

SUNDARAM
HOME FINANCE
LIMITED



8th Annual Report
2006 - 2007



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	M.S. Parthasarathy 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. Sundararajan S. Rajagopalan	Chairman
Senior Executives	G. Sundararajan S. Rajagopalan V. Janaki	General Manager - Finance Deputy General Manager - Operations Deputy General Manager - Information Systems
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	1st Floor, Sundaram Towers, No. 46, Whites Road, Chennai - 600 014. Phone : 044 2851 5267, Fax : 044 2851 5269	
Website	www.sundaramhome.com	

Senior Managers

Arun K	AGM - Finance
Satish Menon	AGM - Receivables
Srikumar Rangarajan	AGM - Sales & Marketing
Srinivasan R	AGM - Operations
Raghavan S	Senior Manager - Inspection
Jaishankar S	Area Manager - Tamil Nadu South
Krishna Kumar V	Area Manager - Kerala
Ramu GSV	Area Manager - Andhra Pradesh
Ashok N	Area Manager - Karnataka

Bankers

Canara Bank
Development Credit Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.
Indus Ind Bank Ltd.
State Bank of Hyderabad
State Bank of Saurashtra
Tamilnad Mercantile Bank Ltd.
UCO Bank
UTI Bank Ltd.

Systems Auditors

Tejas Brainware Systems (P) Ltd., Chennai.

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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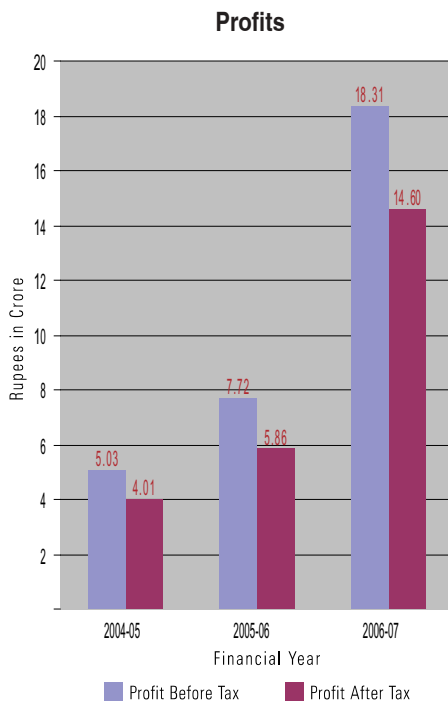


Directors' Report

To the Members

Your Directors have pleasure in presenting the Eighth Annual Report of your Company together with the audited accounts for the year ended 31st March 2007.

Financial Results



	For the year ended	
	31st March 2007	31st March 2006
	Rs. in Lakh	Rs. in Lakh
Profit Before Tax	18,30.80	7,71.81
Less: Provision for Tax	3,70.61	1,85.62
Profit After Tax	14,60.19	5,86.19
Balance brought forward from the previous year	1,54.51	1,43.32
Amount available for appropriation	16,14.70	7,29.51
Appropriations have been made as under :		
1. Transfer to Special Reserve under Section 36(1)(viii) of the Income-tax Act, 1961	4,00.00	2,25.00
2. Transfer to General Reserve	10,68.11	3,50.00
3. Surplus carried to Balance Sheet	1,46.59	1,54.51
Total	16,14.70	7,29.51

Dividend

With a view to conserving resources for future operations and strengthening the capital base, your Directors do not recommend payment of dividend for the year.

Ownership changes

During the year, Sundaram Finance Ltd. (SFL), the sponsor of the Company, took over the entire shareholdings totalling 25% of the subscribed and paid-up capital of the Company held by the International Finance Corporation (IFC) of the World Bank group and Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (FMO or Netherlands Development Finance Company). Consequently, the Company has again become a wholly-owned subsidiary of SFL as it was when it began operations in 1999.

Directors

Mr. T T Srinivasaraghavan and Mr. Srinivas Acharya, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

Auditors

The Company's statutory auditors, M/s. Brahmayya & Co., Chartered Accountants, retire at the Eighth Annual General Meeting and are eligible for re-appointment. They have confirmed that their re-appointment, if made, will be within the limits prescribed in Section 224(1-B) of the Companies Act, 1956.

Management Discussion and Analysis Report

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

Corporate Governance

The debt securities issued by the Company through private placement are listed on the National Stock Exchange of India Ltd. (NSE). Although the provisions relating to corporate governance contained in Part III of the Listing Agreement are not mandatory for companies issuing such securities, the Company has voluntarily adopted them as brought out in the attached Report.

Rating of Deposits and Debentures

Deposits

The Company continues to enjoy CRISIL's FAA⁺/stable rating indicating a high degree of safety regarding timely servicing of interest and principal. During the year, ICRA upgraded its rating from MAA/Stable to MAA⁺ /Stable, also signifying the high degree of safety of the depositors' funds.

Term Funding

Your Company continues to enjoy the FAA/stable rating from CRISIL and MAA/stable rating from ICRA for its debentures, signifying high degree of safety. During the year, the Company obtained the highest rating of P1⁺ from CRISIL for its short-term debt programme for Rs. 50 crore .

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.

Personnel

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.

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 the Companies 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.

Acknowledgement

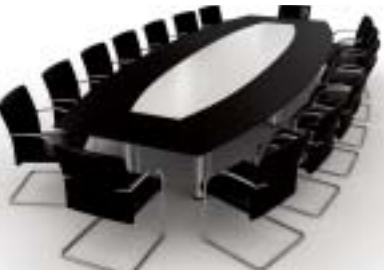
The Directors sincerely thank all the stakeholders - shareholders, borrowers, depositors, banks and financial institutions - for their continued support and co-operation during the year.

The Directors also place on record their appreciation of the dedicated service put in by the employees of the Company at all levels.

For and on behalf of the Board of Directors

Chennai
20th April 2007

S. Viji
Chairman



Management Discussion and Analysis Report

Economic Trends

The fiscal year 2006-07 (FY07) witnessed strong, higher-than-expected economic growth, aided by buoyant services, industrial, and external sectors. The stock and real-estate markets continued on their upswing. However, the emergence of inflationary pressures, stoked by growth, became the focus of monetary policy measures.

GDP is estimated to have grown by 9.2% during the year, on top of the 9% in FY06.

Accelerated external flows pushed up the foreign exchange reserves from US\$151.60 billion at the end of March 2006 to nearly US\$200 billion by end-March 2007.

The year-on-year (YOY) growth in money supply (M3) was 20.8%, higher than the 17.0% a year ago. The YOY growth in non-food bank credit of scheduled commercial banks, however, declined to 28% from 31.8% in the corresponding previous year. YOY inflation based on the wholesale price index was 5.7% by end-March, up from 4.1% a year earlier, mainly on account of higher prices of primary articles and manufactured products.

The recent policy stance of the Reserve Bank of India (RBI) has aimed at containing inflation while managing the transition to a higher growth path. Accordingly, during the year, RBI initiated further measures towards monetary tightening. These included: increase by 100 bp in the repo rate; 50 bp increase in the reverse repo rate; a 100 bp increase in the cash reserve ratio (CRR); increase in the risk weight from 125% to 150% for commercial real estate loans and investments in venture capital funds; and a rise in the mandatory general provisions for scheduled banks' standard advances to specific sectors from 0.40% to 2.00% of such advances.

With incremental bank credit exceeding incremental bank deposits, and large-scale mopping up of liquidity by RBI, liquidity in the banking system remained tight, resulting in a continued hardening of rates. By March 2007, the yield on the 10-year benchmark Government securities moved up by 0.50% from 7.50% a year earlier. The yield curve remained almost flat, with short-term rates, including call money rates, rising towards the end of the year.

Maintenance of a high rate of growth, while containing inflation, calls for appropriate fiscal and monetary policies. The RBI measures, as well as recent reductions in the duties on some essential commodities, metals and cement are likely to soften inflationary

pressures. However, these pressures may persist because of a supply-demand mismatch in some food and other primary articles, and firm international prices.

The Housing Finance Market

Real estate sector

The year 2006-07 was marked by a continued surge in real-estate development, funding, and prices. In particular, in the larger cities of the southern states, the expansion and entry of several Indian and multinational companies in the information technology and manufacturing sectors have boosted the commercial and residential real-estate markets. The buoyancy has percolated to secondary urban centres too, which have embarked on accelerated infrastructure development with financial assistance from the Central Government's Urban Renewal Fund.

