

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
Annual Report **2012-13**

# Believe...

...in People's Aspirations ◊ Consistent Performance ◊ Technology-led Growth





The cover reflects the vibrancy of Chola. Our way forward is symbolised by rising flames (depicting the strength of our belief), human elements (representing our people's aspirations) and upward arrows (showing consistent performance). This entire ecosystem is strengthened by our technology architecture.

## FORWARD-LOOKING STATEMENT

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

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

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

# How the **story** unfolds

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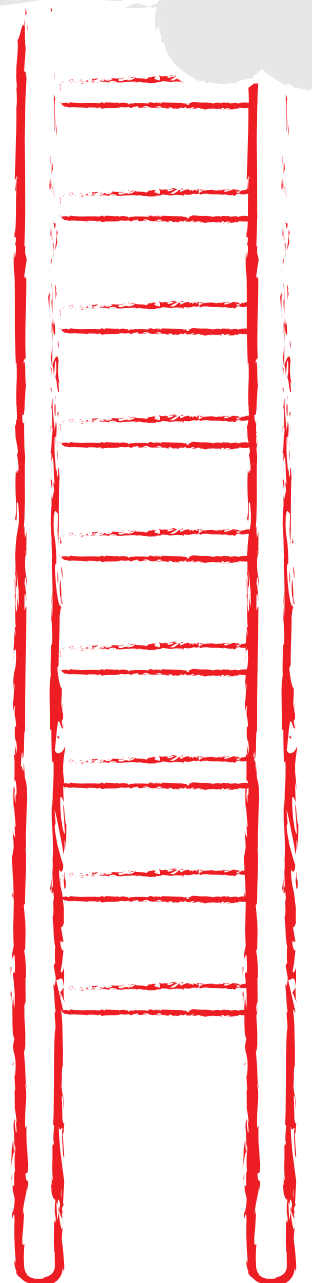
## At Chola we believe...

The aspirations of our people shape a performance-driven culture.

The consistent focus on performance provides customised solutions to diverse customers in the shortest possible time.

The technology enables faster operations, lower operating costs and higher integration across the organisation.

The combination of all the three factors enables us to create sustainable stakeholder value.



# Corporate information

## **BOARD OF DIRECTORS**

**M.B.N.Rao**  
Chairman

**N.Srinivasan**  
Vice Chairman

**Indresh Narain**

**R.V.Kanoria**

**V.Srinivasa Rangan**

**L.Ramkumar**

**Vellayan Subbiah**  
Managing Director

## **SECRETARY**

**P. Sujatha**

## **CONTACT DETAILS**

Phone: 044 30007172 (bd.) 30007055 (d)

Fax: 044 25346464

E-Mail: sujathap@chola.murugappa.com

## **AUDITORS**

**M/s. Deloitte Haskins & Sells, Chennai**

## **REGISTERED OFFICE**

Dare House  
No.2, N.S.C. Bose Road, Parrys  
Chennai 600 001.

## **REGISTRAR & SHARE TRANSFER AGENT**

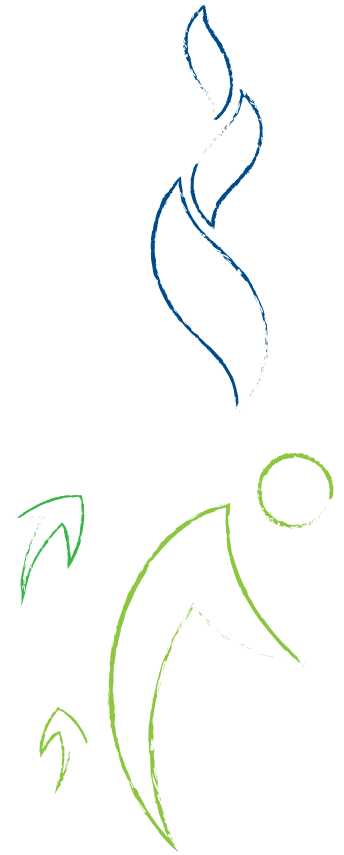
**M/s. Karvy Computershare Private Ltd.**

Plot No.17-24, Vittal Rao Nagar, Madhapur  
Hyderabad 500 081.

Phone No.: 040-2342 0818

e-mail: einward.ris@karvy.com

# Single objective: customer centricity



At Chola, our core objective is to fulfil our customers' aspirations.



#### Chola's customer service initiatives:

- Launch of customer service module to service walk-in customers better
- Instant response to customer queries via SMS
- Online processing of payments to customer accounts through RTGS and NEFT
- Customer meets at select towns to receive service-related feedback
- Dedicated customer service cell for the mortgage loan customers
- Image-based solutions for faster payments to dealers and customers



