (1,17,66,104 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Dynamic Bond Fund-Institutional Premium Plan-Growth Option (50,00,000 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Floating Rate Fund - Short Term Plan - Dividend Reinvestment Option (77,43,867 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Floating Rate Fund - Long Term Plan - Growth Option (74,50,038 units of Rs.10/- each purchase and sold during the year)	-	-	-
Birla Cash Plus - Institutional Premium Plan - Dividend Reinvestment Option (3,94,34,449 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Floating Rate Fund - Long Term Plan - Dividend Reinvestment Option (77,63,797 units of Rs.10/- each purchased and sold during the year)	-	-	-
GSSIF Investment Plan B - Institutional Plan B - Quarterly Dividend Option (5,018 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Super Saver Liquid Fund (67,41,952 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate Fund -Short term- Institutional Plan B - Growth Option (78,78,063 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate Fund - Super Institutional Plan C - Daily Dividend Option (1,00,22,454 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Cash Fund - Institutional Plan B - Daily Dividend Option (37,88,242 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option (74,84,657 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate - Short Term Institutional Plan B - Weekly Dividend Option (35,01,251 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate - Institutional Plan B - Weekly Dividend Option (53,12,962 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option (1,00,01,283 units of Rs.10/- each purchased and sold during the year)	-	-	-

	Face Value	31 / 03 / 2005	31 / 03 / 2004
	Rupees	Rupees	Rupees
Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option (34,75,083 units of Rs.10/- each purchased and sold during the year)	-	-	-
GSSIF Medium Term Institutional Plan B - Bimonthly Dividend Option (5,024 units of Rs.10/- each purchased and sold during the year)	-	-	-
Deutsche Floating Rate Plan - Growth Option (19,27,043 units of Rs.10/- each purchased and sold during the year)	-	-	-
Tata Floating Rate Fund - Short Term Plan - Growth Option (19,93,959 units of Rs.10/- each purchased and sold during the year)	-	-	-
Tata Liquid Super High Investment Fund - Daily Dividend Option (71,809 units of Rs.1000/- each purchased and sold during the year)	-	-	-
Principal Floating Rate Fund - Growth Option (49,55,598 units of Rs.10/- each purchased and sold during the year)	-	-	-
Principal Floating Rate Fund - Dividend Option (50,40,996 units of Rs.10/- each purchased and sold during the year)	-	-	-
Schedule Total		<u>-</u>	<u>12,89,68,734</u>
Grand Total		<u>31,17,12,036</u>	<u>36,28,89,168</u>
		Cost	Market Value
		Rupees	Rupees
Aggregate of Quoted Investments		3,47,03,809	3,31,86,181
Aggregate of Unquoted Investments		27,70,08,227	28,29,70,131*
Total		<u>31,17,12,036</u>	<u>31,61,56,312</u>

* Includes investments in Mutual funds at Net Asset Value (NAV), NHB Bonds at cost and PTC s at book value.

Schedule 8
31 / 03 / 2005

31 / 03 / 2004

Rupees
Rupees
Current Assets

Interest Accrued on Investments		7,79,192		29,49,532
Cash and Bank Balances				
Cash on Hand	9,05,549		8,42,511	
Balances with Scheduled Banks in				
Current Accounts	9,09,67,399		3,18,59,146	
Deposit Accounts	9,97,81,566	19,16,54,514	3,44,00,000	6,71,01,657
		<u>19,24,33,706</u>		<u>7,00,51,189</u>

Schedule 9
Loans and Advances

Secured, Considered Good :

Instalments due from Borrowers	3,70,89,843		4,01,20,021	
Loans Against Deposits	9,00,533	3,79,90,376	12,10,795	4,13,30,816

Unsecured, Considered Good :

Advances and Deposits recoverable in cash or in kind or for value to be received	4,39,79,019		1,19,14,759	
Advance Income - Tax and Tax Deducted at Source (Net)	12,35,159	4,52,14,178	18,92,227	1,38,06,986
Income Receivable		8,24,173		-
		<u>8,40,28,727</u>		<u>5,51,37,802</u>

Schedule 10
Current Liabilities

Sundry Creditors

For expenses	99,36,203		91,88,793	
For others	1,89,53,705		56,11,536	
Interest accrued but not due	5,03,51,834		5,47,13,165	
		<u>7,92,41,742</u>		<u>6,95,13,494</u>