During the year, realty companies accessed both private and public sources to augment their equity and leverage it to raise the growing volume of funds needed for real-estate development. Equally important, there was a substantial rise in foreign investment (FDI) in the sector. Real estate is estimated to have accounted for a much larger share of the FDI in the country in FY07 (26%) than in FY06 (10%). Some US\$20 billion (about Rs. 90,000 crore) of FDI seems to have flowed into the Indian real estate market over the last 18 months. The entry of real-estate mutual funds (REMFs), which are on the anvil, is expected to widen and deepen the market further. Increased institutional funding is expected to contribute to greater transparency, professionalism, and corporatisation of real-estate development.

Property prices continued on their upward trajectory during the year. The Affordability Index, which expresses property cost as a multiple of the average annual income, is reckoned at 5.20 in India. Though it compares well with the World Bank benchmark of 5.00, it is much higher than in developed countries. Probably, the index is much higher in tier-II cities, where income growth lags far behind the rise in property prices.

The existing large gap between demand and supply in the housing sector will be further widened if the urban population doubles by 2030 as is now forecast. A number of reforms seem necessary to reduce the growing imbalance. Measures that could be considered include: the abolition of the Urban Land (Ceiling and Regulation) Act, 1976; relief under the Rent Control Act; computerisation of land records; rationalisation of stamp duties on property transfers; and slum rehabilitation plans. The National Housing Bank (NHB) has commissioned a project to develop an index of property prices, to be initially confined to the major cities and later extended to other cities and towns as well. The index will help not only home buyers in making their investment decisions, but also mortgage lenders in

managing their portfolio risk by reviewing asset prices. The Central Government is expected to promote a statute for effective management of the burgeoning real estate sector.

Housing Finance

The volume of housing finance is estimated to have expanded by about 30% annually since 2003, and reached about Rs. 1,20,000 crore in FY07. Commercial banks continue to dominate this segment, accounting for about three-fourths of all housing loan disbursements during the year, and for about two-thirds of the total outstanding housing finance by year-end.

As a percentage of GDP, residential mortgages have been continuously growing over the last several years. However, mortgage penetration in India at about 7.10% is still low—not only far lower than in developed countries like the UK and US, but also below that in some other Asian countries. Demand for housing finance is expected to be stimulated by such factors as preference for owning rather than renting homes, falling age profile of the population, rapidly rising double-income households, and fiscal incentives. Growth in the near future may yet be a moderate 20% or so a year.

In recent years, intense competition in the Indian housing finance market, fuelled till recently by comfortable liquidity and influenced by lenders' need for risk diversification, has led to liberal funding at low rates. Competition may also have diminished the needed emphasis on critical credit appraisal and realistic collateral valuation. The current levels of portfolio delinquency appear quite manageable, but could be compounded by the continued hardening of interest rates, which may strain the debt-servicing capacity of borrowers, especially smaller ones with high instalment-to-income and loan-to-value ratios.

Housing finance companies (HFCs) depend substantially on National Housing Bank (NHB) refinance as well as on commercial banks and the domestic debt market for most of the resources needed for lending. Diversification of the funding sources will help HFCs mobilise resources at competitive rates and thus bring down their borrowing costs.

Since housing loans are repayable over fifteen or twenty years or even longer terms, HFCs need appropriately structured long-term resources to fund such loans, without being troubled by serious asset-liability term imbalances. HFCs stand to benefit from measures that permit and encourage insurers and pension funds, which have long investment horizons, to invest in HFCs' paper. External commercial borrowing, if permitted, may well be another avenue of lower-cost borrowing, but the exchange risks involved would need to be factored in.

The development of a vibrant and deep residential mortgage-backed securitisation (RMBS) market will complement and bolster the primary mortgage market. It will aid HFCs in reducing asset-liability term mismatches and in risk dispersal, apart from improving their ability to maintain the minimum mandated capital-adequacy levels. The development of an RMBS will gain from rationalisation of stamp duties on property transfers and mortgages across the country and standardisation of loan documentation.

The establishment of mortgage credit guarantee companies such as those operating in the UK and the US will give an added push to home financing. Mortgage guarantee will enable home buyers to secure finance up to 90-95% of the property value and thus acquire homes that would otherwise be beyond their reach. RBI has recently issued draft guidelines for credit guarantee operations.

Home lenders are frequently ensnared in frauds involving fraudulent borrowing of loans from different lenders against the same property. A central registry to record equitable mortgages may prove to be a safeguard against such frauds.

The Finance Minister, in his Union Budget speech 2007-08, indicated that a novel financial product for senior citizens, a 'reverse mortgage' will be introduced by National Housing Bank. A reverse mortgage system as developed in the US can make life easier for retirees and other senior citizens. Under this system, a retiree-homeowner mortgages his house in return for agreed periodical payments during the rest of his life from the lender-mortgagee. The lender can recoup the payments by sale of the property after the beneficiary's death, or by redemption from his estate or by his legal representatives. Conceptually, reverse mortgage seeks to monetise the house as an asset and, specifically, the borrower's equity in it. The assured stream of receipts from an asset that is still in possession and use can help the beneficiaries meet living costs and thus endow them with needed financial independence. Initiatives to introduce such a system in India are welcome. However, it needs to be ensured that the provisions of the Income-tax Act, 1961, and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (SARFAESI Act) do not inhibit the practical utility and development of the system.

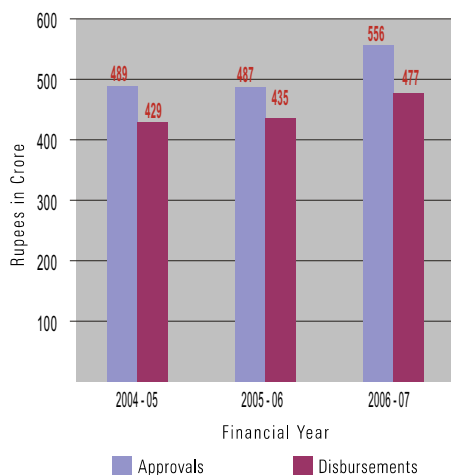
The Company's Performance

Overall Performance

A sharp rise in profitability, resulting in significantly enhanced shareholder value, marked the Company's performance during FY07. The results reflect the successful pursuit of a reoriented business strategy with emphasis on diversification into higher-yielding loan segments without compromising credit quality. The Company was able to achieve a

controlled expansion of its lending operations within the limits dictated by the regulatory norm on capital adequacy. This was facilitated by the non-recourse sale of a part of the loan portfolio. Careful borrower selection and effective loan supervision and recovery helped bring down the proportion of portfolio delinquency, with a comfortable level of accumulated loan-loss provisions at year-end.

Approvals & Disbursements



Financial Performance

The main features of the results are summarized below:

	FY07	FY06
Profit after tax (Rs. in Lakh)	14,60.19	586.19
Return on average net worth (%)	13.70	6.08
Earnings per share of Rs. 10 each (Rs.)	2.09	0.84
Book value per share (Rs.)	16.28	14.21
Operating expenses/Average total assets (%)	1.41	1.44

Lending Operations

During the year, the Company approved loans totalling Rs. 556 crore, 14.2% higher than in the previous year (Rs. 487 crore). Loan disbursements aggregated Rs. 477 crore, 10% above the Rs. 435 crore disbursed in FY06. Loan approvals since inception up to 31st March 2007 totalled Rs. 2,513 crore, of which Rs.2,178 crore (87%) stood disbursed. During the year, Rs.132.42 crore were lent under the Golden Jubilee Rural Housing Refinance Scheme of the Government of India.

The outstanding loan portfolio as on 31st March 2007 stood at Rs. 1,169 crore, 17% higher than the Rs. 999 crore a year earlier. The average size of the loans, which were spread over about 21,000 borrowers, was Rs. 6 lakh.

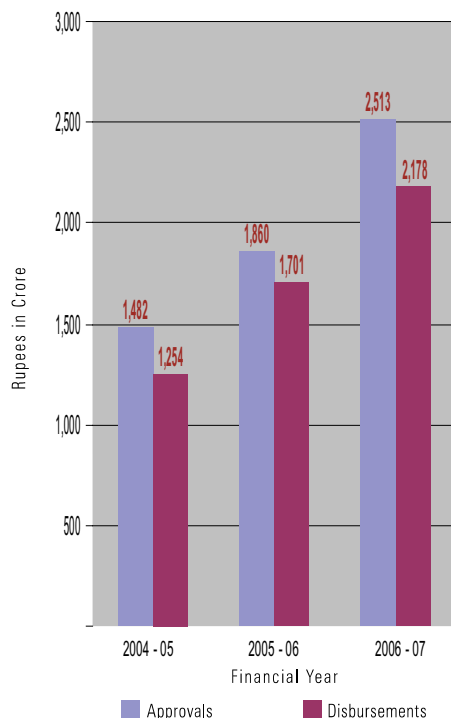
In line with market trends and taking into account the rising funding costs, the Company raised its prime lending rate (PLR) by a percentage point to 12 % during the year, in two steps of 50 bp each. Variable-rate loans were repriced and rates on fresh loans were revised correspondingly.