# Our vision is backed by strong focus

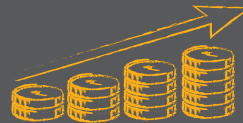
## Product portfolio



Vehicle finance



Home equity



Corporate finance



Home loans



Gold loans



Rural finance



Wealth management

## Consistent progress

**375**  
2011-12

Branches across 22 states/Union Territories

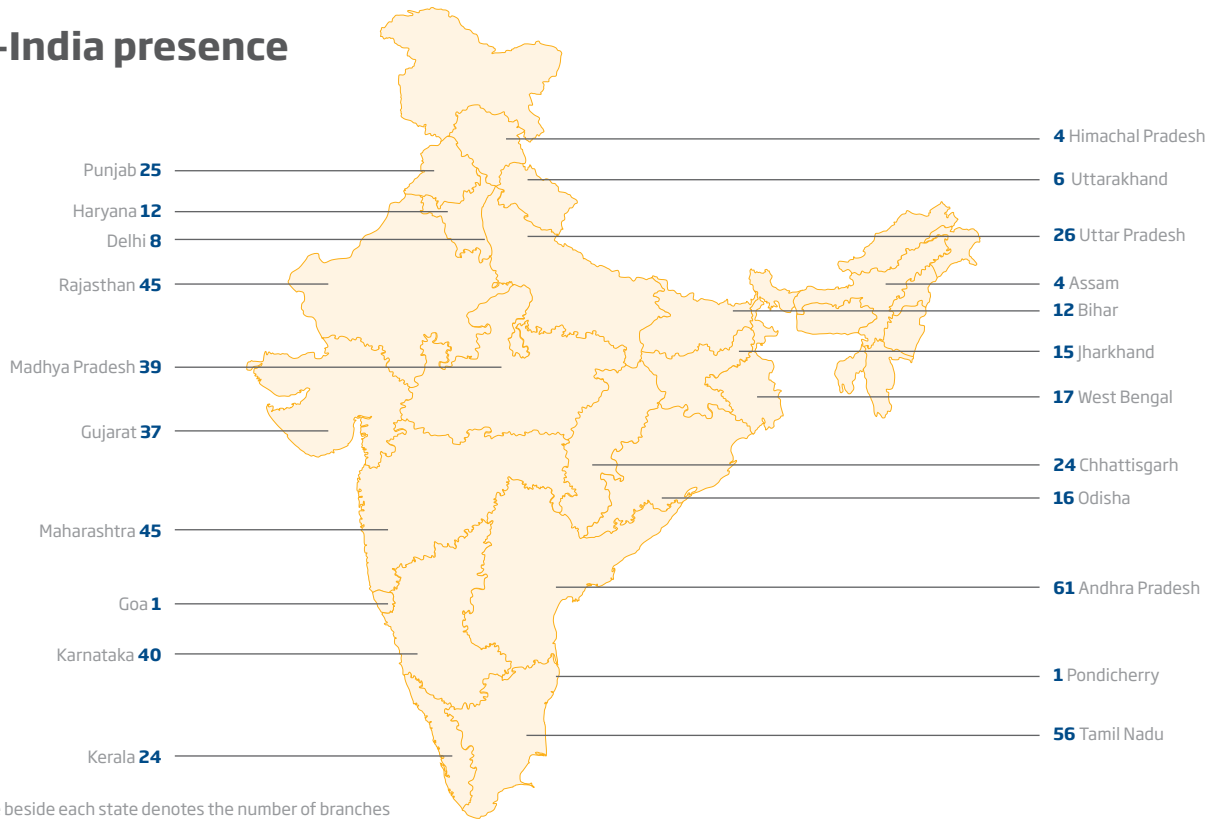
**518**  
2012-13

**1,400**  
2011-12

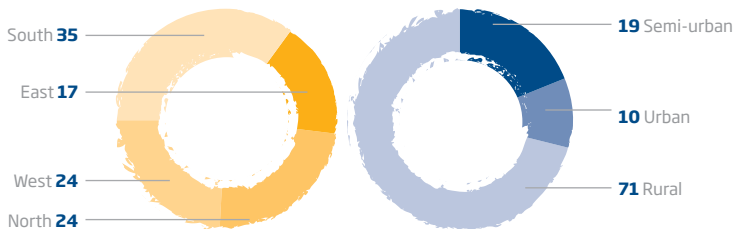
Employee strength

**2,044**  
2012-13

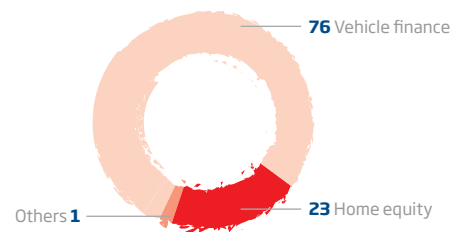
### Pan-India presence



### Far and Wide (%)



### Asset Mix (%)



**3,50,000**  
2011-12

**4,50,000**  
2012-13

Customer base

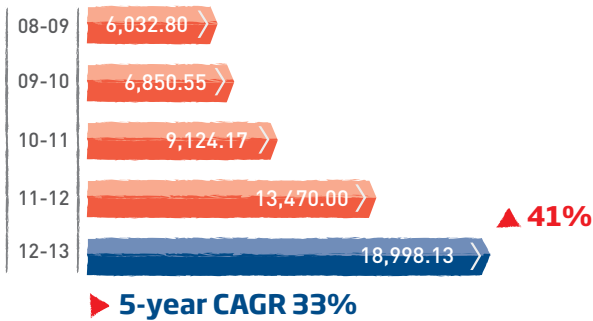
**₹ 13,000 crores**  
2011-12

**₹ 19,000 crores**  
2012-13

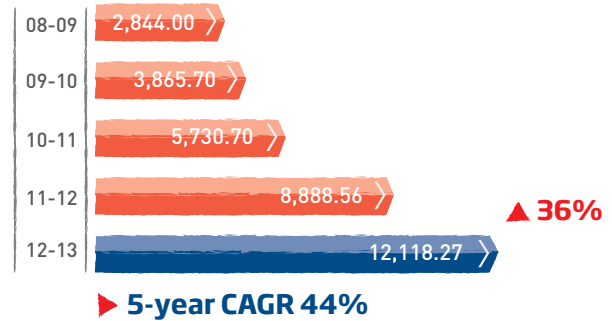
Assets under management (AUM)