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

Schedule 11
Provisions

Provision Against Non Performing Loans	4,55,00,000		1,87,00,000	
Provision Against Investments	14,22,185		-	
		<u>4,69,22,185</u>		<u>1,87,00,000</u>

	2004-05	2003-04
	Rupees	Rupees
Schedule 12		
<u>Income from Operations</u>		
Interest on Loans (Tax Deducted at Source Rs.1,15,308/-)	62,07,58,962	47,41,45,570
Other Operating Income	4,89,81,302	2,74,88,881
	<u>66,97,40,264</u>	<u>50,16,34,451</u>
Schedule 13		
<u>Other Income</u>		
Dividend Income	79,57,436	1,82,74,779
Interest Receipts (Tax Deducted at Source Rs.5,36,690/-)	1,02,85,893	60,13,366
Profit on sale of Investments	1,09,05,879	29,69,453
Miscellaneous Income	61,79,045	90,22,520
Profit on sale of Fixed Assets	12,764	58,745
	<u>3,53,41,017</u>	<u>3,63,38,863</u>
Schedule 14		
<u>Financial Expenses</u>		
Interest - Fixed Loans	22,52,36,951	23,31,52,488
- Debentures	8,90,53,767	5,12,71,781
- Others	16,83,68,667	6,22,36,579
Other Financial Expenses	80,85,706	1,52,64,887
	<u>49,07,45,091</u>	<u>36,19,25,735</u>
Schedule 15		
<u>Establishment Expenses</u>		
Salaries, Allowances and Bonus	4,03,14,863	2,86,09,780
Company's Contribution to Provident Fund and Superannuation Schemes	22,69,368	17,79,743
Staff Welfare Expenses	18,95,707	15,83,907
Training Expenses	9,09,445	9,22,022
Gratuity	3,59,386	9,06,373
	<u>4,57,48,769</u>	<u>3,38,01,825</u>

	2004-05	2003-04
	Rupees	Rupees
Schedule 16		
<u>Administrative and Other Expenses</u>		
Rent	1,03,50,853	83,28,597
Lease Rent	6,82,973	9,85,070
Rates and Taxes (Net)	24,23,373	5,52,727
Communication Expenses	63,96,018	52,94,730
Electricity	30,85,671	25,74,564
Travelling and Conveyance	60,42,926	51,24,387
Advertisement and Publicity	2,51,35,631	1,90,04,881
Directors' Sitting Fees	3,40,000	1,00,000
Insurance	31,51,280	19,97,585
Repairs and Maintenance		
Buildings	35,56,222	35,86,359
Others	37,50,562	37,62,055
Legal Expenses	8,83,235	3,32,752
Printing and Stationery	31,42,969	28,40,990
Database and Networking Expenses	74,76,476	57,52,873
Professional and Consultancy Fees	34,47,759	19,35,084
Commission	1,08,61,775	65,52,315
Software Charges	61,79,903	66,55,541
Miscellaneous Expenses	82,58,239	41,21,083
	<u>10,51,65,865</u>	<u>7,95,01,593</u>
Schedule 17		
<u>Provisions and Write off</u>		
Bad Debts	14,16,347	-
Loss on Sale of Investments	40,92,161	26,11,991
Loss on Sale of Fixed Assets	62,914	-
Provision Against Non Performing Loans	2,68,00,000	1,70,00,000
Provision Against Investments	14,22,185	-
Asset discarded	2,12,509	35,466
	<u>3,40,06,116</u>	<u>1,96,47,457</u>
Schedule 18		
<u>Miscellaneous Expenditure</u>		
(to the extent not written off or adjusted)		
Preliminary Expenses	-	1,52,002
Less : Written off during the year	-	1,52,002
	<u>-</u>	<u>-</u>

