

SUNDARAM
HOME FINANCE
LIMITED

7th Annual Report
2005-2006



SUNDARAM HOME



Wrapper Front Inner

Board of Directors	S. Viji	Chairman
	G.K. Raman	
	T.T. Srinivasaraghavan	
	N. Ganga Ram	
	Srinivas Acharya	
	M.S. Parthasarathy	
	Nitin Palany	Managing Director
Audit Committee	N. Ganga Ram	Chairman
	M.S. Parthasarathy	
	G.K. Raman	
	Srinivas Acharya	
Executive Committee	G.K. Raman	Chairman
	T.T. Srinivasaraghavan	
	Nitin Palany	
Asset Liability Risk Management Committee	Nitin Palany	Chairman
	M. Ramaswamy	
	G. Sundararajan	General Manager - Finance
	S. Rajagopalan	Deputy General Manager - Operations
Senior Executives	G. Sundararajan	General Manager - Finance
	S. Rajagopalan	Deputy General Manager - Operations
Company Secretary	V. Sriraman	
Auditors	M/s. Brahmayya & Co., Chartered Accountants, Chennai	
Registered Office	21, Patullos Road, Chennai - 600 002. Phone : 044 2852 1181, Fax : 044 2852 0456	
Corporate Office	Sundaram Towers, 1st Floor, 46, Whites Road, Chennai - 600 014. Phone : 044 2851 5267, Fax : 044 2851 5269	
Website	www.sundaramhome.com www.sundaramhomefind.com	

Senior Managers	Janaki V	Assistant General Manager - Information Systems
	Satish Menon	Assistant General Manager - Receivables
	Arun K	Assistant General Manager - Accounts
	Srikumar Rangarajan	Assistant General Manager - Sales & Marketing
	Srinivasan R	Senior Manager - Operations
	Raghavan S	Senior Manager - Inspection
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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 - Tami Nadu North
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Bankers	Bank of India	
	Canara Bank	
	HDFC Bank Ltd.	
	ICICI Bank Ltd.	
	Indus Ind Bank Ltd.	
	Kotak Mahindra Bank Ltd.	
	State Bank of Saurashtra	
	Syndicate Bank	
	UCO Bank	
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Systems Auditor	Tejas Brainware Systems (P) Ltd., Chennai.	
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Debenture Trustee	IL & FS Trust Company Ltd. IL & FS Financial Centre, Plot C-22, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.	



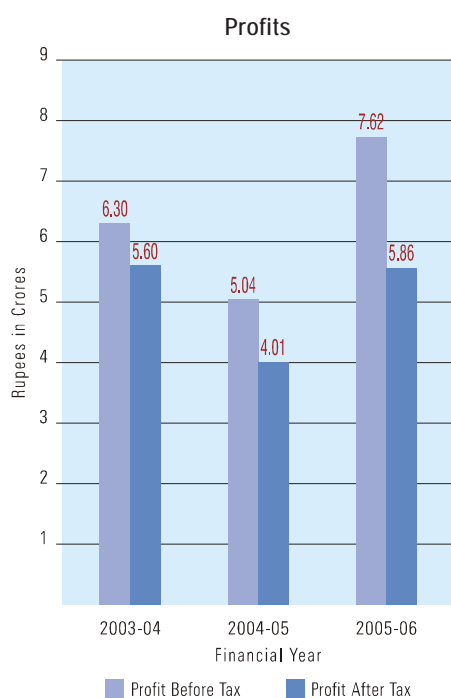
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Directors' Report

For the year ended 31st March 2006



To the Members

Your Directors have pleasure in presenting the Seventh Annual Report of your Company together with the audited accounts for the year ended 31st March 2006.

Financial Results

	For the year ended	
	31st March 2006	31st March 2005
	Rupees	Rupees
Profit Before Tax	7,71,81,174	5,03,07,033
Provision for Tax (Including Deferred Tax & Fringe Benefit Tax)	1,85,62,450	1,02,28,612
Profit After Tax	5,86,18,724	4,00,78,421
Balance brought forward from the previous year	1,43,32,635	1,42,54,214
Amount available for appropriation	7,29,51,359	5,43,32,635
Appropriations have been made as under :		
1. Transfer to Special Reserve under Section 36(1)(viii) of the Income-tax Act, 1961	2,25,00,000	2,50,00,000
2. Transfer to General Reserve	3,50,00,000	1,50,00,000
3. Surplus carried to Balance Sheet	1,54,51,359	1,43,32,635
Total	7,29,51,359	5,43,32,635

Dividend

With a view to conserving resources and building up reserves, your Directors do not recommend payment of dividend for the year.

Lending Operations

Loan approvals during the year at Rs. 486.51 crore were about the same level as in the previous year (Rs. 489 crore). Loan disbursements of Rs. 434.69 crore over the year marginally exceeded Rs. 429 crore disbursed in the previous year. By 31st March 2006, cumulative loan approvals since the Company began operations in 1999 reached Rs. 1,860.47 crore, of which Rs. 1,700.82 crore (91%) stood disbursed. The portfolio of loans outstanding as of 31st March 2006 amounted to Rs. 998.71 crore, up 15.1% over Rs. 868 crore a year earlier. Loans to individuals accounted for 96.4% of the total portfolio. The Company also managed loans of Rs. 137.46 crore transferred to an investor on true sale basis.

Bilateral Sale of Loans

During the year, the Company sold housing loans aggregating Rs. 117.34 crore to a scheduled bank. The Company has been providing fee-based post-sale agency services to the bank by managing the loans and collecting the dues from borrowers.

Resource Mobilisation

a. Term Loans

As part of its liability management, the Company endeavours to diversify its resource base in order to achieve an appropriate maturity structure and minimise the weighted average cost of borrowed funds.

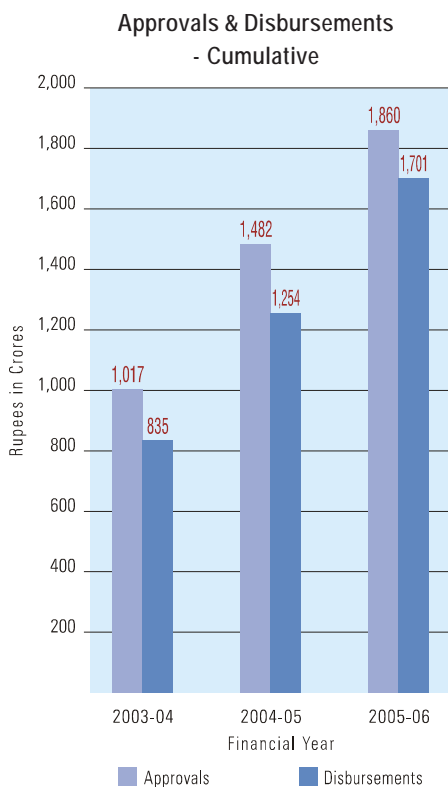
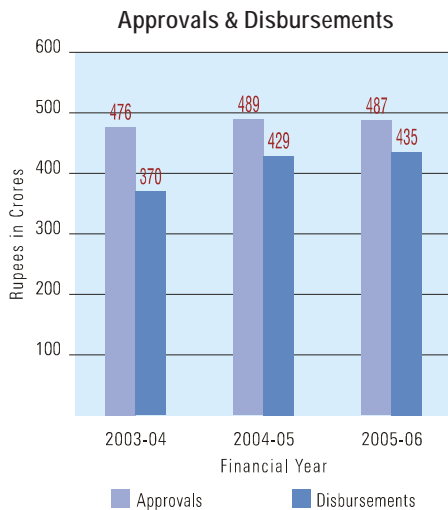
During the year, the Company raised term loans from commercial banks amounting to Rs. 109.28 crore and prepaid / re-priced some of its earlier high-cost bank loans.

b. National Housing Bank (NHB) Refinance

During the year, the Company availed itself of refinance of Rs. 69.90 crore against eligible housing loans and repaid Rs. 67.49 crore of similar refinance borrowed from NHB in the past.

c. Non-convertible Debentures

During the year, the Company issued secured, redeemable and non-convertible debentures (NCDs) amounting to Rs. 75 crore through private placement with institutional investors and mutual funds at a reasonable cost.



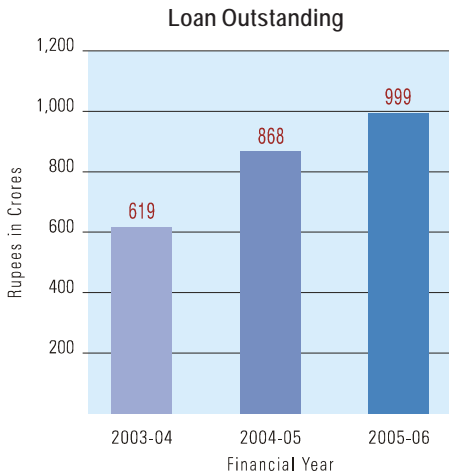
d. **Subordinated debt**

During the year, the Company raised Rs. 50 crore through the issue of long-term, unsecured, redeemable and non-convertible subordinated debentures. The debt is subordinated to present and future senior indebtedness of the Company and qualifies as Tier II capital under the NHB guidelines for assessing capital adequacy.

e. **Deposits**

As a result of the prudent financial policies and sound financial condition of the Company, its deposit programme has earned high credit ratings from reputable rating agencies. CRISIL Ltd. has assigned FAA+ rating, indicating high safety, with a 'stable outlook' for the programme. ICRA Ltd. has upgraded its rating during the year from MAA- to MAA, which reflects high credit quality.