Non-Performing Loans (NPLs)

As at 31st March 2007, gross NPLs, i.e, loans the servicing of which is in default for more than 90 days, amounted to Rs.7.09 crore, equivalent to 0.61% of the outstanding loan portfolio.

During the year, the Company wrote off loan dues totalling Rs. 1.55 crore (Rs. 3.11 crore in the previous year), by a direct charge to the Profit and Loss Account.

Approvals & Disbursements (Cumulative)



In terms of NHB guidelines and rules, loan-loss provisions totalling Rs.3.29 crore were to be set aside in respect of the Company's NPLs as of 31st March 2007, taking into account their age and the available security. The Company has, however, accumulated provisions of Rs.4.93 crore as at the end of the year.

Net NPLs, i.e. gross NPLs less available loan-loss provisions, amounted to Rs.2.16 crore, or 0.19% of the total loan portfolio, as on 31st March 2007.

Sale of Loans

During the year, the Company sold loans totalling Rs. 100.19 crore to a commercial bank. As of 31st March 2007, the Company was managing loans aggregating Rs. 201.96 crore out of loans sold (Rs. 217.53 crore) or securitised (Rs. 51.69 crore). Delinquency among the loans sold or securitised was negligible, indicating their high quality.

Resource Mobilisation

The Company endeavours to diversify its resource base in order to achieve an appropriate maturity structure and minimise the overall cost of borrowed funds.

NHB Refinance

During the year, the Company availed NHB refinance of Rs. 365 crore against eligible housing loans, and repaid Rs. 91.08 crore of refinance availed from NHB in the past.

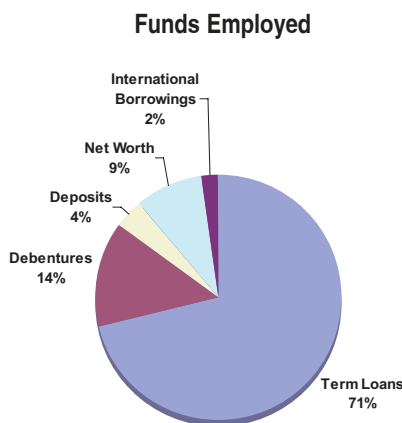
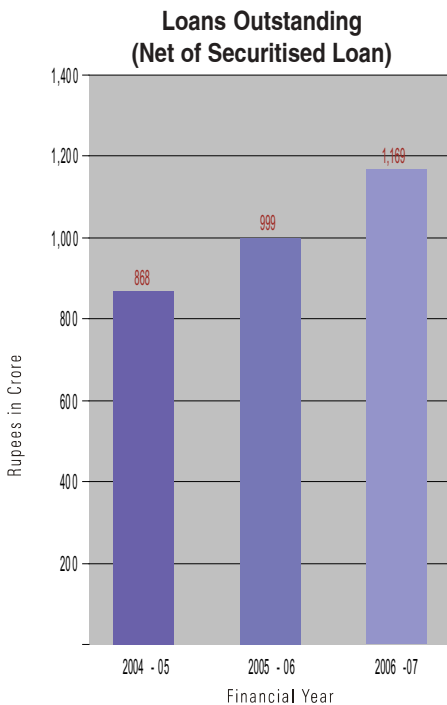
Bank Loans

During the year, the Company raised fresh term loans amounting to Rs 50 crore from commercial banks.

Deposits

The interest rates on deposits accepted by the Company were raised three times during the year in line with market conditions. The Company mobilised fresh deposits totalling Rs. 23.47 crore during the year. The Company's deposit liabilities reached Rs. 46.32 crore by the end of the year.

To ensure that deposits made with the Company are promptly renewed or claimed back by the depositors, the Company notifies the depositors at least two months ahead of maturity, and issues periodical reminders 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. As of 31st March 2007, deposits totalling Rs. 49.42 lakh from 89 depositors had matured but not claimed or renewed. The Company has been closely following up these cases to ensure early repayment or renewal of the deposits. As a result of such efforts, their quantum has since declined to Rs.24.00 lakh.



Risk Management

Successful mortgage lending calls for identification, measurement, mitigation, and management of the risks—credit risk, operational risk, market risks (interest rate and liquidity), and reputational risk. The Company has sought to strike an appropriate balance between risk and returns through an efficient risk-mitigation system. Managing the credit risk assumes considerable significance as the borrower profile changes over time, with the younger borrowers seemingly less averse to risk. The Company has been adopting suitable measures for risk mitigation, such as accessing the applicant’s credit history information from Credit Information Bureau Ltd. (CIBIL), carrying out field investigation of the applicant’s credentials, restricted loan-value ratio, monitoring the end-use of property held as security, funding only approved properties, developing risk-based loan pricing, and cross-selling property insurance. The Company has employed qualified civil engineers to value properties and track property price movements.

The Asset Liability Risk Management Committee (ALCO), functioning under the supervision of the Audit Committee, lays down policies and tolerance levels that involve assessment of various types of risks and effecting shifts in assets and liabilities to manage such risks. Liquidity and interest-rate risks, within the limits laid down by the Board, are constantly monitored by ALCO. The Risk Management Framework is dynamic and will continue to evolve in line with the emerging risk perceptions. The Company has also implemented NHB’s Asset Liability Management Guidelines. The Company will invest further in dedicated risk-management function and exploit the value-creating potential of enterprise risk management.

Capital Adequacy

NHB has assigned different risk weights to different classes of HFC assets for computing the minimum Capital Adequacy Ratio (CAR) (currently 12% of the total risk-weighted assets) to be maintained by them. During the year, NHB raised the weight to commercial real-estate financing from 125% to 150%, and directed HFCs to make a general provision equivalent to 0.4% of their total outstanding standard non-housing loans in a phased manner between 31st March 2007 and 31st December 2007. The Company’s CAR as on 31st March 2007 stood at 14.91%.

Human Resources

Efficient Human Capital Management (HCM) is essential for improved organisational performance. Accordingly, the Company’s performance-appraisal system is used effectively to improve staff capabilities in such areas as leadership practice, employee engagement, knowledge accessibility, workforce optimisation and learning capacity.

In-house, on-the-job coaching and training programmes on credit, legal and technical appraisals and various other functional areas were conducted during the year to upgrade the skills of employees and achieve functional effectiveness. In addition, executives were sponsored to various external training programmes and seminars on risk management, KYC Guidelines and the Fair Practices Code. A training programme was organised for Sales Managers and Branch Managers for managing the sales force and enhancing their productivity. Regular training programmes were conducted for sales staff on domain knowledge and negotiating skills.

Organisational Network

With a network of 36 offices in the four Southern States, the Company widened its presence in tier II cities in the States.

Internal Audit

The Company has engaged the services of Sundaram Finance Ltd. (SF) for comprehensive internal audit of the Company's systems, procedures, and operations. The internal audit team helps conceptualise and implement effective systems of internal controls and risk-management systems and procedures and verifies that the operations conform to approved policies and procedures, and that the Company complies with the statutory and regulatory requirements. The SF team functions in tandem with the statutory auditors, wherever appropriate. During the year, internal audit of all the branches was carried out twice.

Additionally, the effective functioning of major information systems and the integrity of information handled by the Company are monitored regularly by the systems auditors, Messrs. Tejas Brainware Systems (P) Limited, in co-ordination with the Information Technology Committee of senior executives, chaired by the Managing Director. Systemic deficiencies are rectified with the auditors' advice.

Statutory Audit

The Company continued to engage the services of Messrs. Brahmayya & Co, chartered accountants, Chennai, as its statutory auditors.

Statutory and Regulatory Compliance

The Company has complied with the applicable statutory provisions, including those of the Companies Act, 1956, and the Income-tax Act, 1961. The Company has also complied with the Housing Finance Companies (NHB) Directions, 2001, on accounting standards, prudential norms, asset classification, income recognition, loss provisioning, capital adequacy, credit concentration, and credit rating.

During the year, NHB issued Know Your Customer Guidelines, Anti-Money Laundering Standards, and Fair Practices Code to be followed by HFCs. The Company has taken appropriate steps to ensure compliance.