# Our performance in perspective

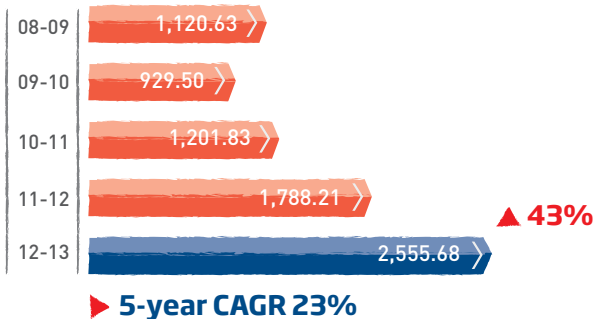
## ASSETS UNDER MANAGEMENT (₹ in crores)



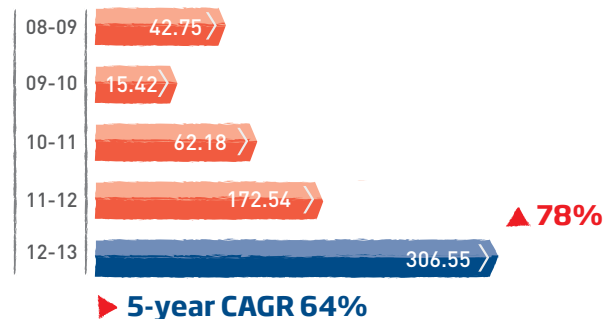
## ANNUAL DISBURSEMENTS (₹ in crores)



## TOTAL INCOME (₹ in crores)



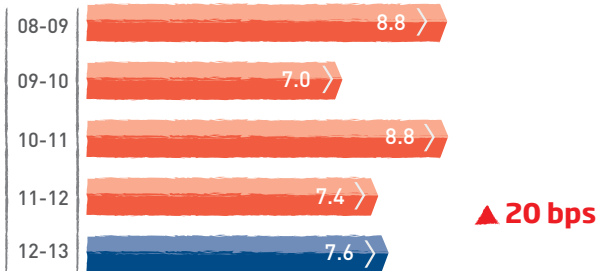
## PROFIT AFTER TAX (₹ in crores)



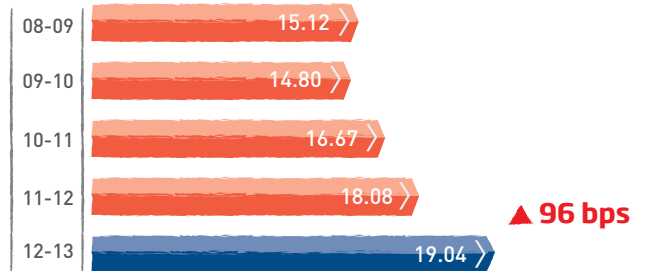




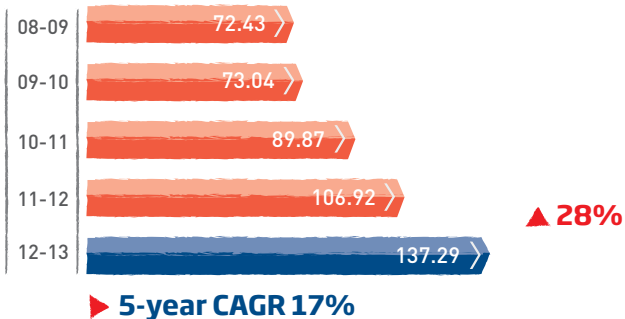
**NET INCOME MARGIN (%)**



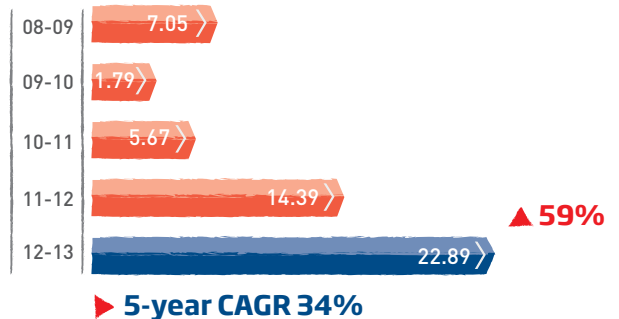
**CAPITAL ADEQUACY RATIO (%)**



**BOOK VALUE PER EQUITY SHARE (₹)**



**EARNINGS PER EQUITY SHARE - BASIC (₹)**



CAGR - Compound Annual Growth Rate

▲ Year-on-Year growth from 2011-12 to 2012-13

bps- Basis Points



**Vellayan Subbiah**  
Managing Director

# Frankly speaking

## Dear Shareholders,

The global economy grappled with challenges for most of the financial year 2013. Although emerging economies are in better shape compared to their developed counterparts, growth rates are moderating globally.

The Indian economy witnessed moderate growth during the year. While the government's policy initiatives during the second half of the year have begun to address some challenges, it will take time to reflect on the economy.

At Chola, we believe that consistent performance, technology leadership and a strong focus on developing the potential of our people creates the foundation for long-term growth. Our performance in 2012-13 reinforces our belief. The credit for achieving our objectives for the past year goes to each and every member of the Chola family.

Last year, Chola's growth was primarily driven by higher disbursements on a wider branch network and a margin-accretive product mix. Chola has sustained its growth trajectory without compromising on asset quality. Our total assets under management grew by 41% from ₹ 13,470 crores in 2011-12 to ₹ 18,999 crores in 2012-13. Our aggregate disbursements during the year touched ₹ 12,118 crores in 2012-13 as against ₹ 8,889 crores in 2011-12, registering 36% growth. During the year, Chola

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## Managing Director's Message

successfully raised equity capital of ₹ 3 billion through a qualified institutional placement (QIP).