The interest rates on deposits remained unchanged during the year. As on 31st March 2006, the Company's deposit liabilities amounted to Rs. 36.06 crore.



Unclaimed Deposits

As of March 31, 2006, deposits totalling Rs. 26.43 lakhs had matured but not been renewed or claimed by 81 depositors. These cases have been closely followed up to ensure their repayment or renewal. As a result of the follow-up, subsequent to the close of the year, the volume of such deposits has been brought down to Rs. 15.08 lakh repayable to 53 depositors.

To minimise such deposits, notices are sent to the depositors at least two or three weeks ahead of the maturity of the deposits, and periodical reminders are issued if the deposits are not claimed or renewed on or after maturity. Where practicable, the depositors are also requested by telephone to take appropriate action.

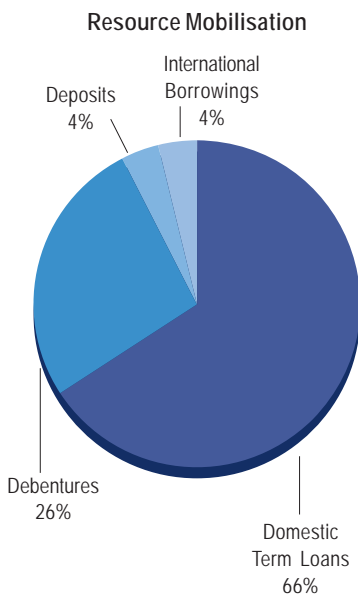
Non-Performing Loans

Effective 31st March 2005, in terms of the revised National Housing Bank (NHB) norms, loans are required to be recognised as non-performing loans (NPLs) if their servicing is overdue for 90 days or more, compared to the earlier norm of six months past due.

As at 31st March 2006, gross NPLs i.e., loans where the instalments were outstanding for more than 90 days amounted to Rs. 9.72 crore, equivalent to 0.97% of the outstanding loan portfolio.

During the year, the Company wrote off loan dues totalling Rs. 3.11 crore (Rs. 0.14 crore in the previous year), by a direct charge to the Profit and Loss Account.

In terms of NHB guidelines and rules, mandatory provisions totalling Rs. 3.54 crore had to be set aside in respect of the Company's NPLs as of 31st March 2006, taking



into account their age and the security available. The Company has, however, made an additional contingency provision of Rs. 1.39 crore as a prudent measure, raising the total provisions to Rs. 4.93 crore as at the end of the year. Net NPLs, ie, gross NPLs less provisions, amounted to Rs. 4.79 crore, or 0.48% of the total loan portfolio, as on 31st March 2006.

Regulatory and Statutory Compliance

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

NHB has assigned different risk weights to different classes of assets of housing finance companies for the purpose of computing the minimum Capital Adequacy Ratio (CAR) to be maintained by them. NHB raised the risk weightage to standard housing loans to individuals from 50% to 75%, effective 1st October 2005, and the weightage to commercial real-estate financing from 100% to 125%, effective 19th December 2005, while leaving the minimum CAR unchanged at 12% of the total risk-weighted assets.

The Company's CAR as on 31st March 2006 stood at a 17.60% of the risk weighted assets as against the prescribed minimum of 12%.

Employee Remuneration

During the year, no employee of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

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

Since the Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is not applicable.

During the year, the Company neither earned nor used any foreign exchange.

Directors

Mr. Nitin Palany and Mr. G.K. Raman, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

Mr. N. Ganga Ram, who was appointed as an additional Director by the Board at its meeting on 28th October 2005, holds office till the conclusion of the ensuing Seventh Annual General Meeting of the Company. The Company has received a member's notice under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Ganga Ram as a Director at the General Meeting. The Board recommends his appointment.

Directors' Responsibility Statement

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

- 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; and
- that the Directors had prepared the Annual Accounts on a 'going concern' basis.

Auditors

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

Corporate Governance

As stated in the previous Report, the Securities and Exchange Board of India (SEBI) has, by its circular dated 1st November 2004, laid down separate listing requirements for companies which issue debt securities. SEBI has introduced a model listing agreement for such companies. The listing requirements apply to the Company as it has issued debt securities, by way of private placement.

The listing agreement consists of three parts. Part (1) contains provisions to be complied with by all issuers irrespective of the mode of issue of the debt securities.

The Company has complied with the provisions stated in Part (1) of the agreement. Part (2) contains provisions including on corporate governance to be complied with by issuers of securities through a public or rights issue. The provisions in Part (2) are not applicable to the Company as no debt instruments / securities have been raised by it through public or rights issue. Part (3) contains provision which are required to be complied with by companies which have issued securities by way of private placement. This Part also states that the corporate governance provisions laid down in Part (2) will be recommendatory for companies issuing securities by way of private placement (like the Company). The Company has complied with the applicable provisions of Part (3) of the agreement. Although the corporate governance requirements of Part (2) are not mandatory, the Company has adopted them at its discretion and it voluntarily follows certain corporate governance practices as brought out in the attached 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 at all levels.

For and on behalf of the Board of Directors

Chennai
27th April 2006

S.Viji
Chairman



Management Discussion and Analysis Report

Economic Overview

The Indian economy during 2005-06 has continued its high growth trajectory. This has also been mirrored by sharp acceleration in non-food credit with the incremental credit deposit ratio close to 100%.

Though the monsoons have been normal, excessive flooding in a few states caused excessive damage to properties and business.

Global oil prices have been rising steadily. However, the inflation index has remained soft, considering that the full impact of the global prices has not been transferred to the public.

The high growth rate and surge in retail and corporate lending coupled with the redemption of the India Millennium Deposit (IMD) have resulted in substantial shrinkage in liquidity in the markets.

The Reserve Bank of India has clearly signalled the reversal of a soft interest bias with the hike in the reverse repo rate. The debt markets both short and long-term have hardened considerably with the 10-year G-Sec paper closing in the 7.30% to 7.40% range. The overall yield curve also shows a significant upward movement compared to the previous year.

A gradual weakening of the rupee too has been witnessed during the period, primarily due to the IMD redemptions and global strengthening of the dollar.

Global interest rates too have hardened with 6-month US dollar LIBOR moving up from 3.40% levels to 5.00% levels. International mortgage rates too show a clear upward trend.

Domestic housing finance rates have now clearly reversed the soft bias and have climbed by more than 150 bps in one year.

Housing Finance Sector

The housing industry is highly fragmented with the unorganized sector comprising small builders and contractors accounting for 70% of the housing units constructed. It is estimated that there is a housing shortage of 71 lakh units in urban areas and 2.4 crore units in rural areas. According to a study made by CRIS INFAC, the total housing stock (both new and used) that can be financed is expected to touch 47 lakh units in FY09 from an estimated 33 lakh in FY04.

The housing finance market has recorded a robust growth in the last 5 years. CRIS INFAC expects the housing finance market to record an annual growth rate of 18.8% to reach Rs. 1,34,700 crore by FY09. Housing finance companies are expected to grow by about 14.6% annually between FY04 and FY09. Housing finance portfolio is expected to grow from about Rs. 1,34,500 crore in FY04 to about Rs. 5,08,300 crore in FY09 at a CAGR of 30.5%.

Favourable socio-economic changes, development in the housing finance market and positive regulatory measures are expected to sustain a robust growth for the housing and housing finance sector in India. Some of the factors which may, however, impede growth are rising interest rates, and regulatory issues, which include high stamp duty, removal of tax sops and increased risk weights.

Real estate prices are soaring and consumers are stretching themselves to buy properties in new projects. It is evident that real estate prices cannot keep rising at the same pace as in the recent past.

RBI, in its Annual Monetary Policy for 2006-07, did not raise any of the key interest rates. However, in recognition of the inherent risk in high growth of retail credit, the RBI has rightly cautioned lenders to sharpen their risk assessment technique so as to guard against any adverse impact on credit quality. The major thrust of the Governor's statement was on credit quality and some concern about asset prices, notably in the real estate sector. Consequently, RBI has hiked the provisioning requirement for banks on certain class of standard assets. Additionally, the risk weight to loans to the commercial real estate segment has been increased from 125% to 150%. It is felt that risk weightage linked to loan-to-value ratio would address the regulator's concern.