Report on Corporate Governance

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

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

Ownership Pattern

As noted in the Directors' Report, the Company became a wholly-owned subsidiary of SFL during the year.

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 provide for a Board with a maximum strength of 12 Directors. The Board at present 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. No member of the Board is a nominee of a public financial institution, government, or other party by virtue of a contract with the Company.

The Managing Director is appointed by the shareholders for a term up to five years, 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, within the meaning of the Securities and Exchange Board of India (SEBI) regulations, 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	1	8	–	5
Mr. G.K. Raman	1	3	1	–
Mr. T.T. Srinivasaraghavan	1	5	–	2
Mr. N. Ganga Ram	–	3	2	2
Mr. Srinivas Acharya	–	5	–	2
Mr. M.S. Parthasarathy	–	1	–	1
Mr. Nitin Palany	–	–	–	–

Responsibilities

The Board sets and oversees implementation of Company policies, reviews Company 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 direction 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 the year ended 31st March 2007 (FY07), the Board met 13 times as noted below:

2006 - 2007		
12 April	04 August	02 December
25 April	24 August	30 December
27 April	03 October	30 January
20 June	23 October	
17 July	24 November	

The meetings were attended by Directors as shown below :

Director	No. of Meetings Attended
Mr. S. Viji	12
Mr. G.K. Raman	9
Mr. T.T. Srinivasaraghavan	12
Mr. N. Ganga Ram	7
Mr. Srinivas Acharya	13
Mr. M.S. Parthasarathy	11
Mr. Nitin Palany	13

Board Committees

The Board has constituted two Committees consisting of executive and non-executive Directors to focus on certain functions of the Company.

Executive Committee

The Executive Committee comprises of two non-executive Directors, viz., Mr. G.K. Raman and Mr. T.T. Srinivasaraghavan, and the Managing Director, Mr. Nitin Palany. Mr. G. K. 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 49 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. M.S. Parthasarathy, Chairman, Mr. G.K. Raman, Mr. N. Ganga Ram and Mr. Srinivas Acharya.

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 approval 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 nine times during the year under review. The details are as follows:

Member	No. of Meetings Held	No. of Meetings Attended
Mr. M.S. Parthasarathy	9	9
Mr. N. Ganga Ram	9	6
Mr. G.K. Raman	9	5
Mr. Srinivas Acharya	9	8

Remuneration of Directors

Independent Directors were paid remuneration by way of sitting fees for attending Board / Audit Committee meetings during FY07 as noted below:

Name	Sitting Fees (Board and Audit Committee)
Mr. N. Ganga Ram	Rs. 1,30,000/-
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 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 2007, the amount of Deposits placed with the Company by Directors aggregated Rs. 1,60,000/-. The interest on these deposits paid during the year amounted to Rs. 11,715/-.

Related-party Transactions

During the year, the Company did not enter into any 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 2007

No. of Equity Shares Held	No. of Shareholders	Total No. of Shares	% to Capital
1	6*	6	...
1,00,001 and above	1	6,99,99,994	100%
Total	7	7,00,00,000	100%

* Nominees of SFL

Of the 7 crore equity shares, 1.75 crore shares are held in dematerialised mode. The remaining shares are held in physical mode.

Share Price Performance

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

Share Transfer and Investors Grievances Committee

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

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 Listing Agreement with the National Stock Exchange of India Ltd. (NSE) and are being traded in compulsory dematerialized form. Two of the series (VI and IV) aggregating Rs. 75 crore were redeemed during the financial year. The listing details are as under:

NSE Stock Code : Security Type - DB , CF
 Security - SHF06, SHF07, SHF08, SHF11

The Company has duly paid NSE's listing fees for FY07.

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 - 28462700

Fax : 044 - 28460129

Email : Cameo@Cameoindia.com

Contact Person : Mr. R.D. Ramaswamy, Vice President

Annual General Meetings

The following table shows when and where the last three Annual General Meetings were held :

For Financial Year	Date	Time	Venue
2005-06	03 August 2006	2.30 p.m.	Registered Office
2004-05	28 July 2005	2.00 p.m.	Registered Office
2003-04	23 July 2004	12.30 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 in respect of FY07 were forwarded to NSE. Further, the results were 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 Directors' Report.

General Shareholder Information

Eighth Annual General Meeting

Date	Time	Venue
25th July 2007	2.30 p.m.	No. 21, Patullos Road, Chennai 600 002.

Financial Calendar

The Company's Board is scheduled to consider the financial results as under:

- Audited Results for Financial Year - 1st April 2006 to 31st March 2007 : 20th April 2007.
- Unaudited Results for the half-year ending 30th September 2007 : End of October



Auditors' Report to the Members of Sundaram Home Finance Limited

1. We have audited the attached Balance Sheet of Sundaram Home Finance Limited, (the Company) as at 31st March 2007, 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 2007 and taken on record by the Board of Directors, we report that none of

the directors is disqualified as on 31st March 2007 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 2007;

(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 : 20th April, 2007



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, in accordance with an annual plan of verification 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 has not been any substantial disposal of fixed assets during the year.
2. In our opinion and according to the information and explanations given to us, the Company has not granted or taken loans to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of clauses (iia) to (iic) of paragraph 4 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 lakh 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 directions 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, 2007 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 not issued debentures 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 on or by 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 has 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

Place : Chennai
Date : 20th April, 2007

Membership No. 25929

Balance Sheet as at 31st March 2007

	Schedule	31.03.2007	31.03.2006
		Rs. in Lakh	Rs. in Lakh
I Sources of Funds			
1. Shareholders' Funds			
a) Capital	1	70,00.00	70,00.00
b) Reserves and Surplus	2	43,91.59	29,49.51
2. Loan Funds			
a) Secured Loans	3	1038,25.95	861,32.06
b) Unsecured Loans	4	106,26.78	86,05.50
Total		1258,44.32	1046,87.07
II Application of Funds			
1. Loans	5	1169,19.88	998,71.53
2. Fixed Assets	6		
Gross Block		5,43.97	5,37.79
Less : Depreciation		3,67.14	3,23.84
Net Block		1,76.83	2,13.95
3. Investments	7	20,29.65	39,51.74
4. Deferred Tax Asset (Net)			
Deferred Tax Asset		2,13.76	1,88.56
Less : Deferred Tax Liability		—	1,28
5. Current Assets, Loans and Advances			
a) Current Assets	8	83,58.89	9,98.54
b) Loans and Advances	9	13,70.91	11,60.98
	(A)	97,29.80	21,59.52
Less : Current Liabilities and Provisions			
a) Current Liabilities	10	26,89.73	12,11.13
b) Provisions	11	5,55.66	5,21.44
	(B)	32,45.39	17,32.57
Net Current Assets	(A - B)	64,84.41	4,26.95
6. Miscellaneous Expenditure (to the extent not written off or adjusted)	12		
Discount on issue of debentures		19.79	35.62
Total		1258,44.32	1046,87.07
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
20th April 2007

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

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

Profit and Loss Account for the year ended 31st March 2007

	Schedule	2006 - 2007	2005 - 2006
		Rs. in Lakh	Rs. in Lakh
Income			
Income from Operations	13	107,88.79	87,05.99
Loan Processing and Other Fees		5,07.57	3,36.42
Other Income	14	7,74.64	2,95.75
Total	(A)	120,71.00	93,38.16
Expenditure			
Financial Expenses	15	83,33.59	67,09.37
Establishment Expenses	16	6,31.12	5,50.92
Administrative and Other Expenses	17	9,95.15	8,58.94
Provisions and Write off	18	1,91.54	3,63.48
Miscellaneous Expenditure Written off	12	15.83	11.88
Total	(B)	101,67.23	84,94.59
Profit Before Depreciation and Tax	(A - B)	19,03.77	8,43.57
Less : Depreciation		72.97	71.76
Profit Before Tax		18,30.80	7,71.81
Less : Provision for Taxation			
Current		3,75.00	1,90.00
Deferred Tax		(17,29)	(17.47)
Wealth Tax		0.40	0.25
Fringe Benefit Tax		12.50	12.84
Profit After Tax		14,60.19	5,86.19
Balance brought forward from the previous year		1,54.51	1,43.32
Amount available for Appropriation		16,14.70	7,29.51
Appropriations			
Special Reserve		4,00.00	2,25.00
General Reserve		10,68.11	3,50.00
Surplus - Balance carried to Balance Sheet		1,46.59	1,54.51
		16,14.70	7,29.51
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 (in Rs.)		2.09	0.84