Schedule 19

Notes to the Accounts

1 Significant Accounting Policies

- 1.1 The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable. The Company follows the directions prescribed by the National Housing Bank for Housing Finance Companies.
- 1.2 Income Recognition :
Interest on loans granted is recognised as income on accrual basis. Loans granted are repayable in Equated Monthly Instalments (EMIs), comprising principal and interest. The EMIs commence on the entire disbursement of the loan sanctioned. Pre-EMI Interest is payable monthly, where the loan is partly disbursed.
- 1.3 Fixed Assets :
Fixed Assets are carried at historical cost less accumulated depreciation.
- 1.4 Depreciation / Amortisation Policy :
Depreciation on Assets is provided on the written down value method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs.5,000/- or less are written down in the year of acquisition to Re.1/-.
- 1.5 Valuation of Investments :
Long-term investments are stated at cost and provision for diminution in value, other than temporary, is considered wherever necessary. Current investments are valued at lower of cost and market value / net asset value.
- 1.6 Foreign Currency Loans :
Foreign exchange transactions covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences resulting in income or expense are dealt with in the Profit and Loss account. Premium on forward contracts is recognized as an expense over the tenure of the contract, wherever applicable.
- 1.7 Retirement Benefits :
(i) The Company's liability towards superannuation and gratuity to the employees is covered by group policies with Life Insurance Corporation of India.
(ii) Liability on account of encashment of leave is provided on the basis of an actuarial valuation conducted at the end of the year.
- 1.8 Taxation :
Current tax is provided on the taxable income of the year. Deferred tax liabilities on the timing differences are fully provided for. Deferred tax assets are recognized on the consideration of prudence.

2 Balance Sheet

- 2.1 Share Capital :
Consequent to the allotment of 2,00,00,000 equity shares out of the issue of 2,50,00,000 equity shares of the face value of Rs.10/- each at a premium of Rs.3/- per equity share on a rights basis during the year, the paid - up Equity Share Capital of the Company has increased to Rs.70,00,00,000/-.
- 2.2 Reserves and Surplus :
Special Reserve
The appropriation of profit to the Special Reserve is in accordance with the provisions of Section 36 (1) (viii) of the Income-Tax Act, 1961 and Section 29C of the National Housing Bank Act, 1987.
- 2.3 Secured Loans :
- 2.3.1 Non-Convertible Debentures :

Details of privately placed Secured Redeemable Non-Convertible Debentures :

Date of Allotment	Face Value (Rs.)		Date of Redemption
	31.03.2005	31.03.2004	
16th August 2002	25,00,00,000/-	25,00,00,000/-	16th August 2007
30th November 2002	25,00,00,000/-	25,00,00,000/-	30th November 2007
30th September 2003	25,00,00,000/-	25,00,00,000/-	30th September 2008
26th March 2004	50,00,00,000/-	50,00,00,000/-	26th March 2007
Total	125,00,00,000/-	125,00,00,000/-	

The Non-Convertible Debentures of Rs.125,00,00,000/- are secured by a first mortgage over a specific immovable property belonging to the Company and a negative lien on its assets. M/s.Sundaram Finance Ltd., the holding Company, has guaranteed the payment of interest and the redemption of the debentures to an extent of Rs.100,00,00,000/-.

2.3.2. From Scheduled Banks :

Rupee Term Loans

Term Loans of Rs.209,76,77,477/- (31.03.2004 - Rs.221,57,15,000/-) are secured by a negative lien on properties acquired by the borrower(s) from the loans granted by the Company and mortgaged to it.

Foreign Currency Loan

The foreign currency loan was secured by a negative lien on properties acquired by the borrower(s) from the loans granted by the Company and mortgaged to it.

2.3.3 From Others :

National Housing Bank

Rupee Term Loans of Rs.398,08,31,000/- (31.03.2004 - Rs.111,45,31,000/-) by way of refinance are secured by a negative lien on the assets of the Company.

International Finance Corporation, Washington

Rupee Term Loan of Rs.43,75,00,001/- (31.03.2004 - Rs.50,00,00,000/-) is secured by a negative lien on the assets of the Company.

2.4 Loans :

2.4.1 Loans granted by the Company are generally secured by equitable mortgage of properties.

2.4.2 Loans secured by equitable mortgage of properties include :

- (i) Rs.13,93,918/- (31.03.2004 – Rs.3,71,990/-) due from the Managing Director of the Company. Maximum amount outstanding in respect of the loan at any time during the year Rs. 14,92,804/- (31.03.2004 - Rs.5,11,432/-).
- (ii) Rs.39,623/- (31.03.2004 – Rs.21,16,234/-) due from an officer of the Company. Maximum amount outstanding in respect of the loan at any time during the year Rs. 21,78,749/- (31.03.2004 – Rs.22,63,766/-).