The need for evidence of a good title indicating that the property is free from claims and encumbrance is bedrock of property transfers and sales. Legal reforms will have to keep pace with the growing economy and create an environment so that companies providing title insurance may then develop. It is important to have a vibrant mortgage market to provide depth in the housing finance markets. It is hoped that NHB would consider taking conducive measures which will boost mortgage backed securitisation.

Operating & Financial Performance

During the year under review, loan approvals by Sundaram Home amounted to Rs. 487 crore as compared to Rs. 489 crore in the previous year. Loan disbursements aggregated Rs. 435 crore as compared to Rs. 429 crore in the previous year. Cumulative loan approvals and disbursements since inception up to 31st March

2006 reached Rs. 1,860 crore and Rs. 1,701 crore, respectively. Cumulative disbursements worked out to 91% of cumulative approvals.

Total outstanding portfolio as of 31st March 2006 stood at Rs. 998.71 crore with loans to individuals comprising 96% as against Rs. 868 crore at the end of the previous year, an increase of 15%. The portfolio excludes securitised loans aggregating Rs. 51.69 crore of which Rs. 34 crore were outstanding as on 31st March 2006 and sale of part of a loan portfolio aggregating Rs. 117.34 crore. Number of individual customers stood at 20,283. The average individual loan size was Rs.6 Lakh.

During the year, Rs. 162 crore 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 59 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 its credo of value addition, the Company distributes property insurance offered by Royal Sundaram Alliance Insurance under which home loan customers get property insurance by paying a specially negotiated one-time low 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 NHB as loans where the interest or instalment is overdue for a period of 90 days amounted to Rs. 9.72 crore as on 31st March 2006. This is equivalent to 0.97% of the total loan portfolio. Provision during the year ended 31st March 2006 for NPLs as per the NHB Guidelines and Rules works out to Rs. 3.54 crore. The Company has, however, made an additional contingency provision of Rs. 1.39 crore as a prudent measure, raising the total provisions to Rs. 4.93 crore as at the end of the year. Net NPLs as on 31st March 2006 stand at 0.48% of the total loan portfolio. During the year, the Company has written off loans aggregating Rs. 3.10 crore.

Profit before tax (PBT) for the year amounted to Rs. 7.72 crore as compared to Rs. 5.03 crore in the previous year. Profit after tax (PAT) for the year amounted to Rs. 5.86 crore as against Rs. 4.01 crore in the previous year.

During the year, the Company raised subordinated debt of Rs. 50 crore to meet with the increased capital adequacy requirement on account of revised risk weightage on loan assets prescribed by NHB. As per the contract, a significant cost of the transaction was paid upfront as advisory fee. This cost has been written off during the year as a

measure of prudence. Amortisation of the cost over the tenure of the debentures would have resulted in the financial expenses being lower by Rs. 2.43 crore and the PBT for the year correspondingly higher.

Internal Audit and Compliance

The Company has put in place a mechanism to minimise 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 internalised its Legal and Technical appraisal functions to ensure optimum control over these functions. The Company has a multi-level authorisation structure to ensure that higher levels of exposure are duly authorised 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 the 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 organisational conditions under which employee passion flourishes by being offered opportunities to do new, unconventional work. The Company organised 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.



Report on Corporate Governance

Right from inception, the Company has adopted the exemplary policies and practices its promoter, Sundaram Finance Ltd. (SFL), has consistently followed over about five decades in respect of corporate governance and disclosure, while all along striving to enhance shareholder value. The Company has imbibed the Sundaram Finance Group's corporate philosophy emphasising dedicated customer service, ethical business practices with transparency and accountability, and efficient and prudent financial policies.

The Directors present below a detailed review of the Company's policies and practices on corporate governance :

Board of Directors

Size and Composition of the Board

All Board members are persons with considerable expertise and experience in different fields such as business, finance, banking, insurance, and housing.

The Company's Articles of Association permits the Board to have a maximum strength of 12 members. The Board consists of seven Directors with Mr. S. Viji as the non-executive Chairman. Mr. Nitin Palany is the Managing Director of the Company. Mr. G.K. Raman, Mr. T.T. Srinivasaraghavan, Mr. N. Ganga Ram, Mr. Srinivas Acharya and Mr. M.S. Parthasarathy are the other non-executive Directors. Mr. Ganga Ram and Mr. Parthasarathy are independent members of the Board.

The Company has no nominee Director.

The Managing Director is appointed by the shareholders for terms up to five years each and may be re-appointed, if eligible.

Membership Term

The Articles require that at least two-thirds of the Directors should retire by rotation. One-third of such Directors are required to retire every year and, if eligible, may be re-appointed.

Membership of other Boards

None of the Directors of the Company is a member of more than ten committees, or chairs more than five committees, 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 :

Director	Directorships (other than of SHF)		Committees of Companies (other than SHF) in which Chairman / Member	
	Chairman	Director	Chairman	Member
Mr. S. Viji	2	7	-	5
Mr. G.K. Raman	1	4	1	1
Mr. T.T. Srinivasaraghavan	1	5	-	2
Mr. N. Ganga Ram	-	3	2	2
Mr. Srinivas Acharya	-	4	-	1
Mr. M.S. Parthasarathy	-	1	-	1
Mr. Nitin Palany	-	1	-	-

Responsibilities

The Board sets and oversees implementation of Company policies, reviews its performance, ensures statutory and regulatory compliance, safeguards the interests of shareholders, and aims at optimising the long-term value of their stake in the Company. The Board provides strategic directions and guidance to the executive management, which functions under the Board's overall control and supervision. 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. He is assisted by senior officers with well-defined responsibilities.

Board Meetings

Board meetings are normally held at the Company's Registered Office in Chennai. The Board meets at least once a quarter, and more frequently as necessary. The meetings are scheduled and the Directors are notified in writing well in advance. The agenda for each meeting is circulated to the Directors in advance.

During 2005-06 (April-March), the Board met 14 times as noted below :

2005			2006
11 May	30 July	28 October	1 February
23 June	12 August	30 November	24 February
2 July	16 August	29 December	29 March
8 July	20 September		

The meetings were attended by Directors as shown below :

Director	No. of Meetings Attended
Mr. S. Viji	12
Mr. G.K. Raman	11
Mr. T.T. Srinivasaraghavan	12
Mr. N. Ganga Ram	3
Mr. Srinivas Acharya	11
Mr. M.S. Parthasarathy	14
Mr. Nitin Palany	13

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., Mr. G.K. Raman and Mr. T.T. Srinivasaraghavan, and the Managing Director, Mr. Nitin Palany. Mr. Raman is the Chairman of the Committee.

The Committee approves loans, borrowing, and investments within limits specified by the Board. The Committee reviews the conduct of business and operations, considers new products and parameters, and suggests business reorientation.

The Executive Committee met 42 times during the year.

Audit Committee

The Audit Committee consists of four non-executive Directors, who are all qualified and experienced in the fields of finance / accounting / law. Any two members form the quorum for meetings. The Company Secretary is the Secretary of the Committee.

The members of the Committee are Mr. N. Ganga Ram, Chairman, Mr. G.K. Raman, Mr. Srinivas Acharya, and Mr. M.S. Parthasarathy.

The Chairman of the Audit Committee remains present at the Annual General Meeting. The external and internal auditors of the Company and the Managing Director and senior executives are invited to the meetings of the Committee.

The Audit Committee :

- oversees the Company's financial reporting and disclosure to ensure that the financial statements are correct, sufficient, and credible;
- reviews the annual, half-yearly, and quarterly financial statements and recommends them to the Board for being taken on record;

- reviews the effectiveness and adequacy of the Company's internal control systems, and its compliance with the applicable statutory requirements and regulatory directives or guidelines;
- recommends the appointment of external auditors for Board and eventually shareholder approval;
- reviews the audit scope and plans (statutory, internal, and systems), and later discusses the main audit findings and comments with the management and auditors to focus on any significant area of concern and ensure expeditious rectification of shortcomings noticed.
- recommends the fees payable to auditors for audit work and for any other services rendered to the Company.

The Audit Committee met seven times during the year under review. The details of attendance of the Members are as follows :

Member	No. of Meetings Held	No. of Meetings Attended
Mr. N. Ganga Ram	7	2
Mr. G.K. Raman	7	5
Mr. Srinivas Acharya	7	7
Mr. M.S. Parthasarathy	7	6

Remuneration of Directors

Independent Directors were remunerated by way of sitting fees for attending Board/ Committee meetings as noted below for the financial year 2005-06 :

Name	Sitting Fees (Board and Audit Committee)
Mr. N. Ganga Ram	Rs. 50,000/-
Mr. M.S. Parthasarathy	Rs. 2,00,000/-

The Managing Director has been appointed under a contract with the Company with the approval of the shareholders. His remuneration package comprises salary, allowances, and perquisites. The remuneration is within the limits prescribed in 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 2006, the amount of Deposits placed with the Company by Directors aggregated Rs. 1,60,000/-. The interest on these deposits paid / credited during the year amounted to Rs. 51,112/-.