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
20th April 2007

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

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

Schedules forming part of the Accounts

	31.03.2007		31.03.2006
	Rs. in Lakh		Rs. in Lakh
Schedule 1			
Capital			
Authorised			
10,00,00,000 Equity Shares of Rs. 10/- each	<u>100,00.00</u>		<u>100,00.00</u>
Issued			
7,50,00,000 Equity Shares of Rs. 10/- each	<u>75,00.00</u>		<u>75,00.00</u>
Subscribed and Fully Paid-up			
7,00,00,000 Equity Shares of Rs. 10/- each	70,00.00		70,00.00
[The equity shares are held by Sundaram Finance Limited (the Holding Company) and its nominees Previous year 5,25,00,000 equity shares]			
	<u>70,00.00</u>		<u>70,00.00</u>
Schedule 2			
Reserves and Surplus			
Special Reserve			
Per last Balance Sheet	9,45.00		7,20.00
Add : Transfer from Profit and Loss Account	<u>4,00.00</u>	13,45.00	<u>2,25.00</u>
Securities Premium Account		6,00.00	6,00.00
General Reserve			
Per last Balance Sheet	12,50.00		9,00.00
Add : Transfer from Profit and Loss Account	10,68.11		3,50.00
Less: Transitional adjustment on account of Retirement Benefits (Net of Deferred Tax)	<u>(18.11)</u>	23,00.00	<u>—</u>
Surplus - Balance in Profit and Loss Account		1,46.59	1,54.51
	<u>43,91.59</u>		<u>29,49.51</u>

Schedules forming part of the Accounts

	31.03.2007		31.03.2006	
	Rs. in Lakh		Rs. in Lakh	
Schedule 3				
Secured Loans				
Non Convertible Debentures		125,00.00		200,00.00
From Scheduled Banks :				
Rupee Term Loans		211,76.74		225,41.49
From Others :				
Term Loans :				
National Housing Bank	674,40.88		400,48.90	
International Finance Corporation	<u>27,08.33</u>	701,49.21	<u>35,41.67</u>	435,90.57
Washington				
		<u>1038,25.95</u>		<u>861,32.06</u>
Schedule 4				
Unsecured Loans				
Fixed Deposits				
From Directors	1.60		1.60	
From Others	<u>46,30.51</u>	46,32.11	<u>36,03.90</u>	36,05.50
Subordinated Non Convertible Debentures		50,00.00		50,00.00
Overdraft facility with a Scheduled Bank		9,94.67		—
		<u>106,26.78</u>		<u>86,05.50</u>
Schedule 5				
Loans				
Housing Loans				
Individuals	973,20.63		891,68.03	
Others	<u>—</u>	973,20.63	<u>3,39.04</u>	895,07.07
Other Loans				
Individuals	153,65.08		71,49.36	
Others	<u>42,34.17</u>	195,99.25	<u>32,15.10</u>	103,64.46
		<u>1169,19.88</u>		<u>998,71.53</u>

Schedule 6

Schedules forming part of the Accounts

Fixed Assets

Rs. in Lakh

Description	Gross Block at Cost			Depreciation			Net Block		
	As at 01.04.2006	Additions	Deductions	As at 31.03.2007	Up to 01.04.2006	For The Year Up to 31.03.2007	Deductions Up to 31.03.2007	31.03.2007	31.03.2006
Land	1.92 (1.92)	- (-)	- (-)	1.92 (1.92)	- (-)	- (-)	- (-)	1.92 (1.92)	1.92 (1.92)
Plant and Machinery	45.31 (43.03)	1.08 (2.28)	0.40 (-)	45.99 (45.31)	22.17 (18.02)	3.39 (4.15)	0.27 (-)	20.70 (23.15)	23.14 (25.01)
Vehicles	1,06.74 (81.92)	14.60 (24.82)	10.89 (-)	1,10.45 (1,06.74)	54.02 (40.97)	13.36 (13.05)	8.49 (-)	51.56 (52.72)	52.72 (40.95)
Furniture and Fixtures	1,42.94 (1,41.44)	1.25 (1.50)	6.41 (-)	1,37.78 (1,42.94)	92.17 (79.72)	9.58 (12.45)	4.96 (-)	40.99 (50.77)	50.77 (61.72)
Computers	1,46.69 (1,43.58)	21.13 (3.56)	15.72 (0.44)	1,52.10 (1,46.69)	1,16.23 (96.91)	18.34 (19.71)	14.63 (0.39)	32.16 (30.46)	30.46 (46.67)
Office Equipment	54.09 (51.69)	3.16 (2.39)	1.62 (-)	55.63 (54.09)	22.54 (16.85)	4.91 (5.69)	1.32 (-)	29.50 (31.54)	31.55 (34.84)
Intangible Assets - Computer Software	40.10 (-)	- (40.10)	- (-)	40.10 (40.10)	16.71 (-)	23.39 (16.71)	- (-)	- (23.39)	23.39 (-)
Total	5,37.79	41.22	35.04	5,43.97	3,23.84	72.97	29.67	1,76.83	2,13.95
Previous year	(4,63.58)	(74.65)	(0.44)	(5,37.79)	(2,52.47)	(71.76)	(0.39)	(2,13.95)	(2,11.11)

Figures in brackets pertain to the previous year .

Schedules forming part of the Accounts

	Face Value	31.03.2007	31.03.2006
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Schedule 7			
Investments			
At Cost - Fully Paid			
Long Term Investments			
In Government / Trust Securities			
Non Trade			
A Quoted :			
Government Securities			
Central Government Loans			
	3,34.47	3,92.49	3,47.04
B Un-Quoted			
In Trust Securities			
(i) Investments in Mutual Funds - As per Annexure : 1			
	10,00.00	10,00.00	14,76.48
(ii) In Bonds			
11.25% NHB Priority Sector Bonds			
	4.00	4.00	7.00
(iii) In Mortgage Backed Securities (on Securitisation) in			
SHFL Housing Finance Trust August 2004			
Investment in Senior Pass Through Certificate (PTC) (A2) Securities			
		3,20.18	3,70.68
Investment in Subordinate Tranche Securities			
		3,12.98	3,24.82
Current Investments			
Un-Quoted			
In Trust Securities			
Investments in Mutual Funds - As per Annexure : 2			
		–	14,25.72
Total		20,29.65	39,51.74
		Cost	Market Value
		Rs. in lakh	Rs. in lakh
Aggregate of Quoted Investments			
		3,92.49	3,46.59
Aggregate of Unquoted Investments			
		16,37.16	16,72.17*
Total		20,29.65	20,18.76

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

**Long Term Investments
Investment in Mutual Funds**

Schedules forming part of the Accounts

Annexure : 1
Rs. in Lakh

Particulars	Face Value		Opening as on 01.04.2006		Purchases during the year		Redeemed during the year		Closing as on 31.03.2007	
	Rs.	Value	Units	Value	Units	Value	Units	Value	Units	Value
Birla Floating Rate Fund - Long Term - Growth	10		28.34	3,00.00	-	-	28.34	3,00.00	-	-
HSBC-Fixed Term - Growth	10		-	-	30.00	3,00.00	-	-	30.00	3,00.00
Prudential ICIICI Floating Rate - Growth	10		29.97	3,00.00	-	-	29.97	3,00.00	-	-
Grindlays Floating Rate Fund - Long Term - Growth	10		40.00	4,00.00	-	-	40.00	4,00.00	-	-
Reliance Fixed Horizon Fund - Growth	10		-	-	40.00	4,00.00	-	-	40.00	4,00.00
Sundaram BNP Paribas Fixed Term Plan - Growth	10		-	-	30.00	3,00.00	-	-	30.00	3,00.00
Sundaram Floating Rate - Long Term - Growth	10		17.65	1,76.48	-	-	17.65	1,76.48	-	-
Templeton Floating Rate Income Fund - Long Term - Growth	10		25.85	3,00.00	-	-	25.85	3,00.00	-	-
Total			1,41.81	14,76.48	1,00.00	10,00.00	1,41.81	14,76.48	1,00.00	10,00.00

**Current Investments
Investment in Mutual Funds**

Annexure : 2
Rs. in Lakh

Particulars	Face Value		Opening as on 01.04.2006		Purchases during the year		Redeemed during the year		Closing as on 31.03.2007	
	Rs.	Value	Units	Value	Units	Value	Units	Value	Units	Value
Standard Chartered Liquidity Manager - Daily Dividend	10		20.09	2,00.91	1,59.21	15,92.32	1,79.30	17,93.23	-	-
Sundaram Money Fund - Super Institutional - Daily Dividend	10		1,21.32	12,24.81	6,41.65	64,77.63	7,62.97	77,02.44	-	-
Total			1,41.41	14,25.72	8,00.86	80,69.95	9,42.27	94,95.67	-	-