2.5 Current Assets :

Balance with Scheduled Banks in Deposit Accounts includes a deposit of Rs.1,47,00,000/- (31.03.2004 – Nil) offered as collateral for the securitisation of assets.

2.6 Loans and Advances :

Advance Income Tax and Tax Deducted at Source is net of Provision for Taxation of Rs.4,99,15,000/- (31.03.2004 - Rs. 2,90,05,000/-).

2.7 Current Liabilities :

- (i) Sundry Creditors for expenses include Rs.5,40,000/- (31.03.2004 – Rs.4,80,000/-) payable to the Managing Director.
- (ii) Interest accrued but not due includes interest on deposits from Directors amounting to Rs.12,421/- (31.03.2004–Rs.2,92,030/-).

3. Profit and Loss Account

3.1 Income from Operations :

Other Operating Income includes revenue from securitisation amounting to Rs.3,39,75,911/- (Previous year – Nil).

3.2 Other Income :

Interest Receipts include Rs.41,72,737/- from investment in Mortgaged Backed Securities in "SHFL Housing Finance Trust – August 2004" (Previous year – Nil).

3.3 Profit / Loss on sale of investments comprise :

	2004 - 05		2003 - 04	
	Rupees		Rupees	
	Profit	Loss	Profit	Loss
Long Term Investments	Nil	3,93,600/-	6,88,028/-	2,83,781/-
Current Investments	1,09,05,879/-	36,98,561/-	22,81,425/-	23,28,210/-
Total	1,09,05,879/-	40,92,161/-	29,69,453/-	26,11,991/-

3.4 Financial Expenses :

- (i) Interest-Fixed loans includes interest of Rs.2,20,164/- on Fixed Deposits paid / credited to Directors (Previous year - Rs.2,76,758/-).
- (ii) The Company has taken forward cover on its Foreign Currency Loan. The forward premium of Rs.5,69,695/- has been expensed in the current year (Previous year – Rs.1,48,697/-).

3.5 Establishment Charges include remuneration to the Managing Director :

	2004 - 05 Rupees	2003 - 04 Rupees
Salary and Allowances	21,72,000/-	19,20,000/-
Contribution to Provident Fund, Superannuation Fund and Gratuity.	3,17,962/-	2,77,290/-
Other Allowances and Perquisites	2,64,739/-	2,44,398/-
Total	27,54,701/-*	24,41,688/-

* Of this, Rs.1,76,086/- representing increase in remuneration from 1st October 2004 is subject to the approval of the shareholders in General Meeting.

3.6 Miscellaneous Expenses under Administrative and Other Expenses include remuneration to Auditors towards:

	2004 - 05 Rupees	2003 - 04 Rupees
Statutory Audit	3,50,000/-	3,00,000/-
Tax Audit	1,00,000/-	1,00,000/-
Certification	2,10,000/-	1,50,000/-
Service Tax	67,320/-	44,000/-
Total	7,27,320/-	5,94,000/-

3.7 Provisions and Write Off :

- (i) Provision against investments of Rs.14,22,185/- (Previous year – Nil) represents excess of cost over face value of investment in Government Securities.

- (ii) National Housing Bank has stipulated that a loan becomes non- performing if the interest or instalment is overdue for 90 days or more (instead of 180 days) commencing from 31st March 2005 and has permitted phasing out of the additional provision so required over a period of three years commencing from the year ending 31st March, 2005 with a minimum of 20% of the additional provisioning being made each year. Accordingly, the Company intends to make the additional provision over a period of three years and has made 1/3 of such provision in the books of account for the year amounting to Rs.41,25,206/-.

4. General

4.1 Securitisation

During the year, the Company has securitised a part of its housing finance portfolio and has followed the 'Guidance Note on Accounting for Securitisation' issued by the Institute of Chartered Accountants of India. The details pertaining to securitised assets are as follows :

	(Rupees)
Assets derecognised through transfer to SPV and consequent issue of Pass Through Certificates (PTC's)	51,69,18,245/-
PTC's subscribed by the Company (Balance as on 31st March 2005 – Rs.7,60,08,227/-)	8,04,50,210/-
Bank deposits given as collateral	1,47,00,000/-