Related-party Transactions

During the year, the Company entered into no materially significant transactions with related parties, i.e. its promoters, Directors and their relatives conflicting with the Company's interests.

Distribution of Shareholding as on 31st March 2006

The promoter, Sundaram Finance Ltd., and two overseas institutional investors, viz., International Finance Corporation (of the World Bank group) and Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (FMO or Netherlands Development Finance Company), hold all the equity shares of the Company.

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%

* Nominees of the Holding Company

All the shares are held in physical mode.

Share Price Performance

Not applicable since the Company's shares are not listed.

Share Transfer / Investors Grievances Committee

As the Company's shares are not listed, the formation of a Share Transfer and Investors Grievance Committee is not obligatory.

Listed Debentures

The Company has issued, through private placement, seven series of non-convertible debentures (NCDs) aggregating Rs. 250 Crores, which have been listed under the model Listing Agreement with the National Stock Exchange of India Ltd. (NSE) and are being traded in compulsory dematerialized form. The listing details are as under:

NSE Stock Code : Security Type - DB , CF
 Security - SHF06, SHF07, SHF 08, SHF11

The Company has duly paid NSE's listing fees for the financial year 2005-06.

Cameo Corporate Service Ltd. has been appointed as the Registrar and Transfer Agent of the Company, and can be contacted by investors at the following address:

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 : Mr. R.D. Ramaswamy, Vice President

Annual General Meetings

The following table shows the time and venue of the last three Annual General Meetings :

For Financial Year	Date	Time	Venue
2004-05	28 July 2005	2.00 p.m.	Registered Office
2003-04	23 July 2004	12.30 p.m.	Registered Office
2002-03	7 August 2003	2.30 p.m.	Registered Office

No special resolution was put through postal ballot in the year under review.

Means of Communication

In accordance with the provisions of the Listing Agreement with NSE, audited half-yearly financial results of the Company are forwarded to NSE. Further, the results are published in newspapers as required by the said Agreement and are displayed on the Company's Website, viz. www.sundaramhome.com.

Address for Correspondence and any Assistance / Clarification:

Mr. V. Sriraman, Company Secretary, is also the Compliance Officer. He can be contacted at the following address for assistance or clarification :

Mr. V. Sriraman, Compliance Officer, Sundaram Home Finance Ltd.
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

Seventh Annual General Meeting

Date	Time	Venue
3rd August 2006	2.30 p.m.	No. 21, Patullos Road, Chennai 600 002.

Financial Calendar

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

- Financial Year - 1st April 2005 to 31st March 2006 : 27th April 2006
- Audited Results for the half-year ending : End of October 2006
30th September 2006



Auditors' Report
to the Members of
Sundaram Home
Finance Limited

1. We have audited the attached Balance Sheet of M/s. Sundaram Home Finance Limited, (the Company) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement of the Company 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 (together the 'Order') 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 the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.

- (v) on the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2006;
 - (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

Membership No. 25929

Place : Chennai

Date : 27th April, 2006



Annexure to the Auditor's 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. Therefore, the provisions of clauses 4(iii)(b),(c),(d) of the Order are not applicable to the company for the year.
 - b) In our opinion and according to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act. Therefore, the provisions of clauses 4(iii)(f) and (g) of the Order are not applicable to the company for the year.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4.
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered 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, been made at prices which are reasonable having regard to the nature of the services and 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 and the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income-tax, Wealth-tax and Service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March, 2006 for a period of more than six months from the date they become payable.

The Central Government has not notified the rules pertaining to the quantum and means of payment of Cess payable under Section 441A of the Act and therefore, no remittance has been made.
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 the records and the information and explanations given to us, the company has not dealt / traded in shares debentures and other investments 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 timely entries have been made therein. The securities 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, prima facie, were 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.
18. According to the information and explanations given to us, the company has created security in respect of secured debentures issued during the year.
19. The company has not raised monies by public issue during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the company and no material fraud on the company was noticed or reported during the course of our audit.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

For BRAHMAYYA & Co.,

Chartered Accountants

L. RAVI SANKAR

Partner

Membership No. 25929

Place : Chennai

Date : 27th April, 2006

Balance Sheet as at 31st March 2006

	Schedule	31.03.2006		31.03.2005	
		Rupees	Rupees	Rupees	Rupees
I Sources of Funds					
1. Shareholders' Funds					
a) Capital	1	70,00,00,000		70,00,00,000	
b) Reserves and Surplus	2	<u>29,49,51,359</u>	99,49,51,359	<u>23,63,32,635</u>	93,63,32,635
2. Loan Funds					
a) Secured Loans	3	8,61,32,05,432		7,76,60,08,478	
b) Unsecured Loans	4	<u>86,05,50,076</u>	<u>9,47,37,55,508</u>	<u>47,57,46,532</u>	<u>8,24,17,55,010</u>
Total			<u>10,46,87,06,867</u>		<u>9,17,80,87,645</u>
II Application of Funds					
1. Loans	5		9,98,71,52,814		8,67,79,84,926
2. Fixed Assets	6				
Gross Block		5,37,78,651		4,63,57,823	
Less : Depreciation		<u>3,23,83,853</u>		<u>2,52,46,574</u>	
Net Block			2,13,94,798		2,11,11,249
3. Investments	7		39,51,73,580		31,17,12,036
4. Deferred Tax Asset (Net)					
Deferred Tax Asset		1,88,56,013		1,79,19,399	
Less : Deferred Tax Liability		<u>1,28,128</u>	<u>1,87,27,885</u>	<u>9,38,471</u>	<u>1,69,80,928</u>
5. Current Assets, Loans and Advances					
a) Current Assets	8	9,98,54,113		17,77,33,706	
b) Loans and Advances	9	<u>11,60,98,409</u>		<u>9,87,28,727</u>	
	(A)	<u>21,59,52,522</u>		<u>27,64,62,433</u>	
Less : Current Liabilities and Provisions					
a) Current Liabilities	10	12,11,12,767		7,92,41,742	
b) Provisions	11	<u>5,21,44,370</u>		<u>4,69,22,185</u>	
	(B)	<u>17,32,57,137</u>		<u>12,61,63,927</u>	
Net Current Assets	(A - B)		4,26,95,385		15,02,98,506
6. Miscellaneous Expenditure (to the extent not written off or adjusted)	12				
Discount on issue of debentures			35,62,405		-
Total			<u>10,46,87,06,867</u>		<u>9,17,80,87,645</u>
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 Brahmaya & Co.
Chartered Accountants

L. Ravi Sankar
Partner
Membership No. 25929
Chennai
27th April 2006

S. Viji
Chairman
Nitin Palany
Managing Director
G. Satish Kumar
General Manager - Finance
V. Sriraman
Company Secretary

Directors
G.K. Raman
T.T. Srinivasaraghavan
Srinivas Acharya
M.S. Parthasarathy

Profit and Loss Account for the year ended 31st March 2006

	Schedule	2005 - 2006	2004 - 2005
		Rupees	Rupees
Income			
Income from Operations	13	87,05,99,342	66,97,40,264
Loan Processing and Other Fees		3,36,41,611	2,78,94,937
Other Income	14	2,95,75,289	3,53,41,017
Total	(A)	<u>93,38,16,242</u>	<u>73,29,76,218</u>
Expenditure			
Financial Expenses	15	67,09,37,200	49,07,45,091
Establishment Expenses	16	5,50,92,393	4,57,48,769
Administrative and Other Expenses	17	8,58,93,919	10,51,65,865
Provisions and Write off	18	3,63,47,730	3,40,06,116
Miscellaneous Expenditure Written off	12	11,87,595	-
Total	(B)	<u>84,94,58,837</u>	<u>67,56,65,841</u>
Profit Before Depreciation and Tax	(A - B)	8,43,57,405	5,73,10,377
Less : Depreciation		71,76,231	70,03,344
Profit Before Tax		<u>7,71,81,174</u>	<u>5,03,07,033</u>
Less : Provision for Taxation			
Current		1,90,00,000	2,09,00,000
Deferred Tax		(17,46,957)	(1,06,81,388)
Wealth Tax		25,000	10,000
Fringe Benefit Tax		<u>12,84,407</u>	<u>-</u>
Profit After Tax		<u>5,86,18,724</u>	<u>4,00,78,421</u>
Balance brought forward from the previous year		1,43,32,635	1,42,54,214
Amount available for Appropriation		<u>7,29,51,359</u>	<u>5,43,32,635</u>
Appropriations			
Special Reserve		2,25,00,000	2,50,00,000
General Reserve		3,50,00,000	1,50,00,000
Surplus - Balance carried to Balance Sheet		<u>1,54,51,359</u>	<u>1,43,32,635</u>
		<u>7,29,51,359</u>	<u>5,43,32,635</u>
Notes to the Accounts	19		
Earnings per Equity Share			
Number of Shares (Face Value of Rs.10/- per Share)		7,00,00,000	7,00,00,000
Basic and Diluted Earnings per Share		0.84	0.67