Schedules forming part of the Accounts

Units of Mutual Funds Purchased and Redeemed during the year

Particulars	Face Value	Units	Amount
	Rs.	Rs. in Lakh	Rs. in Lakh
ABN AMRO cash fund - Institutional plan - Dividend	10	62.55	6,25.48
Birla Cash Plus - Institutional Premium Plan - Dividend	10	2,57.03	25,75.33
DBS Chola Liquid Institutional Fund - Dividend	10	1,61.25	16,17.61
DWS Money Plus Regular Plan - Dividend	10	1,41.75	14,22.96
DSP Merrill Lynch Liquid Plus - Institutional Plan - Dividend	1,000	2.09	20,85.71
HDFC Cash Management Fund - Savings Plan - Dividend	10	1,99.02	21,16.90
HDFC Cash Management Fund - Call Plan - Dividend	10	2,40.60	25,08.69
HSBC Cash Fund - Institutional - Dividend	10	2,78.56	27,87.16
HSBC Liquid Fund - Institutional - Dividend	10	79.06	7,91.25
HSBC Liquid Plus Fund - Institutional Plus - Dividend	10	67.55	6,76.32
ING Vysya Liquid Fund - Institutional - Dividend	10	3,95.22	39,56.51
JM High Liquid Fund - Super Institutional Plan - Dividend	10	1,40.24	14,04.77
Kotak Liquid - Institutional Premium - Dividend	10	3,88.00	47,44.51
PNB Cash Management Fund - Liquid Option - Dividend	10	3,52.68	35,27.05
Principal Floating Rate - Institutional - Dividend	10	3,53.06	35,30.86
Prudential ICICI Institutional Liquid Plan - Super Institutional - Dividend	10	3,13.66	31,36.60
Reliance Liquid Fund - Treasury Plan - Institutional - Dividend	10	78.59	12,00.91
Reliance Liquid Fund - Cash Plan - Dividend	10	2,60.82	29,05.78
Reliance Liquidity Fund - Dividend	10	4,41.65	44,17.89
Reliance Fixed Horizon Fund - Quarterly Plan B Series IV - Dividend	10	1,00.00	10,15.25
Standard Chartered Liquidity Manager Plus - Dividend	1,000	35.90	69,69.90
Grindlays Super Saver Income Fund - Plan C - Dividend	1,000	75.12	7,55.71
Sundaram BNP Paribas Fixed Term Plan Series VI June 06 - Dividend	10	20.00	2,03.24
Tata Floating Rate Short Term Institutional Plan - Dividend	10	3,49.82	35,00.09
Templeton India Treasury Management Institutional Plan - Dividend	1,000	1.10	11,02.05
Lotus India Liquid Plus Fund - Dividend	10	1,00.15	10,01.91
Total			605,80.44

Schedules forming part of the Accounts

	31.03.2007	31.03.2006
	Rs. in Lakh	Rs. in Lakh

Schedule 8

Current Assets

Interest Accrued on Investments		24.94		7.25
Cash and Bank Balances				
Cash on Hand	54.39		19.20	
Balances with Scheduled Banks in				
Current Accounts	9,13.72		6,91.28	
Deposit Accounts	<u>73,65.84</u>	83,33.95	<u>2,80.81</u>	9,91.29
		<u>83,58.89</u>		<u>9,98.54</u>

Schedule 9

Loans and Advances

Secured, Considered Good :

Instalments due from Borrowers	3,08.08		3,08.78	
Loans Against Deposits	<u>3.97</u>	3,12.05	<u>6.35</u>	3,15.13

Unsecured, Considered Good :

Loans		–		3.37
Advances and Deposits recoverable in cash or in kind or for value to be received		8,77.94		7,55.25
Advance Income - Tax and Tax Deducted at Source - (Net of provision for taxation)		1,53.16		84.49
Advance Tax - Fringe Benefit Tax - (Net of provision for taxation)		7.05		0.05
Income Receivable		20.71		2.69
		<u>13,70.91</u>		<u>11,60.98</u>

Schedules forming part of the Accounts

	31.03.2007	31.03.2006
	Rs. in Lakh	Rs. in Lakh
Schedule 10		
<u>Current Liabilities</u>		
Sundry Creditors		
For expenses	2,36.16	79.06
For others	7,03.90	4,50.88
Interest accrued but not due	17,49.67	6,81.19
	<u>26,89.73</u>	<u>12,11.13</u>
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
Schedule 11		
<u>Provisions</u>		
Provision Against Non Performing Loans	4,93.00	4,93.00
Provision Against Standard Non Housing Loans	20.00	-
Provision Against Investments	42.66	28.44
	<u>5,55.66</u>	<u>5,21.44</u>
Schedule 12		
<u>Miscellaneous Expenditure (to the extent not written off or adjusted)</u>		
Discount on issue of debentures	35.62	47.50
Less : Written off during the year	15.83	11.88
	<u>19.79</u>	<u>35.62</u>

Schedules forming part of the Accounts

	2006 - 2007	2005 - 2006
	Rs. in Lakh	Rs. in Lakh
Schedule 13		
<u>Income from Operations</u>		
Interest on Loans (Tax Deducted at Source Rs.4.12 lakh)	103,88.94	83,13.82
Other Operating Income	3,99.85	3,92.17
	<u>107,88.79</u>	<u>87,05.99</u>
Schedule 14		
<u>Other Income</u>		
Dividend Income	3,59.62	1,09.68
Interest Receipts (Tax Deducted at Source Rs. 10.30 Lakh)	1,54.88	1,09.24
Profit on sale of Investments	1,88.72	23.52
Miscellaneous Income	33.19	22.78
Referral Income	36.76	30.53
(Tax Deducted at Source Rs. 1.24 Lakh)		
Profit on sale of Fixed Assets	1.47	-
	<u>7,74.64</u>	<u>2,95.75</u>
Schedule 15		
<u>Financial Expenses</u>		
Interest - Fixed Loans	38,87.91	23,94.56
- Debentures	18,64.39	13,64.50
- Others	25,12.25	25,53.80
Other Financial Expenses	69.04	3,96.51
	<u>83,33.59</u>	<u>67,09.37</u>
Schedule 16		
<u>Establishment Expenses</u>		
Salaries, Allowances and Bonus	5,60.85	4,94.79
Company's Contribution to Provident Fund and Superannuation Schemes	30.60	26.65
Staff Welfare Expenses	30.95	16.45
Training Expenses	3.79	4.22
Gratuity	4.93	8.81
	<u>6,31.12</u>	<u>5,50.92</u>

Schedules forming part of the Accounts

	2006 - 2007	2005 - 2006
	Rs. in Lakh	Rs. in Lakh
Schedule 17		
<u>Administrative and Other Expenses</u>		
Rent	1,16.58	1,07.96
Rates and Taxes	3.17	2.22
Communication Expenses	63.03	62.50
Electricity	28.85	29.12
Travelling and Conveyance	63.85	52.47
Advertisement and Publicity	1,16.65	1,34.01
Directors' Sitting Fees	3.30	2.50
Insurance	55.35	47.62
Repairs and Maintenance		
Buildings	4.88	0.57
Others	35.72	31.52
Printing and Stationery	23.82	33.08
Database and Networking Expenses	84.12	74.41
Professional and Consultancy Fees	47.73	32.91
Commission	2,11.15	1,22.59
Donations	–	5.00
Software charges	46.14	27.14
Miscellaneous Expenses (Net)	90.81	93.32
	<u>9,95.15</u>	<u>8,58.94</u>
Schedule 18		
<u>Provisions and Write off</u>		
Bad Debts	1,54.97	3,10.56
Loss on Sale of Investments	–	0.65
Loss on Sale of Fixed Assets	0.59	–
Provision Against Non Performing Loans	–	38.00
Provision Against Standard Non Housing Loans	20.00	–
Provision Against Investments	14.22	14.22
Assets discarded	1.76	0.05
	<u>1,91.54</u>	<u>3,63.48</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. Besides, 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 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 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 short term benefits to employees is provided on the basis of actual liability in accordance with Accounting Standard – 15 (Revised) – Employee Benefits issued by The Institute of Chartered Accountants of India.

1.6 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.