With the highest ever disbursements, our Vehicle Finance (VF) business has performed well. Total disbursement by VF stood at ₹ 9,882 crores in 2012-13 - a growth of 35% over 2011-12. Most of the segments in which VF operates have continued to see good growth. The team increased its market share in Tier-II, Tier-III towns and rural areas. Moreover, improving the productivity of branches led to a decrease in our cost to income ratio. The vehicle finance asset book grew by 46%. The business opened 129 new branches and added 90,371 customers during the year. Net Credit Losses (NCL) stood at 0.55%.

Our Home Equity (HE) business delivered another year of strong performance. Total disbursements by HE stood at ₹ 2,161 crores in 2012-13 - a growth of 41% over 2011-12. The asset book in home equity stood at ₹ 4,337 crores. NCL stood at 0.28%, one of the lowest in the industry. This strong performance was driven by a growth in market share, a strong focus on team building and increased productivity.

To sustain the growth momentum and to offer more products to meet growing customer needs Chola is piloting a few product extensions: home loans, corporate loans for the MSME segment and rural finance.

Chola's gold loan business completed one year of operations. The team faced immense challenges given the current environment and our strict adherence of 60% loan-to-value in gold loans. The book size stood at ₹ 19 crores as on 31 March, 2013.

Our subsidiary businesses saw moderate growth.

On the people front, the Human Resources team rolled out several new initiatives such as the establishment of a training centre, a customised training calendar and multiple employee engagement programmes.

Technology is an important facilitator of our growth. Our IT team has contributed immensely to strengthen our technology architecture. Our mobile-based applications have enhanced the efficiency of sales and collection. Chola is also working towards increasing automation levels across branches to drive productivity. MIS applications are being developed to analyse branch profitability and performance at a product level.

I would also like to acknowledge the contribution of our Treasury team for their efforts to reduce our cost of funds and strengthen asset-liability management. Our balance sheet, supported by good credit ratings, enables us to access cost-effective funds.

The Operations team rolled out several key initiatives that improved efficiency and contributed to customer delight. They have continuously improved productivity every year, thus delivering higher volumes without any increase in manpower.

The Compliance and Legal team continue their good work, ensuring Chola's adherence to best-in-class regulatory framework, corporate governance and stakeholder management. The Risk Management team is focusing on a comprehensive and integrated risk management framework that includes risk-based pricing, structured reporting and control measures.

Our way forward is clear: continue to "Strengthen our core", encourage innovation, invest in our people and identify potential growth avenues. These significant steps will help drive sustainable growth. The financial services industry has a lot of potential in India and Chola is well placed to exploit this potential.

I am happy to inform you that our Board has recommended a final dividend of ₹ 1 per share (10% on the face value of ₹ 10 per share) over and above the interim dividend of ₹ 2.50 per share (25% on the face value of ₹ 10 per share, already paid) taking the total dividend for the year to ₹ 3.50 per share (35% on the face value of ₹ 10 per share).

I welcome your feedback and suggestions on what we can do to improve Chola as a company. Feel free to send me your thoughts and comments at [vellayan@chola.murugappa.com](mailto:vellayan@chola.murugappa.com).

Best Wishes,  
**Vellayan Subbiah**

## Business Review

# Vehicle Finance

Chola provides loans to purchase a wide range of new and used vehicles, including Heavy Commercial Vehicles (HCV), Light Commercial Vehicles (LCV), Small Commercial Vehicles (SCV), Multi Utility Vehicles (MUV), Tractors and Cars.

**₹ 14,369 crores**

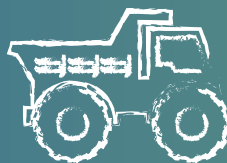
Asset under management, as on 31 March, 2013, compared to ₹ 9,848 crores, as on 31 March, 2012, a growth of 46%

**₹ 9,882 crores**

Total disbursements in 2012-13, compared to ₹ 7,306 crores in 2011-12, a growth of 35%

**₹ 2,019 crores**

Divisional income in 2012-13, compared to ₹ 1,334 crores in 2011-12, a growth of 51%



**Our edge**

- Enjoy the reputation of being a consistent, ethical, long-term and stable industry player
- Focus on ensuring strong relationships with customers, dealers and manufacturers
- Deeply penetrated with increasing presence in Tier-II, Tier-III cities and rural towns
- A highly experienced, stable and prudent in-house sales, collections and credit team
- Strong internal control and risk management processes
- Customised products to our target customers
- A strong collection management platform
- A growing network of branches, which now stands at 473



**Highlights, 2012-13**

**Business**

- Built asset book and market share in vehicle finance, which now constitutes 76% of our assets
- Enhanced business generation from existing customers, which contributed 27% of overall disbursement
- Opened 129 new branches during the year
- Enhanced sales productivity and reduced sourcing costs through a mobile-based technology platform
- Launched Road Safety and Driver Awareness Programme as part of CSR activities. 4,500 customers benefited from this programme

**Credit**

- Self-audit programmes to identify and address process implementation issues and educate the business team by feeding the learning back into the business through relevant training modules
- Improved credit assessment skills by conducting regular training programmes

**Collections**

- Adopted mobile technology to enhance collection productivity and efficiency, reducing collection cost
- Initiated a strong follow-up process to enhance income generation by the collection team

**People**

- Launched several capability enhancement and functional training programmes for managers across levels

## Business Review

# Home Equity

Chola provides loans against property to self-employed individuals and non-professional groups engaged in operating small and medium scale industries, service providers and traders.