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 Brahmaya & Co.
Chartered Accountants

L. Ravi Sankar
Partner
Membership No. 25929
Chennai
27th April 2006

S. Viji
Chairman
Nitin Palany
Managing Director
G. Satish Kumar
General Manager - Finance
V. Sriraman
Company Secretary

Directors
G.K. Raman
T.T. Srinivasaraghavan
Srinivas Acharya
M.S. Parthasarathy

Schedules forming part of the Accounts

	31.03.2006		31.03.2005	
	Rupees	Rupees	Rupees	Rupees
Schedule 1				
Capital				
Authorised				
10,00,00,000 Equity Shares of Rs. 10/- each		<u>1,00,00,00,000</u>		<u>1,00,00,00,000</u>
Issued				
7,50,00,000 Equity Shares of Rs. 10/- each		<u>75,00,00,000</u>		<u>75,00,00,000</u>
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		70,00,00,000
		<u>70,00,00,000</u>		<u>70,00,00,000</u>
Schedule 2				
Reserves and Surplus				
Special Reserve				
Per last Balance Sheet	7,20,00,000		4,70,00,000	
Add : Transfer from Profit and Loss Account	<u>2,25,00,000</u>	9,45,00,000	<u>2,50,00,000</u>	7,20,00,000
Securities Premium Account		6,00,00,000		6,00,00,000
General Reserve				
Per last Balance Sheet	9,00,00,000		7,50,00,000	
Add : Transfer from Profit and Loss Account	<u>3,50,00,000</u>	12,50,00,000	<u>1,50,00,000</u>	9,00,00,000
Surplus - Balance in Profit and Loss Account		1,54,51,359		1,43,32,635
		<u>29,49,51,359</u>		<u>23,63,32,635</u>

Schedules forming part of the Accounts

	31.03.2006		31.03.2005	
	Rupees	Rupees	Rupees	Rupees
Schedule 3				
Secured Loans				
Non Convertible Debentures		2,00,00,00,000		1,25,00,00,000
From Scheduled Banks :				
Rupee Term Loans		2,25,41,48,763		2,09,76,77,477
From Others :				
Term Loans :				
National Housing Bank	4,00,48,90,000		3,98,08,31,000	
International Finance Corporation Washington	<u>35,41,66,669</u>	4,35,90,56,669	<u>43,75,00,001</u>	4,41,83,31,001
		<u>8,61,32,05,432</u>		<u>7,76,60,08,478</u>
Schedule 4				
Unsecured Loans				
Fixed Deposits				
From Directors	1,60,000		17,10,000	
From Others	<u>36,03,90,076</u>	36,05,50,076	<u>47,40,36,532</u>	47,57,46,532
Subordinated Non Convertible Debentures		50,00,00,000		-
		<u>86,05,50,076</u>		<u>47,57,46,532</u>
Schedule 5				
Loans				
Housing Loans				
Individuals	8,91,68,02,991		8,00,54,19,937	
Others	<u>3,39,03,604</u>	8,95,07,06,595	<u>65,87,883</u>	8,01,20,07,820
Other Loans				
Individuals	71,49,35,670		44,39,78,212	
Others	<u>32,15,10,549</u>	1,03,64,46,219	<u>22,19,98,894</u>	66,59,77,106
		<u>9,98,71,52,814</u>		<u>8,67,79,84,926</u>

Schedule 6

Fixed Assets

In Rupees

Description	Gross Block at Cost			Depreciation			Net Block			
	As at 01.04.2005	Additions	Deductions	As at 31.03.2006	Up to 01.04.2005	For The Year	Deductions	Up to 31.03.2006	31.03.2006	31.03.2005
Land	1,91,829	-	-	1,91,829	-	-	-	-	1,91,829	1,91,829
Plant and Machinery	43,02,820	2,27,989	-	45,30,809	18,02,032	4,14,923	-	22,16,955	23,13,854	25,00,788
Vehicles	81,92,451	24,81,621	-	1,06,74,072	40,97,251	13,04,713	-	54,01,964	52,72,108	40,95,200
Furniture and Fixtures	1,41,43,975	1,49,828	-	1,42,93,803	79,72,311	12,44,742	-	92,17,053	50,76,750	61,71,664
Computers	1,43,57,873	3,55,700	44,190	1,46,69,383	96,90,317	19,71,394	38,952	1,16,22,759	30,46,624	46,67,556
Office Equipment	51,68,875	2,39,880	-	54,08,755	16,84,663	5,69,626	-	22,54,289	31,54,466	34,84,212
Intangible Assets - Computer Software	-	40,10,000	-	40,10,000	-	16,70,833	-	16,70,833	23,39,167	-
Total	4,63,57,823	74,65,018	44,190	5,37,78,651	2,52,46,574	71,76,231	38,952	3,23,83,853	2,13,94,798	2,11,11,249

Schedules forming part of the Accounts

	Face Value	31.03.2006	31.03.2005
	Rupees	Rupees	Rupees

Schedule 7

Investments

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	3,47,03,809
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B Un-Quoted

In Trust Securities

Sundaram Floater - Long Term Institutional Plan - Growth Option

17,64,831 units of Rs 10 each

(Opening Balance of 40,00,000 units 22,35,169 units sold during the year)

1,76,48,308	1,76,48,308	4,00,00,000
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Prudential ICICI Floating Rate Plan C - Growth Option

29,97,003 units of Rs.10 /- each

2,99,70,030	3,00,00,000	3,00,00,000
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Templeton Floating Rate Income Fund - Long Term Plan - Growth Option

25,84,514 units of Rs.10 /- each

2,58,45,140	3,00,00,000	3,00,00,000
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Grindlays Floating Rate Fund - Long Term -

Institutional Plan B - Growth Option

4,00,00,00 units of Rs.10/- each

4,00,00,000	4,00,00,000	4,00,00,000
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Reliance Fixed Term Scheme Annual Plan 4 - Growth Option

(30,00,000 units of Rs.10 /- each sold during the year)

-	-	3,00,00,000
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Birla Floating Rate Fund - Long Term Plan - Growth Option

28,34,226 units of Rs.10/- each

2,83,42,260	3,00,00,000	3,00,00,000
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Schedules forming part of the Accounts

	Face Value	31.03.2006	31.03.2005
	Rupees	Rupees	Rupees
2 In Bonds			
Unquoted			
11.25% NHB Priority Sector Bonds	7,00,000	7,00,000	10,00,000
(Face Value of Rs. 3,00,000/- redeemed during the year)			
3 In Mortgage Backed Securities (on Securitisation) in			
SHFL Housing Finance Trust August 2004			
Unquoted			
Investment in Senior Pass Through Certificate (PTC) (A2) Securities		3,70,67,523	4,23,37,817
Investment in Subordinate Tranche Securities		3,24,81,712	3,36,70,410
Total		<u>25,26,01,352</u>	<u>31,17,12,036</u>
Current Investments			
A Un-Quoted			
In Trust Securities			
Sundaram Money Fund - Super Institutional Plan - Daily Dividend	12,13,25,370	12,24,81,598	-
1,21,32,537 units of Rs. 10/- each			
(4,33,32,879 units of Rs.10/- each purchased and 3,12,00,342			
units sold during the year)			
Sundaram Money Fund - Institutional Plan -	-	-	-
Re-invest Daily Dividend Option			
(5,13,58,364 units of Rs.10/- each purchased and sold during the year)			
Sundaram Floater - Short Term Institutional - Daily Dividend Option	-	-	-
(2,09,72,550 units of Rs.10/- each purchased			
and sold during the year)			
HDFC Floating Rate Income Fund - Short Term Plan -	-	-	-
Dividend Reinvestment			
(69,69,109 units of Rs.10/- each purchased and sold during the year)			
HDFC Cash Management Fund - Savings Plan -			
Daily Dividend Reinvestment	-	-	-
(2,27,66,728 units of Rs 10/- each purchased and			
sold during the year)			