- 4.2 The Company has taken assets on lease in the earlier years. The future rentals payable under the relative lease agreements amount to Rs.84,970/- (31.03.2004 - Rs.6,13,457/-).
- 4.3 The Company has identified Housing Finance as the only Business Segment.
- 4.4 The Company does not owe any sum, which is outstanding for more than 30 days to a small scale industrial undertaking (31.03.2004 – Nil).
- 4.5 In accordance with Accounting Standard – 22 ' Accounting for taxes on Income' - issued by the Institute of Chartered Accountants of India, the details of Deferred Tax Asset and Liability arising on account of timing differences are :

	31.03.2005 (Rupees)	31.03.2004 (Rupees)
Deferred Tax Assets		
Provision Against Non-Performing Loans	1,66,53,000/-	67,08,625/-
Others (Provision for Gratuity, Leave Encashment, etc.)	12,66,399/-	4,92,392/-
Total (A)	1,79,19,399/-	72,01,017/-
Deferred Tax Liabilities		
Depreciation	9,38,471/-	9,01,477/-
Total (B)	9,38,471/-	9,01,477/-
Total (A – B)	1,69,80,928/-	62,99,540/-

4.6 Non Performing Loans and Provisions :

In line with the NHB Directions on classification of assets, the Company has identified Non Performing Loans amounting to Rs.14,59,03,629/- as on 31.03.2005 (31.03.2004 - Rs.11,04,66,310/-). The Asset classification and provisions made in the books of account are as follows :

(Rupees)

	Sub Standard	Doubtful	Loss Assets	Total
Housing Loans				
Loan Outstanding	5,73,36,279/- (10,96,41,310/-)	7,67,58,160/- (8,25,000/-)	1,11,07,903/- (Nil)	14,52,02,342/- (11,04,66,310/-)
Provisions	57,33,628/- (1,85,35,000/-)	2,85,18,212/- (1,65,000/-)	1,11,07,903/- (Nil)	4,53,59,743/- (1,87,00,000/-)
Other Loans				
Loan Outstanding	-	7,01,287/- (Nil)	-	7,01,287/- (Nil)
Provisions	-	1,40,257/- (Nil)	-	1,40,257/- (Nil)
Total				
Loan Outstanding	5,73,36,279/- (10,96,41,310/-)	7,74,59,447/- (8,25,000/-)	1,11,07,903/- (Nil)	14,59,03,629/- (11,04,66,310/-)
Provisions	57,33,628/- (1,85,35,000/-)	2,86,58,469/- (1,65,000/-)	1,11,07,903/- (Nil)	4,55,00,000/- (1,87,00,000/-)

Figures in brackets pertain to the previous year

4.7 In accordance with Accounting Standard – 18 'Related Parties Disclosures' - issued by the Institute of Chartered Accountants of India, the details of Related Parties Transactions are given below:

Holding Company	: M/s. Sundaram Finance Ltd.
Fellow Subsidiaries	: M/s. Sundaram Asset Management Company Ltd. M/s. Sundaram Finance Distribution Ltd. M/s. Sundaram Finance Trustee Company Ltd. M/s. Royal Sundaram Alliance Insurance Company Ltd. M/s. LGF Services Private Ltd.
Associates	: M/s. Sundaram Mutual Fund
Key Management Personnel	: Mr. Nitin Palany – Managing Director

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

Details of Related Parties Transactions for the year ended 31.03.2005

(Rupees)