**₹ 4,337 crores**

Asset under management, as on 31 March, 2013, compared to ₹ 3,083 crores, as on 31 March, 2012, a growth of 41%

**₹ 2,161 crores**

Total disbursements in 2012-13, compared to ₹ 1,528 crores in 2011-12, a growth of 41%

**₹ 551 crores**

Divisional income in 2012-13, compared to ₹ 378 crores in 2011-12, a growth of 46%



**Our edge**

- Provide personalised service to customers through direct interaction with each customer
- Manage costs effectively
- Personal visit by a credit manager for every loan disbursement
- Assess both collateral and repayment capacity of customers to ensure credit quality

**Highlights, 2012-13**

- Focused on increasing individual manpower productivity
- Expanded geographically; opened 16 new branches to take the total number of branches to 58
- Achieved a new milestone by crossing ₹ 100 crores profit before tax mark



## Business Review



### Corporate Finance

Loans are given to promoters of corporates, high net worth individuals (HNIs) and corporate houses for a tenure of one to two years. The company realigned the business and continued to reduce the finance against shares exposure during 2012-13. The division launched MSME loans – bill discounting, working capital demand loans, bridge loans, pre-shipment credit and short/medium term loans to vendors, dealers and suppliers of Murugappa Group ecosystem, including existing client relationships.



### Gold Loans

Chola started offering loans against gold from fiscal 2012 as a pilot project. The gold loan market is going through a wave of changes due to external factors. The company has therefore recalibrated its strategies and is exploring alternate models to be competitive and profitable.



### Home Loans

Chola recently forayed into the home loans segment. The division focuses on new home loans for the self-employed. It seeks to build expertise in assessing this customer segment and to eventually establish a pan-India presence.



### Rural Finance

Chola has launched a new product line - rural finance. This focuses on lending to the farmer community, leveraging the relationships of the agri-based businesses of the Murugappa Group.



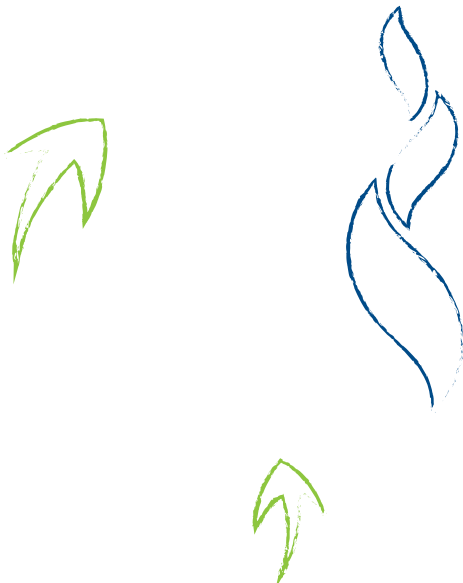
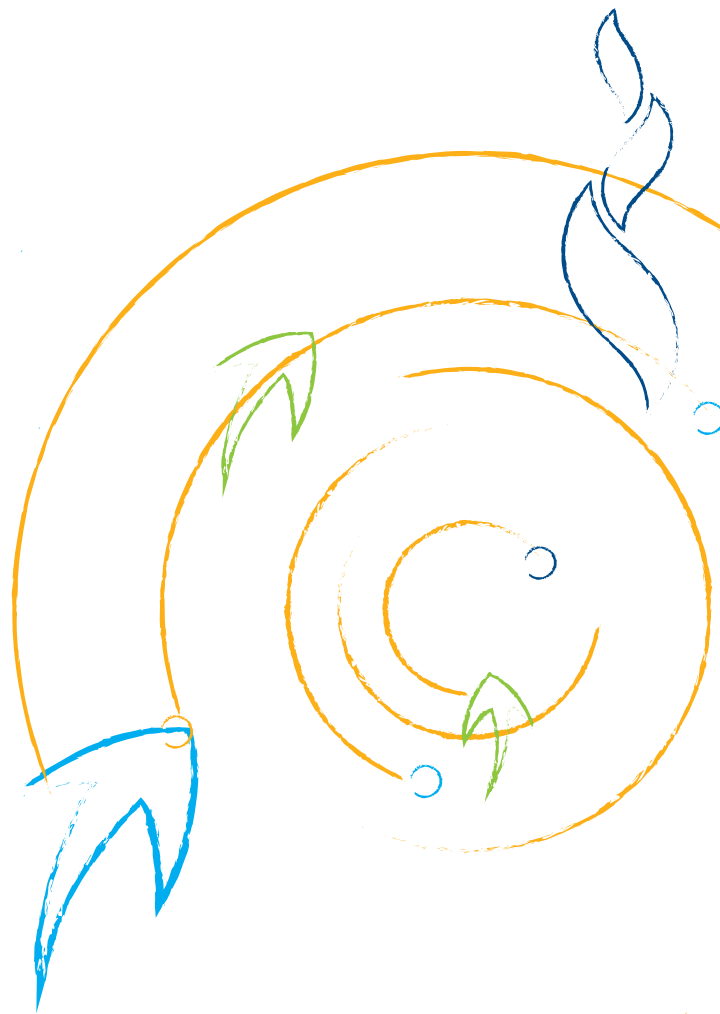


# Wealth Management

Through our subsidiaries, Chola manages investments of customers in mutual funds, corporate deposits, infrastructure bonds, share trading, depository participant services, insurance distribution and other fee-based financial products.

## Our edge

- Offer mutual funds, bonds, fixed deposits, corporate debt, structured products, life and general insurance and mortgages from nine offices
- Provide broking and depository participant services to HNIs and institutional investors across 11 metros and mini metros
- Provide financial planning services for mass affluent customers



# Technology creates tangible value

At Chola, we don't view technology as just an enabler of business processes. Rather, we see it as a creator and accelerator of tangible value that positively impacts business performance. We are committed to strengthen our technology platforms to achieve greater integration, higher efficiency, more satisfied customers and enhanced stakeholder value.