1.7 Intangible Assets

Computer software, cost of which has been acquired, is amortised over the expected useful life.

1.8 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 amount recoverable is the higher of the assets net selling price and value in use.

1.9 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.

1.10 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.4,00.00 Lakh 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. in Lakh)		Date of Redemption
	31.03.2007	31.03.2006	
16th August 2002	25,00.00	25,00.00	16th August 2007
30th November 2002	25,00.00	25,00.00	30th November 2007
30th September 2003	25,00.00	25,00.00	30th September 2008
26th March 2004	Nil	50,00.00	Redeemed during the year
8th July 2005	50,00.00	50,00.00	8th July 2008
16th August 2005	Nil	25,00.00	Redeemed during the year
Total	125,00.00	200,00.00	

(i) The Non-Convertible Debentures of Rs.125,00.00 Lakh are secured by a first mortgage over a specific immovable property belonging to the Company and a negative lien on its assets. Sundaram Finance Ltd., the holding Company, has guaranteed the payment of interest and the redemption of the debentures to an extent of Rs.50,00.00 Lakh.

2.2.2. From Scheduled Banks :

Rupee Term Loans

Term Loans of Rs.211,76.74 Lakh (31.03.2006 - Rs. 225,41.49 Lakh) 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.674,40.88 Lakh (31.03.2006 - Rs. 400,48.90 Lakh) 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.27,08.33 Lakh (31.03.2006 - Rs.35,41.67 Lakh) is secured by a negative lien on the assets of the Company.

2.3 Unsecured Loans :

During the year 2005 – 06, the company issued Unsecured Subordinated Redeemable Non Convertible Debentures of the Face Value of Rs.50,00.00 Lakh. These debentures rank subordinated to the existing and future unsecured borrowings of the Company are 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 :

Rs.5.84 Lakh (31.03.2006 – Rs.9.93 Lakh) due from the Managing Director of the Company. Maximum amount outstanding in respect of the loan at any time during the period Rs.9.93 Lakh (31.03.2006 - Rs13.94 Lakh).

2.5 Loans and Advances :

2.5.1 Advances and deposits recoverable in cash or in kind or for value to be received include a deposit of Rs.1,47.00 Lakh (31.03.2006 – Rs.1,47.00 Lakh) 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.10,61.54 Lakh (31.03.2006 – Rs.6,86.14 Lakh).

2.5.3 Advance Tax - Fringe Benefit Tax is net of provision of Rs. 25.34 Lakh (31.03.2006 - Rs.12.84 Lakh).

2.6 Current Liabilities:

2.6.1 Sundry Creditors for expenses includes Rs.13.20 Lakh (31.03.2006 – Rs.6.00 Lakh) payable to the Managing Director.

2.6.2 Interest accrued but not due includes interest of Rs.0.23 Lakh (31.03.2006 – Rs. 0.13 Lakh) on deposits from Directors.

3. Profit and Loss Account

3.1 Income from Operations :

Other Operating Income includes revenue of Rs. 2,69.11 Lakh (Previous year : Rs.2,84.86 Lakh) from the sale of loan portfolio of Rs.100,18.92 Lakh (Previous year Rs.117,33.54 Lakh).

3.2 Other Income :

Interest Receipts include Rs.51.05 Lakh from investment in Mortgaged Backed Securities in "SHFL Housing Finance Trust – August 2004." (Previous year – Rs.47.52 Lakh).

3.3 Profit / Loss on sale of investments comprises :

Rs. in Lakh

	2006 – 07		2005 – 06	
	Profit	Loss	Profit	Loss
Long Term Investments	1,82.93	Nil	16.40	Nil
Current Investments	5.79	Nil	7.12	0.65
Total	1,88.72	Nil	23.52	0.65

3.4 Financial Expenses :

Interest - Fixed Loans includes interest of Rs. 0.11 Lakh on Fixed Deposits paid / credited to Directors (Previous year - Rs.0.51 Lakh).

3.5 Establishment Charges include remuneration to the Managing Director :

Rs. in Lakh

	2006 – 07	2005 - 06
Salary and Allowances	34.32	24.24
Contribution to Provident Fund, Superannuation Fund and Gratuity	4.20	3.64
Other Allowances and Perquisites	3.65	3.34
Total	42.17	31.22

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

Rs. in Lakh

	2006 - 07	2005 – 06
Statutory Audit	4.00	4.00
Tax Audit	1.25	1.25
Certification	2.95	2.90
Service Tax	1.01	1.00

3.7 Provisions and Write Off :

3.7.1 Provision against investments of Rs.14.22 Lakh (Previous year – Rs.14.22 Lakh) represents excess of cost over face value of investment in Government Securities.

3.7.2 The provision of Rs.20.00 Lakh towards standard non - housing loans has been created on the basis of the National Housing Bank Directions, 2001, to Housing Finance Companies.

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 Assets and Liabilities on account of timing differences are :

(Rs. in Lakh)

	31.03.2007	31.03.2006
Deferred Tax Assets		
Provision Against Non Performing Loans	1,65.94	1,65.94
Provision Against Standard Non Housing Assets	6.73	–
Others (Provision for Gratuity, Leave Encashment, etc.)	41.09	22.62
Total (A)	2,13.76	1,88.56
Deferred Tax Liabilities		
Depreciation	Nil	1.28
Total (B)	Nil	1.28
Total (A ñ B)	2,13.76	1,87.28

- 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 (31.03.2006 – Nil).

- 4.4 Securitisation :

The Company securitised assets in the year 2004 - 05 to the extent of Rs.51,69.18 Lakh and details pertaining to such assets as on 31st March 2007 are as follows :

(Rs. in Lakh)

PTCs subscribed by the Company	6,33.16
Bank deposits given as collateral	1,47.00

4.5 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. 7,08.52 Lakh as on 31.03.2007 (31.03.2006 - Rs.9,71.90 Lakh). The Asset classification and provisions made in the books of account are as follows :

(Rs in Lakh)

	Sub Standard	Doubtful	Loss Assets	Total
Housing Loans				
Loan Outstanding	95.92	6,05.74	Nil	7,01.66
	(2,59.21)	(7,05.83)	(Nil)	(9,65.04)
Provisions	14.40	4,77.23	Nil	4,91.63
	(33.19)	(4,59.12)	(Nil)	(4,92.31)
Other Loans				
Loan Outstanding	Nil	6.86	Nil	6.86
	(6.86)	(Nil)	(Nil)	(6.86)
Provisions	Nil	1.37	Nil	1.37
	(0.69)	(Nil)	(Nil)	(0.69)
Total				
Loan Outstanding	95.92	6,12.60	Nil	7,08.52
	(2,66.07)	(7,05.83)	(Nil)	(9,71.90)
Provisions	14.40	4,78.60	Nil	4,93.00
	(33.88)	(4,59.12)	(Nil)	(4,93.00)

Figures in brackets pertain to previous year.

4.6 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:

Details of Related Parties :

Holding Company	:	Sundaram Finance Limited
Fellow Subsidiaries	:	Sundaram BNP Paribas Asset Management Company Ltd. Sundaram BNP Paribas Trustee Company Ltd. Royal Sundaram Alliance Insurance Company Ltd. (until 23.11.2006) Sundaram Finance Distribution Ltd. LGF Services Ltd. Sundaram Infotech Solutions Ltd. Sundaram Business Services Ltd. Infreight Logistics Solutions Ltd. (with effect from 24.11.2006)
Associates	:	Sundaram BNP Paribas Mutual Fund
Key Management Personnel	:	Mr. Nitin Palany – Managing Director

Details of Related Parties Transactions for the year ended 31.03.2007

Rs. in Lakh

	Holding Company	Fellow Subsidiaries / Associates	Key Management Personnel	Total
Income				
Fees	– (–)	19.69 (24.03)	– (–)	19.69 (24.03)
Interest on Housing Loan	– (–)	– (–)	0.16 (0.24)	0.16 (0.24)
Rent and Connectivity Charges	1.67 (–)	0.93 (0.18)	– (–)	2.60 (0.18)
Total	1.67 (–)	20.62 (24.21)	0.16 (0.24)	22.45 (24.45)

Note: In addition, an amount of Rs. 42.46 Lakh (31.03.2006 – Rs. 66.83 Lakh) has been received from Royal Sundaram Alliance Insurance Company Ltd towards Insurance claims in respect of borrower accounts