Schedules forming part of the Accounts

	Face Value	31.03.2006	31.03.2005
	Rupees	Rupees	Rupees
HSBC Cash Fund - Institutional Plan - Daily Dividend (95,85,428 units of Rs.10/- each purchased and sold during the year)	-	-	-
HSBC Cash Fund - Institutional Plus - Daily Dividend (1,68,36,860 units of Rs 10/- each purchased and sold during the year)	-	-	-
Prudential ICICI Liquid Fund - Institutional Plan - Daily Dividend (2,11,04,298 units of Rs.10/- each purchased and sold during the year)	-	-	-
Principal Cash Management Fund - Daily Dividend Reinvestment Option (2,00,66,130 units of Rs.10/- each purchased and sold during the year)	-	-	-
Reliance Treasury Plan - Institutional Option - Daily Dividend Option (1,11,65,775 units of Rs.10/- each purchased and sold during the year)	-	-	-
Reliance Fixed Maturity Fund - Monthly Plan VII - Series II - Dividend Option (60,23,522 units of Rs.10/- each purchased and sold during the year)	-	-	-
Reliance Fixed Maturity Fund - Monthly Plan X -Series II - Dividend Option (1,00,44,430 units of Rs.10/- each purchased and sold during the year)	-	-	-
DSP Liquid Plan Institutional - Daily Dividend Option (1,10,11,936 units of Rs.10/- each purchased and sold during the year)	-	-	-
Kotak Liquid - Institutional Plan - Daily Dividend (2,21,61,500 units of Rs.10/- each purchased and sold during the year)	-	-	-
Kotak Floater - Short Term Plan - Weekly Dividend (69,99,484 units of Rs.10/- each purchased and sold during the year)	-	-	-

Schedules forming part of the Accounts

	Face Value	31.03.2006	31.03.2005
	Rupees	Rupees	Rupees
Birla Floating Rate Fund - Short Term Plan - Daily dividend Reinvestment (85,23,194 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Floating Rate Fund - Short Term Plan - Weekly Dividend Reinvestment Option (72,36,030 units of Rs.10/- each purchased and sold during the year)	-	-	-
Birla Cash Plus - Institutional Premium Plan - Daily Dividend Reinvestment Option (4,08,41,800 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Floating Rate Fund -Short term- Institutional Plan B - Weekly Dividend (64,40,873 units of Rs.10/- each purchased and sold during the year)	-	-	-
Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Reinvestment Option (3,43,46,105 units of Rs.10/- each purchased and sold during the year)	-	-	-
Standard Chartered Liquidity Manager - Daily Dividend 20,08,862 units of Rs 10/- each (50,08,562 units of Rs 10/- each purchased and 29,99,700 sold during the year)	2,00,88,620	2,00,90,630	-
Tata Liquid Super High Investment Fund - Daily Dividend Option (1,43,725 units of Rs.1000/- each purchased and sold during the year)		-	-
Schedule Total		<u>14,25,72,228</u>	<u>-</u>
Grand Total		<u>39,51,73,580</u>	<u>31,17,12,036</u>
		Cost	Market Value
		Rupees	Rupees
Aggregate of Quoted Investments		3,47,03,809	3,14,91,239
Aggregate of Unquoted Investments		36,04,69,771	37,31,60,098*
Total		<u>39,51,73,580</u>	<u>40,46,51,337</u>

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

Schedules forming part of the Accounts

	31.03.2006		31.03.2005	
	Rupees	Rupees	Rupees	Rupees
Schedule 8				
Current Assets				
Interest Accrued on Investments		7,25,009		7,79,192
Cash and Bank Balances				
Cash on Hand	19,19,764		9,05,549	
Balances with Scheduled Banks in				
Current Accounts	6,91,27,774		9,09,67,399	
Deposit Accounts	<u>2,80,81,566</u>	9,91,29,104	<u>8,50,81,566</u>	17,69,54,514
		<u>9,98,54,113</u>		<u>17,77,33,706</u>
Schedule 9				
Loans and Advances				
Secured, Considered Good :				
Instalments due from Borrowers	3,08,78,242		3,70,89,843	
Loans Against Deposits	<u>6,34,561</u>	3,15,12,803	<u>9,00,533</u>	3,79,90,376
Unsecured, Considered Good :				
Loans		3,37,554		-
Advances and Deposits recoverable in cash or in kind or for value to be received	7,55,24,831		5,86,79,019	
Advance Tax - Fringe Benefit Tax - (Net of provision for taxation)	4,950		-	
Advance Income - Tax and Tax Deducted at Source - (Net of provision for taxation)	<u>84,49,548</u>	8,39,79,329	<u>12,35,159</u>	5,99,14,178
Income Receivable		2,68,723		8,24,173
		<u>11,60,98,409</u>		<u>9,87,28,727</u>

Schedules forming part of the Accounts

	31.03.2006	31.03.2005
	Rupees	Rupees

Schedule 10

Current Liabilities

Sundry Creditors

For expenses

79,06,181

99,36,203

For others

4,50,87,883

1,89,53,705

Interest accrued but not due

6,81,18,703

5,03,51,834

12,11,12,767

7,92,41,742

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

Schedule 11

Provisions

Provision Against Non Performing Loans

4,93,00,000

4,55,00,000

Provision Against Investments

28,44,370

14,22,185

5,21,44,370

4,69,22,185

Schedule 12

Miscellaneous Expenditure (to the extent not written off or adjusted)

Discount on issue of debentures

47,50,000

-

Less : Written off during the year

11,87,595

-

35,62,405

-

Schedules forming part of the Accounts

	2005 - 2006	2004 - 2005
	Rupees	Rupees
Schedule 13		
<u>Income from Operations</u>		
Interest on Loans (Tax Deducted at Source Rs.3,04,233 /-)	83,13,81,679	62,07,58,962
Other Operating Income	3,92,17,663	4,89,81,302
	<u>87,05,99,342</u>	<u>66,97,40,264</u>
Schedule 14		
<u>Other Income</u>		
Dividend Income	1,09,67,483	79,57,436
Interest Receipts (Tax Deducted at Source Rs. 6,73,463/-)	1,09,24,315	1,02,85,893
Profit on sale of Investments	23,52,081	1,09,05,879
Miscellaneous Income	53,31,410	61,79,045
Profit on sale of Fixed Assets	-	12,764
	<u>2,95,75,289</u>	<u>3,53,41,017</u>
Schedule 15		
<u>Financial Expenses</u>		
Interest - Fixed Loans	23,94,55,957	22,52,36,951
- Debentures	13,64,49,726	8,90,53,767
- Others	25,53,80,718	16,83,68,667
Other Financial Expenses	3,96,50,799	80,85,706
	<u>67,09,37,200</u>	<u>49,07,45,091</u>
Schedule 16		
<u>Establishment Expenses</u>		
Salaries, Allowances and Bonus	4,94,79,311	4,03,14,863
Company's Contribution to Provident Fund and Superannuation Schemes	26,65,435	22,69,368
Staff Welfare Expenses	16,44,897	18,95,707
Training Expenses	4,21,765	9,09,445
Gratuity	8,80,985	3,59,386
	<u>5,50,92,393</u>	<u>4,57,48,769</u>

Schedules forming part of the Accounts

	2005 - 2006	2004 - 2005
	Rupees	Rupees

Schedule 17

Administrative and Other Expenses

Rent	1,07,96,220	1,03,50,853
Lease Rent	15,088	6,82,973
Rates and Taxes	2,21,722	26,25,911
Communication Expenses	62,50,314	63,96,018
Electricity	29,11,928	30,85,671
Travelling and Conveyance	52,46,521	60,42,926
Advertisement and Publicity	1,34,01,447	2,51,35,631
Directors' Sitting Fees	2,50,000	3,40,000
Insurance	47,61,508	31,51,280
Repairs and Maintenance		
Buildings	57,398	35,56,222
Others	31,51,795	37,50,562
Legal Expenses	5,52,605	8,83,235
Printing and Stationery	33,08,421	31,42,969
Database and Networking Expenses	74,40,579	74,76,476
Professional and Consultancy Fees	32,91,227	34,47,759
Commission	1,22,59,020	1,08,61,775
Donations	5,00,000	-
Software charges	27,13,779	61,79,903
Miscellaneous Expenses (Net)	87,64,347	80,55,701
	<u>8,58,93,919</u>	<u>10,51,65,865</u>

Schedule 18

Provisions and Write off

Bad Debts	3,10,55,840	14,16,347
Loss on Sale of Investments	64,467	40,92,161
Loss on Sale of Fixed Assets	-	62,914
Provision Against Non Performing Loans	38,00,000	2,68,00,000
Provision Against Investments	14,22,185	14,22,185
Assets discarded	5,238	2,12,509
	<u>3,63,47,730</u>	<u>3,40,06,116</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 and Depreciation / Amortisation :
Fixed Assets are carried at historical cost less accumulated depreciation.
Depreciation on assets is provided on the written down value method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs. 5,000/- or less are written down in the period of acquisition to Re. 1/-.
- 1.4 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.
- 1.5 Foreign Currency Loans :
Foreign exchange transactions covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at rates ruling at the period 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.
- 1.6 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.
- 1.7 Taxation :
Current tax is provided on the taxable income of the year. Deferred tax liabilities on timing differences are fully provided for. Deferred tax assets are recognized on the consideration of prudence.
- 1.8 Intangible Assets :
Computer software, which has been acquired, is amortised over the expected useful life.

1.9 Impairment of Assets :

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use.

1.10 Provisions :

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

1.11 Miscellaneous Expenditure :

Discount on issue of Debentures is amortised over the tenure of the debentures.