## Chola's technology initiatives

### Campaign and lead management system

The campaign and lead management system has been enhanced and integrated with mobile applications. These campaigns have enhanced our customer interaction and have helped us increase business volumes

### Branch administration and workflow automation

An initiative towards paperless office and automation of branch workflow with regard to claims and payments. This has helped us streamline the processes leading to reduced cost and improved reimbursement turnaround time.



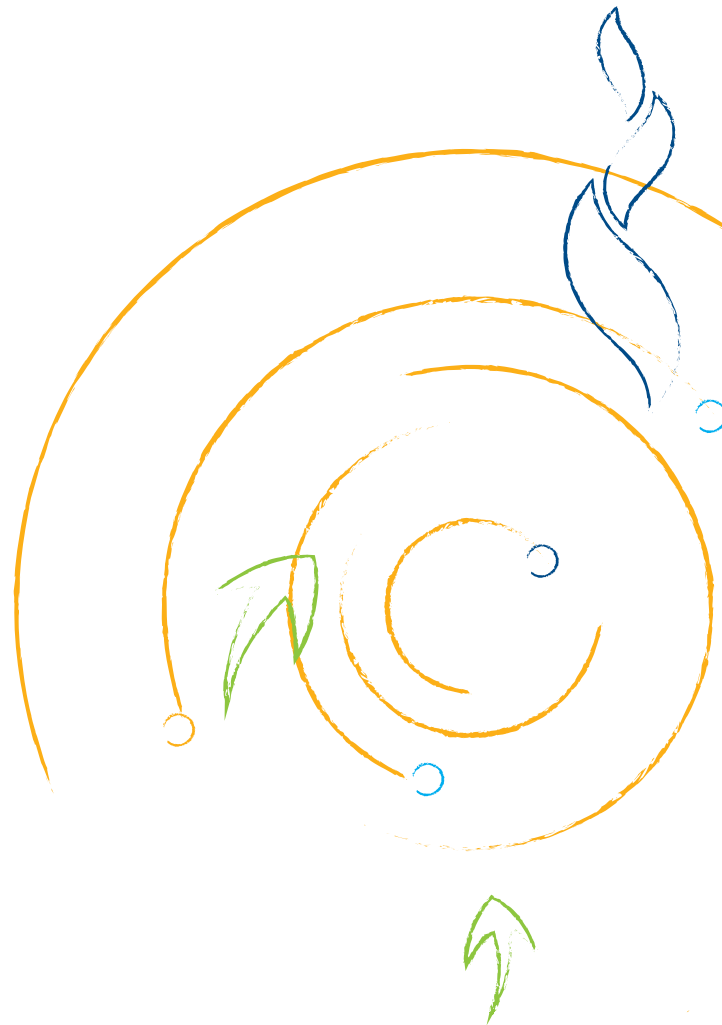
## Technology-led Growth

### Mobile application

Early adopter of mobile technology application for the front-end field force.

#### Benefits

- Reduced cost and lower paper work with simplified workflow; enhanced productivity
- Accelerating day-to-day activity of sales and collection executives by providing real-time customer information
- Central monitoring of leads originated and amount collected



### Planning and MIS solutions

MIS solutions are being built to provide insight on the branch and product performances. Costs are allocated at branch and product level to arrive at return on total assets (ROTA) at branch/product level profitability.



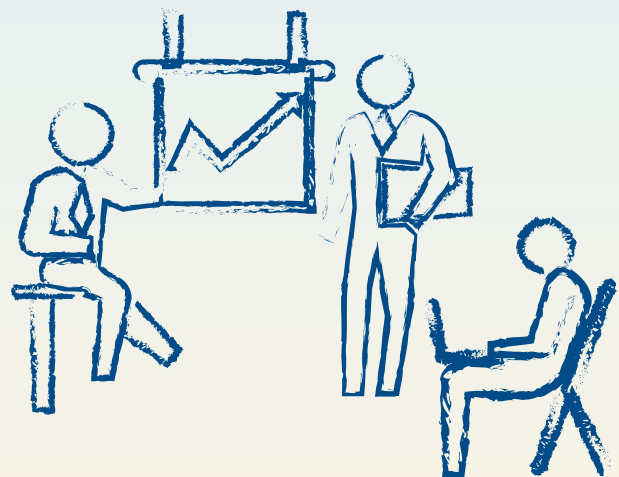
# Friendly approach + Deep expertise = Unbeatable value

Expert knowledge and a friendly approach. At Chola, we train people to be friendly experts for our customers.



During the year, the following key initiatives were undertaken to nurture and retain talent:

- Competence building exercise for key employees to build on their capabilities
- Learning centre at Chennai to train the frontline sales executives and line one managers, to help develop them into more dynamic and knowledgeable individuals
- Development centre to help identify levels of competencies, based on complete learning analysis
- Dedicated hotline for redressing employee grievances
- Leadership programme for select employees; imparting training to take middle-level employees to the next level of management





**8,814**  
Man-days of training  
during 2012-13

# The Board



**Mr. M.B.N. Rao**  
(64 years)  
Chairman

- Is a graduate in agriculture, an Associate of the Chartered Institute of Bankers, London, a Certified Associate of the Indian Institute of Bankers and a Fellow of the Indian Institute of Banking & Finance. Holds Diploma in Computer Studies from the University of Cambridge and the National Centre for Information Technology, United Kingdom
- Is the former Chairman and Managing Director of Canara Bank and Indian Bank
- Has over 40 years of varied experience in fields of banking, finance, economics, technology, human resource, marketing, treasury and administration
- Has over nine years of international banking experience abroad in Singapore and Indonesia
- Is a member of the Singapore Institute of Management; was also the Chairman of Indian Banks Association and a member of various committees constituted by RBI, MOF, SEBI and National Institute of Bank Management
- Is on the Boards of various reputed companies including E.I.D. Parry (India) Ltd., Neyveli Lignite Corporation Ltd. and Madras Cements Ltd.
- Joined the Board of Chola in July, 2010