Expenses				
Rent and Office Maintenance	52.25 (39.91)	– (–)	– (–)	52.25 (39.91)
Brokerage, Commission, Deposit and Payroll Processing Charges	2,24.21 (70.63)	– (–)	– (–)	2,24.21 (70.63)
Lease Rentals	– (0.15)	– (–)	– (–)	– (0.15)
Guarantee Commission	27.73 (25.00)	– (–)	– (–)	27.73 (25.00)
Internal Audit fees	3.37 (3.30)	– (–)	– (–)	3.37 (3.30)
Connectivity and Other Charges	– (–)	73.59 (59.82)	– (–)	73.59 (59.82)
Insurance Premium	– (–)	54.68 (56.47)	– (–)	54.68 (56.47)
Remuneration	– (–)	– (–)	42.17 (31.22)	42.17 (31.22)
Interest on Fixed Deposits	– (–)	– (–)	0.01 (0.01)	0.01 (0.01)
Total	3,07.56 (1,38.99)	1,28.27 (1,16.29)	42.18 (31.23)	4,78.01 (2,86.51)

Details of Related Parties Transactions for the year ended 31.03.2007

(Rs in Lakh)

	Holding Company	Fellow Subsidiaries / Associates	Key Management Personnel	Total
Assets				
Investment in Trust Securities	–	69,80.76	–	69,80.76
	(–)	(116,67.50)	(–)	(116,67.50)
Disinvestments in Trust Securities	–	81,01.02	–	81,01.02
	(–)	(106,72.69)	(–)	(106,72.69)
Investment on Trust Securities at the end of the year	–	3,00.00	–	3,00.00
	(–)	(14,01.30)	(–)	(14,01.30)
Housing Loan at the end of the year	–	–	5.85	5.85
	(–)	(–)	(9.93)	(9.93)
Other Assets	–	1.99	–	1.99
	(–)	(–)	(–)	(–)
Total	ñ	153,83.77	5.85	153,89.62
	(ñ)	(237,41.49)	(9.93)	(237,51.42)
Liabilities				
Other Liabilities	27.60	0.42	–	28.02
	(–)	(–)	(–)	(–)
Total	27.60	0.42	ñ	28.02
	(–)	(ñ)	(ñ)	(ñ)

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

Figures in brackets pertain to the previous year.

4.7 Earnings per Share (Basic and diluted):

	2006-2007	2005-2006
A. Profit for the year after taxation (Rs. in Lakh)	14,60.19	5,86.19
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.)	2.09	0.84

4.8 Claims against the Company not acknowledged as debts - in respect of Income Tax matters - Rs.48.39 lakh (31.03.2006 – Rs. 24.34 lakh).

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

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

L. Ravi Sankar
 Partner
 Membership No. 25929
 Chennai
 20th April 2007

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

 Directors
G.K. Raman
T.T. Srinivasaraghavan
N. Ganga Ram
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 N I L Rights Issue N I L

Bonus Issue N I L Private Placement N I L

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital 7 0 0 0 0 0 Reserves & Surplus 4 3 9 1 5 9

Secured Loans Unsecured Loans 1 0 6 2 6 7 8

Application of Funds

Net Fixed Assets 1 7 6 8 3 Investments 2 0 2 9 6 5

Loans Net Current Assets 6 4 8 4 4 1

Deferred Tax Asset 2 1 3 7 6 Misc. Expenditure 1 9 7 9

Accumulated Losses N I L

IV Performance of Company (Amount in Rs. Thousands)

Turnover 1 2 0 7 1 0 0 Total Expenditure 1 0 2 4 0 2 1

Profit / (Loss) Before Tax (+) 1 8 3 0 8 0 Profit/(Loss) After Tax (+) 1 4 6 0 1 9

Earnings Per Share in Rs. 2 . 0 9 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

Particulars	For the year ended		For the year ended	
	31.03. 2007		31.03.2006	
	Rs. in Lakh		Rs. in Lakh	
A) Cash Flow From Operating Activities				
Net Profit as per profit and loss account		14,60.19		5,86.19
Adjustments				
Provision for tax (including Wealth tax & FBT)	3,87.90		2,03.09	
Deferred Tax	(17.29)		(17.47)	
Dividend Income	(3,59.62)		(1,09.68)	
Assets Discarded	1.76		0.05	
Profit on Sale of Assets	(1.47)		–	
Profit on Sale of Investments	(1,88.72)		(23.52)	
Loss on Sale of Investments	–		0.65	
Loss on Sale of Fixed Assets	0.59		–	
Provision against Non Performing Loans	–		38.00	
Provision against Standard Non Housing Loans	20.00		–	
Provision against SLR Investments	14.22		14.22	
Loss on Sale of Portfolio	–		19.21	
Miscellaneous Expenses Written Off	15.83		11.88	
Miscellaneous Expenses Incurred & Deferred	–		(35.62)	
Others - Adjustments in General Reserve (towards AS 15)	(18.11)		–	
Depreciation	72.97		71.76	
Financial Expenses	83,33.59	82,61.65	67,09.37	68,81.94
Operating Profit before Working Capital Changes		97,21.84		74,68.13
Adjustments for:				
Trade and other receivables	(1,99.65)		83.51	
Excess Interest Spread Asset Account	(81.39)		(1,32.85)	
Trade payables and other liabilities	14,69.41	11,88.37	4,18.71	3,69.37
Loans Disbursed(Net)		(170,48.35)		(130,91.68)
Cash Generated From Operations		(61,38.14)		(52,54.18)
Financial Expenses	(83,33.59)		(67,09.37)	
Advance Tax Paid	(4,19.50)	(87,53.09)	(2,87.99)	(69,97.36)
Net Cash from Operating Activity (A)		(148,91.23)		(122,51.54)

Cash Flow Statement

	For the year ended 31.03. 2007	For the year ended 31.03.2006
Particulars	Rs. in Lakh	Rs. in Lakh
B) Cash Flow From Investing Activities		
Dividend Received	3,59.62	1,09.68
Sale of Fixed Assets	4.49	–
Purchase of Fixed Asset	(41.22)	(74.65)
Purchase of Investment	(693,97.80)	(435,98.63)
Sale of Investments	715,08.60	427,86.88
Net Cash from Investing Activity (B)	<u>24,33.69</u>	<u>(7,76.72)</u>
C) Cash Flow From Financing Activities		
Increase in Borrowings(Net)	186,88.56	84,71.97
Increase in Fixed Deposits (Net)	10,26.61	(11,51.96)
Subordinate Debt	–	50,00.00
Net Cash From Financing Activity (C)	<u>197,15.17</u>	<u>123,20.01</u>
Net Increase/(decrease) in cash and Cash Equivalent(A+B+C)	72,57.63	(7,08.25)
Cash and cash Equivalent at the beginning of the period	7,10.48	14,18.73
Cash and cash equivalent at the end of the period	<u>79,68.11</u>	<u>7,10.48</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	54.39	19.20
Balances with banks- Current account	9,13.72	6,91.28
Balances with banks- Short term deposits	70,00.00	–
Cash and Cash equivalents	<u>79,68.11</u>	<u>7,10.48</u>

2) Total tax paid during the year (including tax deducted at source) amounted to Rs. 4,36.39 lakh.

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

L. Ravi Sankar

Partner
Membership No. 25929

Chennai
20th April 2007

S. Viji

Chairman

Nitin Palany

Managing Director

G. Sundararajan

General Manager - Finance

V. Sriraman

Company Secretary

Directors

G.K. Raman

T.T. Srinivasaraghavan

N. Ganga Ram

Srinivas Acharya

M.S. Parthasarathy



SUNDARAM HOME

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, Nellore : 0861 320 5544, Rajamundry : 0833 325 6600,
Secunderabad : 040 3297 5692, Vijayawada : 0866 329 8753, Visakapatnam : 0891 325 5704,
Warrangal : 0870 243 3494

Karnataka

Bangalore : 080 3294 2028, Mangalore : (0824) 245 1517, Mysore : 0821 242 5007, Udipi : 0820 253 6552

Kerala

Calicut : 0495 394 1497, Cochin : 0484 302 7421, Kannur : 0497 276 8731, Kottayam : 0481 257 2595,
Trichur : 0487 325 8003, Trivandrum : 0471 394 9355

Pondicherry : 0413 320 0235

Tamil Nadu

Chennai : 044 3297 4142 / 3298 2611, Coimbatore : 0422 320 7505, Dharmapuri : 04342 32 0800,
Dindugal : 0451 329 8176, Erode : 0424 329 8868, Hosur : 04344 32 4940, Jothipuram : 0422 320 2102,
Kanchipuram : 044 372 00077, Karaikudi : 04565 23 3203, 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



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