	Holding Company	Fellow Subsidiaries/ Associates	Key Management Personnel	Total 2004-05	Previous Year 2003-04
Income					
Commission and Claims	-	34,53,998	-	34,53,998	15,88,129
Interest on Housing Loan	-	-	12,551	12,551	15,176
Rent and Connectivity Charges	-	60,000	-	60,000	1,41,000
Total	-	3,513,998	12,551	35,26,549	17,44,305
Expenses					
Rent and Office Maintenance	41,27,591	-	-	41,27,591	35,47,259
Brokerage, Commission, Deposit and Payroll Processing Charges	45,84,769	-	-	45,84,769	25,68,056
Lease Rentals	6,84,986	-	-	6,84,986	9,85,070
HP Charges	69,614	-	-	69,614	1,04,400
Guarantee Commission	25,00,000	-	-	25,00,000	15,59,792
Internal Audit fees	3,28,400	-	-	3,28,400	3,05,000
Connectivity and Other Charges	62,03,567	-	-	62,03,567	53,68,199
Insurance Premium	-	32,47,606	-	32,47,606	24,86,032
Remuneration	-	-	27,54,701	27,54,701	24,41,688
Interest on Fixed Deposits	-	-	1,252	1,252	1,254
Total	1,84,98,927	32,47,606	27,55,953	2,45,02,486	1,93,66,750
Assets					
Investment in Trust Securities	-	173,22,77,131	-	173,22,77,131	58,04,55,827
Disinvestments in Trust Securities	-	175,11,83,434	-	175,11,83,434	56,86,54,725
Investment in Trust Securities - at the end of the year	-	4,00,00,000	-	4,00,00,000	5,89,06,303
Purchase of Assets	1,65,226	-	-	1,65,226	15,93,807
Sale of Assets	-	2,42,283	-	2,42,283	6,92,242
Housing Loan-at the end of the year	-	-	13,93,918	13,93,918	50,000
Total	1,65,226	352,37,02,848	13,93,918	352,52,61,992	121,03,52,904
Liabilities					
Share Capital	20,00,00,000	-	-	20,00,00,000	-
Share Premium	6,00,00,000	-	-	6,00,00,000	-
Repayment of Housing Loan	-	-	1,78,072	1,78,072	1,47,238
Total	26,00,00,000	-	1,78,072	26,01,78,072	1,47,238

There are no amounts written off / written back during the year, relating to the above transactions.

4.8 Earnings per Share (Basic and diluted)

	2004-2005	2003-2004
A. Profit for the year after taxation (in Rs.)	4,00,78,421/-	5,59,99,600/-
B. Total number of equity shares of Face value of Rs.10/- outstanding at the end of the year (in numbers)	7,00,00,000	5,00,00,000
C. Basic and diluted earnings per share (A/B) (in Rs.)	0.67	1.12

4.9 Claims against the Company not acknowledged as debts - Rs.5,56,071/- (31.03.2004 – Nil) in respect of Income Tax matters.

4.10 Expenditure in foreign currency on payment basis

Travelling Expenses : Rs. 55,194/- (2003-04 – Rs.2,68,637/-)

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

4.12 Figures have been rounded off to the nearest rupee.

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

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
11th May 2005

S. Viji
Chairman

Nitin Palany
Managing Director

G. Satish Kumar
General Manager–Finance

V. Sriraman
Company Secretary

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

M.S. Parathasarathy

Balance Sheet Abstract and Company's General Business Profile

Information as required under Part IV of Schedule VI of the Companies Act, 1956

I Registration Details

Registration No. - State Code

Balance Sheet Date

Date Month Year

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Loans Net Current Assets

Deferred Tax Asset Misc. Expenditure Accumulated Losses

IV Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure

Profit/(Loss) Before Tax Profit/(Loss) After Tax

Earnings Per Share in Rs. . Dividend Rate %

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

Item Code No.(ITC Code) Not applicable

Product / Service Description

Cash Flow Statement

	For the year ended 31 / 03 / 2005 Rupees		For the year ended 31 / 03 / 2004 Rupees	
A) <u>Cash Flow From Operating Activities</u>				
Net Profit as per profit and loss account		4,00,78,421		5,59,99,600
Adjustments				
Preliminary Expenses		-		1,52,002
Provision for tax (including Wealth Tax)		2,09,10,000		1,50,05,000
Deferred Tax		(1,06,81,388)		(80,12,978)
Dividend Income		(79,57,436)		(1,82,74,779)
Hire Purchase Instalment		71,935		1,04,400
Exchange Difference		-		(43,03,572)
Assets Discarded		2,12,509		35,466
Profit on Sale of Assets		(12,764)		(58,746)
Profit on Sale of Investments		(1,09,05,879)		(29,69,453)
Loss on Sale of Investments		40,92,161		26,11,991
Loss on Sale of Fixed Assets		62,914		-
Provision against Non Performing Loans		2,68,00,000		1,70,00,000
Provision against SLR Investments		14,22,185		-
Depreciation		70,03,344		64,63,208
Financial Expenses		49,07,45,091	52,17,62,672	36,19,25,735
Operating Profit before Working Capital Changes		56,18,41,093		42,56,77,874
Adjustments for:				
Trade and other receivables		(1,25,24,600)		(85,92,953)
MBS Excess Interest Spread Asset Account		(3,12,87,551)		-
Trade payables and other liabilities		97,28,248	(3,40,83,903)	1,71,61,000
Loans Disbursed(Net)			(249,00,19,195)	(263,94,24,913)
Cash Generated From Operations			(196,22,62,005)	(220,51,78,992)
Financial Expenses		(49,07,45,091)		(36,19,25,735)
Advance Tax Paid		(1,92,00,000)	(50,99,45,091)	(1,70,00,000)
Net Cash from Operating Activity (A)		(247,22,07,096)		(258,41,04,727)
B) <u>Cash Flow From Investing Activities</u>				
Dividend Received		79,57,436		1,82,74,779
Sale of Fixed Assets		3,01,168		6,92,242
Purchase of Fixed Asset		(65,50,359)		(1,14,84,610)
Repayment of Hire Purchase Principal		(67,079)		(93,836)