2. Balance Sheet

2.1 Reserves and Surplus :

Special Reserve :

The appropriation of profit of Rs. 2,25,00,000/- 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.

2.2 Secured Loans :

2.2.1 Non-Convertible Debentures

Details of privately placed secured redeemable Non-Convertible Debentures :

Date of Allotment	Face Value (Rs.)		Date of Redemption
	31.03.2006	31.03.2005	
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
8th July 2005	50,00,00,000/-	—	8th July 2008
16th August 2005	25,00,00,000/-	—	16th September 2006
Total	2,00,00,00,000/-	1,25,00,00,000/-	

- (i) The Non-Convertible Debentures of Rs. 2,00,00,00,000/- 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. 1,00,00,00,000/-.

2.2.2 From Scheduled Banks :

Rupee Term Loans

Term Loans of Rs. 2,25,41,48,763/- (31.03.2005 - Rs. 2,09,76,77,477/-) are secured by a negative lien on properties acquired by the borrower(s) from loans granted by the Company and mortgaged to it.

2.2.3 From Others :

National Housing Bank

Rupee Term Loans of Rs. 4,00,48,90,000/- (31.03.2005 - Rs. 3,98,08,31,000/-) 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. 35,41,66,669/- (31.03.2005 - Rs. 43,75,00,001/-) is secured by a negative lien on the assets of the Company.

2.3 Unsecured Loans

The Company has, during the year, issued Unsecured, Subordinated, Redeemable and Non-Convertible Debentures of the Face Value of Rs. 50,00,00,000/-. These debentures rank subordinated to the existing and future unsecured borrowings of the Company and have been considered as Tier II Capital for computing capital adequacy under The Housing Finance Companies (NHB) Directions, 2001 issued by National Housing Bank.

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. 9,93,400/- (31.03.2005 - Rs. 13,93,918/-) due from the Managing Director of the Company. Maximum amount outstanding in respect of the loan at any time during the period Rs. 13,93,918/- (31.03.2005 - Rs. 14,92,804/-).

(ii) Rs. Nil/- (31.03.2005 - Rs. 39,623/-) due from an officer of the Company. Maximum amount outstanding in respect of the loan at any time during the year : Rs. 39,623/- (31.03.2005 - Rs. 21,78,749/-)

2.5 Loans and Advances :

2.5.1 Advances and deposits recoverable in cash or in kind or for value to be received includes a deposit of Rs. 1,47,00,000/- (31.03.2005 - Rs. 1,47,00,000/-) offered as collateral for the securitisation of assets.

2.5.2 Advance Income-Tax and Tax Deducted at Source is net of Provision for Taxation of Rs. 6,86,14,459/- (31.03.2005 - Rs. 4,99,15,000/-).

2.5.3 Advance Tax-Fringe Benefit Tax is net of provision of Rs. 12,84,407/-.

2.6 Current Liabilities :

2.6.1 Sundry Creditors for expenses includes Rs. 6,00,000/- (31.03.2005 - Rs. 5,40,000/-) payable to the Managing Director.

2.6.2 Interest accrued but not due includes interest on deposits from Directors amounting to Rs. 12,887/- (31.03.2005 - Rs. 12,421/-).

3. Profit and Loss Account

3.1 Income from Operations :

Other Operating Income includes revenue of Rs. 2,84,86,342/- from the sale of housing loan portfolio. (Previous year revenue from securitisation of assets - Rs. 3,39,75,911/-).

3.2 Other Income :

Interest Receipts include Rs. 47,52,330/- from investment in Mortgaged Backed Securities in "SHFL Housing Finance Trust - August 2004." (Previous year - Rs. 41,72,737/-).

3.3 Profit / Loss on sale of investments comprises :

(Rupees)

	2005-06		2004-05	
	Profit	Loss	Profit	Loss
Long Term Investments	16,40,400/-	Nil	Nil	3,93,600/-
Current Investments	7,11,681/-	64,467/-	1,09,05,879/-	36,98,561/-
Total	23,52,081/-	64,467/-	1,09,05,879/-	40,92,161/-

3.4 Financial Expenses :

Interest - Fixed loans includes interest of Rs. 51,112/- on Fixed Deposits paid / credited to Directors (Previous year - Rs. 2,20,164/-).

3.5 Establishment Charges include remuneration to the Managing Director :

(Rupees)

	2005-06	2004-05
Salary and Allowances	24,24,000/-	21,72,000/-
Contribution to Provident Fund, Superannuation Fund and Gratuity	3,62,634/-	3,17,962/-
Other Allowances and Perquisites	3,34,622/-	2,64,739/-
Total	31,21,256/-**	27,54,701/-

** of this, Rs. 1,89,398/- representing increase in remuneration from 1st October 2005 is subject to the approval of the shareholders in a General Meeting.

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

(Rupees)

	2005-06	2004-05
Statutory Audit	4,00,000/-	3,50,000/-
Tax Audit	1,25,000/-	1,00,000/-
Certification	2,90,000/-	2,10,000/-
Service Tax	99,760/-	67,320/-

3.7 During the year, the company has changed the method of accounting of brokerage paid on deposits accepted by the company. Hitherto, brokerage paid was written off in the year of accepting the deposits. From the current year, brokerage is amortised over the tenure of the deposit. Consequently, brokerage expense for the year is lower by Rs. 1,88,742/- and the profit before depreciation and tax for the year is higher by a corresponding amount.

3.8 Provisions and Write Off :

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

4. General :

4.1 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 :

(Rupees)

	31.03.2006	31.03.2005
Deferred Tax Assets		
Provision Against Non Performing Loans	1,65,94,380/-	1,66,53,000/-
Others (Provision for Gratuity, Leave Encashment, etc.)	22,61,633/-	12,66,399/-
Total (A)	1,88,56,013/-	1,79,19,399/-
Deferred Tax Liabilities		
Depreciation	1,28,128/-	9,38,471/-
Total (B)	1,28,128/-	9,38,471/-
Total (A-B)	1,87,27,885/-	1,69,80,928/-

4.2 The Company has identified Housing Finance as the only Business Segment.

4.3 The Company does not owe any sum to a small scale industrial undertaking (31.03.2005 - Nil).

4.4 The Company has received income tax assessment orders for two assessment years along with income tax demands of Rs. 24,33,845/- for the two years. Both the assessment orders were received by the Company in April, 2006. The Company has filed appeals against both the orders and remitted the income tax demands, pending disposal of the appeals.

4.5 Securitisation :

During the year, the company has undertaken the sale of a part of its housing finance portfolio by way of bilateral sale to the extent of Rs. 117,33,54,118/-.

The company securitised assets in the accounting year ended 31st March 2005 to the extent of Rs. 51,69,18,245/- and details pertaining to such assets as on 31st March 2006 are as follows :

(Rupees)

PTC's subscribed by the Company	6,95,49,235/-
Bank deposits given as collateral	1,47,00,000/-

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. 9,71,90,034/- as on 31.03.2006 (31.03.2005 - Rs. 14,59,03,629/-). The Asset classification and provisions made in the books of account are as follows :

	Sub Standard	Doubtful	Loss Assets	Total
	Rupees	Rupees	Rupees	Rupees
Housing Loans				
Loan Outstanding	2,59,21,270/- (5,73,36,279/-)	7,05,83,288/- (7,67,58,160/-)	Nil (1,11,07,903/-)	9,65,04,558/- (14,52,02,342/-)
Provisions	33,19,395/- (57,33,628/-)	4,59,12,058/- (2,85,18,212/-)	Nil (1,11,07,903/-)	4,92,31,453/- (4,53,59,743/-)
Other Loans				
Loan Outstanding	6,85,476/- (Nil)	Nil (7,01,287/-)	Nil (Nil)	6,85,476/- (7,01,287/-)
Provisions	68,547/- (Nil)	Nil (1,40,257/-)	Nil (Nil)	68,547/- (1,40,257/-)
Total				
Loan Outstanding	2,66,06,746 (5,73,36,279/-)	7,05,83,288 (7,74,59,447/-)	Nil (1,11,07,903/-)	9,71,90,034/- (14,59,03,629/-)
Provisions	33,87,942/- (57,33,628/-)	4,59,12,058/- (2,86,58,469/-)	Nil (1,11,07,903/-)	4,93,00,000/- (4,55,00,000/-)

Figures in brackets pertain to 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 Limited

Fellow Subsidiaries : M/s. Sundaram BNP Paribas 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 Ltd.
M/s. Sundaram Infotech Solutions Ltd.
M/s. Sundaram Business Services 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 31.03.2006

(Rupees)