**Mr. N. Srinivasan**  
(55 years)  
Vice Chairman

- Is a graduate in Commerce, an Associate member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India
- Has over 29 years of experience in the areas of corporate finance, legal, projects and general management
- Is a Director on the Boards of Tube Investments of India Ltd., Cholamandalam MS General Insurance Company Ltd. and certain other Murugappa Group companies
- Joined the Board of Chola in December, 2006



**Mr. Indresh Narain**  
(68 years)  
Non-executive Director

- Is a graduate in Arts, a Banker with wide experience at regional and head office level in personal and corporate banking, wealth management, currency markets, asset recovery, corporate finance and human resources
- Retired as the Head of Compliance & Legal, HSBC India
- Was a member of the Assets & Liabilities Committee (ALCO), the Apex Management Committee, Corporate Governance and Audit Committee of HSBC, India
- Is a Director on the Boards of Dhanuka Agritech Ltd. and PineBridge Investments Trustee Company (India) Pvt. Ltd.
- Is on the Board of Governors of the Indian Public Schools Society
- Joined the Board of Chola in July, 2006

## Profile of Directors



**Mr. R.V.Kanoria**

(58 years)

Non-executive Director

- Is an MBA from IMD, Switzerland and an Alumni of Wharton University, USA
- Is the Chairman and Managing Director of Kanoria Chemicals & Industries Ltd. and is also on the boards of several other companies
- Is the Immediate Past President of Federation of Indian Chamber of Commerce and Industry (FICCI); has headed several joint-business councils; was the Chair of the commission on International Trade and Investment Policy of the International Chamber of Commerce (ICC), Paris
- Is on the Governing Body of Population Foundation of India
- Joined the Board of Chola in September, 1995



**Mr. V.Srinivasa Rangan**

(53 years)

Non-executive Director

- Is a graduate in Commerce, Grad. Cost and Works Accountants of India and an Associate Member of the Institute of Chartered Accountants of India
- Is an Executive Director at Housing Development Finance Corporation Limited (HDFC Ltd.) and has been associated with the company since 1986
- Is a director on the Boards of Hindustan Oil Exploration Company Limited and several other companies in HDFC Group
- Was Conferred the Best CFO in the Financial Sector for 2010 by the Institute of Chartered Accountants of India
- Joined the Board of Chola in July, 2011



**Mr. L.Ramkumar**

(57 years)

Non-executive Director

- Is a graduate in Commerce, a member of the Cost and Works Accountants of India and holds a Post Graduate Diploma in Management from IIM, Ahmedabad
- Is the Managing Director of Tube Investments of India Ltd. (TII)
- Is the former President and Director of Fenner India Ltd.
- Has varied experience in developing long-term strategies, restructuring, setting up greenfield projects and building a customer-oriented organisation
- Joined the Board of Chola in July, 2010



**Mr. Vellayan Subbiah**

(43 years)

Managing Director

- Is a Bachelor of Technology in Civil Engineering from IIT Madras and a Masters in Business Administration from the University of Michigan
- Has worked with Mckinsey and Company, Chicago, 24/7 Customer Inc. and Sundram Fasteners
- Was the Managing Director of Laserwords, Chennai, between January, 2007 and August, 2010
- Is a Director on the Boards of SRF Limited and certain other Murugappa Group companies
- Joined the Board of Chola in August, 2010

# Decade at a glance

₹ in lakhs

Particulars	2004	2005	2006
<b>OPERATING RESULTS</b>			
Total income	22763	21498	22146
Profit before tax	#4606	5156	4604
Profit after tax	3210	3407	3521
<b>ASSETS</b>			
Fixed assets (including assets leased out)	2571	1604	2097
Statutory and other investments	7743	12876	6861
Receivables under financing activity			
- Automobile financing	113245	125208	148020
- Loans against immovable property	-	5340	1626
- Other loans	24536	18117	39908
Other assets (net)	13727	9259	11767
<b>Total Assets</b>	<b>161822</b>	<b>172404</b>	<b>210279</b>
<b>LIABILITIES</b>			
<b>Shareholders' funds</b>			
-Equity	22256	30275	31572
-Preference	2300	1000	-
Loan funds	128772	133543	169985
Other liabilities and provisions	8494	7586	8722
<b>Total Liabilities</b>	<b>161822</b>	<b>172404</b>	<b>210279</b>
<b>KEY INDICATORS</b>			
Earnings per equity share (₹) - Basic	#10.91	9.04	9.12
Earnings per equity share (₹) - Diluted	#10.91	9.04	9.12
Dividend per equity share (₹)	5	5	5
Book value per equity share (₹)	87.97	79.78	83.2