	For the year ended 31 / 03 / 2005 Rupees	For the year ended 31 / 03 / 2004 Rupees
Purchase of Investment	(565,30,15,636)	(242,05,30,141)
Sale of Investments	571,10,06,486	229,73,74,536
Net Cash from Investing Activity (B)	<u>5,96,32,016</u>	<u>(11,57,67,030)</u>
C) Cash Flow From Financing Activities		
Increase in Borrowings(Net)	229,27,32,138	266,59,06,912
Repayment of Hire Purchase Interest	(4,856)	(10,564)
Increase in Fixed Deposits (Net)	(3,09,80,911)	1,38,32,873
Increase in Share Capital (Including Share Premium)	26,00,00,000	-
Net Cash From Financing Activity (C)	<u>252,17,46,371</u>	<u>267,97,29,221</u>
Net Increase/(decrease) in cash and Cash Equivalent(A+B+C)	10,91,71,291	(2,01,42,536)
Cash and Cash Equivalent at the beginning of the period	3,27,01,657	5,28,44,193
Cash and Cash Equivalent at the end of the period	<u>14,18,72,948</u>	<u>3,27,01,657</u>
Notes to the Cash Flow Statement		
1) Cash and Cash Equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.		
Cash on hand	9,05,549	8,42,511
Balances with banks - Current accounts	9,09,67,399	3,18,59,146
Balances with banks - Deposit accounts- short term deposits	5,00,00,000	-
Cash and Cash equivalents	<u>14,18,72,948</u>	<u>3,27,01,657</u>
2) Total tax paid during the year(Including tax deducted at source) amounted to Rs.2,01,83,217/-.		

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

L. Ravi Sankar
Partner

Membership No: 25929

Chennai
11th May 2005

S. Viji
Chairman

Nitin Palany
Managing Director

G. Satish Kumar
General Manager–Finance

V. Sriraman
Company Secretary

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

M.S. Parathasarathy

Notes



SUNDARAM HOME

REGISTERED OFFICE

21, Patullos Road, Chennai - 600 002. Tel: (044) 28521181

CORPORATE OFFICE

46, Whites Road, Chennai - 600 014. Tel: (044) 28515267

BRANCHES

Chennai	044 - 28155151 044 - 22210244	Villupuram	04146 - 226624	Pondicherry	0413 - 2330509	Vellore	0416 - 2224884
Coimbatore	0422 - 2214455	Salem	0427 - 2311170	Erode	0424 - 5501999		
Madurai	0452 - 2339542	Tirunelveli	0462 - 2500274	Tuticorin	0461 - 2328827	Dindugal	0451 - 2422001
Trichy	0431 - 2769200	Tanjore	04362 - 233216	Karaikudi	04565 - 233202	Karur	04324 - 231594
Hyderabad	040 - 27806002	Vijayawada	0866 - 2482244	Visakapatnam	0891 - 2575522	Rajamundry	0883 - 2468579
Kakinada	0844 - 2358257	Guntur	0863 - 2331469				
Cochin	0484 - 2350341	Calicut	0495 - 2766022	Trivandrum	0471 - 2326086	Palakkad	0491 - 2528610
Trichur	0487 - 2322979						
Bangalore	080 - 23567911	Mysore	0821 - 2425007	Hosur	04344 - 243318	Hubli	0836 - 2368919



SUNDARAM HOME