	Holding Company	Fellow Subsidiaries/ Associates	Key Management Personnel	Total	Previous Year 2004-05
Income					
Commission and Claims	–	90,85,513	–	90,85,513	34,53,998
Interest on Housing Loan	–	–	24,222	24,222	12,551
Rent and Connectivity Charges	–	18,000	–	18,000	60,000
Total	–	91,03,513	24,222	91,27,735	35,26,549
Expenses					
Rent and Office Maintenance	39,90,801	–	–	39,90,801	41,27,591
Brokerage, Commission, Deposit and Payroll Processing Charges	70,62,889	–	–	70,62,889	45,84,769
Lease Rentals	15,088	–	–	15,088	6,84,986
HP Charges	–	–	–	–	69,614
Guarantee Commission	25,00,000	–	–	25,00,000	25,00,000
Internal Audit fees	3,30,600	–	–	3,30,600	3,28,400
Connectivity and Other Charges	–	59,81,637	–	59,81,637	62,03,567
Insurance Premium	–	56,46,503	–	56,46,503	32,47,606
Remuneration	–	–	31,21,256	31,21,256	27,54,701
Interest on Fixed Deposits	–	–	600	600	1,252
Total	1,38,99,378	1,16,28,140	31,21,856	2,86,49,374	2,45,02,486

Details of Related Parties Transactions for the year ended 31.03.2006

(Rupees)

	Holding Company	Fellow Subsidiaries/ Associates	Key Management Personnel	Total	Previous Year 2004-05
Assets					
Investment in Trust Securities	-	116,67,50,496	-	116,67,50,496	173,22,77,131
Disinvestments in Trust Securities	-	106,72,68,897	-	106,72,68,897	175,11,83,434
Investment in Trust Securities - at the end of the year	-	14,01,29,906	-	14,01,29,906	4,00,00,000
Purchase of Assets	-	-	-	-	1,65,226
Sale of Assets	-	-	-	-	2,42,283
Housing Loan - at the end of the period	-	-	9,93,400	9,93,400	13,93,918
Total		237,41,49,299	9,93,400	237,51,42,699	352,52,61,992
Liabilities					
Share Capital	-	-	-	-	20,00,00,000
Premium	-	-	-	-	6,00,00,000
Repayment of Housing Loan	-	-	4,00,518	4,00,518	1,78,072
Total	-	-	4,00,518	4,00,518	26,01,78,072

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

4.8 Earnings per Share (Basic and diluted) :

	2005-2006	2004-2005
A. Profit for the year after taxation (in Rs.)	5,86,18,724	4,00,78,421
B. Total number of equity shares of Face value of Rs.10/- outstanding at the end of the period (in numbers)	7,00,00,000	7,00,00,000
C. Basic and diluted earnings per share (A/B) (in Rs.)	0.84	0.67

4.9 Claims against the Company not acknowledged as debts - in respect of Income-Tax matters - Rs. 24,33,845/- (31.03.2005 - Rs. 5,56,071/-).

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

4.11 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
27th April 2006

S. Viji
Chairman
Nitin Palany
Managing Director
G. Satish Kumar
General Manager - Finance
V. Sriraman
Company Secretary

Directors
G.K. Raman
T.T. Srinivasaraghavan
Srinivas Acharya
M.S. Parthasarathy

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)

Product / Service Description

Cash Flow Statement

	For the year ended 31.03.2006		For the year ended 31.03.2005	
	Rupees	Rupees	Rupees	Rupees
A) Cash Flow From Operating Activities				
Net Profit as per profit and loss account		5,86,18,724		4,00,78,421
Adjustments				
Provision for tax (including Wealth tax and FBT)	2,03,09,407		2,09,10,000	
Deferred Tax	(17,46,957)		(1,06,81,388)	
Dividend Income	(1,09,67,483)		(79,57,436)	
Hire Purchase Instalment	–		71,935	
Assets Discarded	5,238		2,12,509	
Profit on Sale of Assets	–		(12,764)	
Profit on Sale of Investments	(23,52,081)		(1,09,05,879)	
Loss on Sale of Investments	64,467		40,92,161	
Loss on Sale of Fixed Assets	–		62,914	
Provision against Non Performing Loans	38,00,000		2,68,00,000	
Provision against SLR Investments	14,22,185		14,22,185	
Miscellaneous Expenses Written Off	11,87,595		–	
Miscellaneous Expenses Incurred and Deferred	(35,62,405)		–	
Depreciation	71,76,231		70,03,344	
Financial Expenses	67,09,37,200		49,07,45,091	
Others	19,20,436	68,81,93,833	–	52,17,62,672
Operating Profit before Working Capital Changes		74,68,12,557		56,18,41,093
Adjustments for :				
Trade and other receivables	83,51,327		(1,25,24,600)	
Excess Interest Spread Asset Account	(1,32,84,906)		(3,12,87,551)	
Trade payables and other liabilities	4,18,71,025	3,69,37,446	97,28,248	(3,40,83,903)
Loans Disbursed (Net)		(130,91,67,888)		(249,00,19,195)
Cash Generated From Operations		(52,54,17,885)		(196,22,62,005)
Financial Expenses	(67,09,37,200)		(49,07,45,091)	
Advance Tax Paid	(2,87,99,357)	(69,97,36,557)	(1,92,00,000)	(50,99,45,091)
Net Cash from Operating Activity (A)		(122,51,54,442)		(247,22,07,096)

Cash Flow Statement

	For the year ended 31.03.2006	For the year ended 31.03.2005
	Rupees	Rupees
B) Cash Flow From Investing Activities		
Dividend Received	1,09,67,483	79,57,436
Sale of Fixed Assets	–	3,01,168
Purchase of Fixed Asset	(74,65,018)	(65,50,359)
Repayment of Hire Purchase Principal	–	(67,079)
Purchase of Investment	(435,98,62,206)	(565,30,15,636)
Sale of Investments	427,86,88,275	571,10,06,486
Net Cash from Investing Activity (B)	(7,76,71,466)	5,96,32,016
C) Cash Flow From Financing Activities		
Increase in Borrowings (Net)	84,71,96,954	2,29,27,32,138
Repayment of Hire Purchase Interest	–	(4,856)
Increase in Fixed Deposits (Net)	(11,51,96,456)	(3,09,80,911)
Increase in Share Capital (Including Securities Premium)	–	26,00,00,000
Subordinate Debt	50,00,00,000	–
Net Cash From Financing Activity (C)	1,23,20,00,498	252,17,46,371
Net Increase / (decrease) in cash and Cash Equivalent (A+B+C)	(7,08,25,410)	10,91,71,291
Cash and cash Equivalent at the beginning of the period	14,18,72,948	3,27,01,657
Cash and cash equivalent at the end of the period	7,10,47,538	14,18,72,948

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 Flow Statement

	For the year ended 31.03.2006	For the year ended 31.03.2005
	Rupees	Rupees
Cash on hand	19,19,764	9,05,549
Balances with banks- current account	6,91,27,774	9,09,67,399
Balances with banks- Short term deposits	-	5,00,00,000
Cash and Cash equivalents	<u>7,10,47,538</u>	<u>14,18,72,948</u>

2) Total tax paid during the year (Including tax deducted at source) amounted to Rs. 2,70,95,383/-.

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

L. Ravi Sankar
Partner
Membership No. 25929
Chennai
27th April 2006

S. Viji
Chairman
Nitin Palany
Managing Director
G. Satish Kumar
General Manager - Finance
V. Sriraman
Company Secretary

Directors
G.K. Raman
T.T. Srinivasaraghavan
Srinivas Acharya
M.S. Parthasarathy





Registered Office : 21, Patullos Road, Chennai - 600 002. Phone : (044) 2852 1181

Corporate Office : 46, Whites Road, Chennai - 600 014. Phone : (044) 2851 5267

Andhra Pradesh

Guntur : 0863 325 1002, Kakinada : 0844 235 8257, Rajamundry : 0883 325 6600,
Secunderabad : 040 3297 5692, Vijayawada : 0866 329 8753, Visakapatnam : 0891 325 5704

Karnataka

Bangalore : 080 3294 2028, Mysore : 0821 242 5007

Kerala

Calicut : 0495 394 1497, Cochin : 0484 302 7421, Palakkad : 0491 325 4663,
Trichur : 0487 325 8003, Trivandrum : 0471 394 9355

Pondicherry : 0413 320 0235

Tamilnadu

Chennai : 044 3297 4142 / 3298 2611, Coimbatore : 0422 320 7505, Dindugal : 0451 329 8176,
Erode : 0424 329 8868, Hosur : 04344 32 4940, Karaikudi : 04565 23 3202, Karur : 04324 23 1594,
Kumbakonam : 0435 329 6166, Madurai : 0452 325 2474, Namakkal : 04286 32 5711, Salem : 0427 325 3396,
Tanjore : 04362 23 3216, Tirunelveli : 0462 250 0274, Tirupur : 0421 325 5744, Trichy : 0431 329 7410,
Tuticorin : 0461 329 7827, Vadavalli : 0422 325 1748, Vellore : 0416 320 0800, Villupuram : 04146 22 6624