# Before extraordinary items





₹ in lakhs

2007	2008	2009	2010	2011	2012	2013
40913	89173	112063	92950	120183	178821	255568
4727	9094	1708	3133	10011	29011	45080
3102	5937	4275	1542	6218	17254	30655
3294	4759	3384	1375	3318	5316	7065
7876	17394	40520	21933	6828	6170	22451
157926	194808	195610	307616	573146	882201	1198841
12325	43838	63097	135857	188648	299966	434722
156677	301395	196768	105485	98232	50823	29031
36052	75174	197908	123977	97654	98550	126370
<b>374150</b>	<b>637368</b>	<b>697287</b>	<b>696243</b>	<b>967826</b>	<b>1343026</b>	<b>1818480</b>
32635	55863	48101	48500	107202	141728	196477
-	-	30000	30000	-	-	-
321928	541748	542703	541480	794891	1144411	1528901
19587	39757	76483	76263	65733	56887	93102
<b>374150</b>	<b>637368</b>	<b>697287</b>	<b>696243</b>	<b>967826</b>	<b>1343026</b>	<b>1818480</b>
7.63	12.88	7.05	1.79	5.67	14.39	22.89
7.63	12.23	6.83	1.79	5.67	14.39	22.83
4	4	0	1	1.5	2.5	3.5
86	107.07	72.43	73.04	89.87	106.92	137.29

# Directors' Report



## DIRECTORS' REPORT

Your directors have pleasure in presenting the thirty fifth annual report together with the audited accounts of the company for the year ended 31 March, 2013.

## FINANCIAL RESULTS

₹ in crores

Particulars	2012 - 13	2011 - 12
<b>Gross income</b>	2,555.68	1,788.21
Profit before tax	450.80	290.11
Profit after tax	306.55	172.54
Add: Balance brought forward	83.67	81.84
<b>Amount available for appropriation</b>	<b>390.22</b>	<b>254.38</b>
<b>Adjustments / Appropriation:</b>		
Transfer to statutory and other reserves	211.31	134.51
Dividend - Equity	47.46	31.15
Tax on dividend	7.81	5.05
Balance carried forward	123.64	83.67
<b>TOTAL</b>	<b>390.22</b>	<b>254.38</b>

**During the year, the company added three new product lines namely home loans, rural financing syndication and micro, small and medium enterprise (MSME) loans.**

### SHARE CAPITAL

During the year under review, the company issued and allotted 10,526,315 equity shares of ₹ 10 each at ₹ 285 per equity share, by way of a qualified institutional placement (QIP) aggregating to ₹ 300 crores to eligible investors.

### OPERATIONS

During the year, the company recorded a substantial jump in its performance in vehicle finance and home equity businesses resulting in:

- > 55% growth in profits before tax
- > 36% growth in disbursements
- > 41% growth in closing managed assets

Disbursements in vehicle finance for the year were at ₹ 9,882 crores as against ₹ 7,306 crores in the previous year recording a growth of 35%.

Home equity business recorded a disbursement of ₹ 2,161 crores as against ₹ 1,528 crores in the previous year recording a growth of 41%.

During the year, the company added three new product lines namely home loans, rural financing syndication and micro, small and medium enterprise (MSME) loans. While home loan business will focus on new home loans for the self employed segment, rural financing business will focus on arranging loans to the farmer community leveraging the relationships of the agri-based businesses of the Murugappa Group. The MSME business will offer bill discounting, working capital demand loans, bridge loans, pre-shipment credit and term loans to MSME's.

Disbursements in home loans were at ₹ 3 crores and MSME were at ₹ 13 crores. The rural financing business syndicated an aggregate disbursement of ₹ 1 crore.

The business assets under management (net of provisions) of the company as at 31 March, 2013 increased to ₹ 18,999 crores from ₹ 13,470 crores in the previous year recording a growth of 41%.

The profit before tax for the year was at ₹ 450.80 crores as against ₹ 290.11 crores in the previous year. Profit after tax was at ₹ 306.55 crores for the year as compared to ₹ 172.54 crores in the previous year.

### DIVIDEND

The company has paid an interim dividend of 25% (₹ 2.50 per equity share) as approved by the board on 18 January 2013 for the year ended 31 March, 2013.

Your directors are pleased to recommend a final dividend of 10% (₹ 1 per equity share). With this, the total dividend for the year will be 35% (₹ 3.50 per equity share) for the year ended 31 March, 2013.

### TRANSFER TO RESERVES

Your company has transferred a sum of ₹ 61.31 crores to statutory reserve as required under the Reserve Bank of India Act, 1934 and ₹ 150 crores to general reserves.

### OUTLOOK

#### Vehicle finance:

The slowdown in the growth of the economy is impacting the sales of commercial vehicle (CV), particularly

the heavy commercial vehicle (HCV) segment. The CV industry witnessed a de-growth of 2% during 2012-13 over 2011-12, led by the sharp decline (-23% over the previous year) in the sales of HCVs, which are essentially production driven assets. The vehicle finance business in Chola, predominantly focuses on the light commercial vehicles and small commercial vehicles for which the demand continued to be good during 2012-13. Hence the light and small CV segment, which are consumption driven assets and are engaged primarily in last mile transportation applications recorded a growth of 14%. Government of India has been taking several initiatives to bring the economy back to growth. Prospects for 2013-14 hinges on the overall economic growth and demand in the CV sector.

#### Home equity:

The environment for the home equity business has been intensely competitive in 2012-13 with more banks and NBFC's entering the space and existing players strengthening their presence. However, the business has established itself in this space and is viewed today, as one of the most competitive and customer friendly business. The business expects to post decent growth in 2013-14 in this segment fueled by healthy credit off take in our target customer segments.

#### Gold loan:

Keeping in perspective the regulatory environment and market/industry trends, alternate business models for gold loan is being evaluated. The company is adopting a cautious approach given the volatile and changing conditions in this domain.

#### FIXED DEPOSITS

The company is a systemically important non-deposit accepting non-banking finance company (SI - ND - NBFC). It ceased taking deposits from public effective 1 November, 2006. At the time of conversion, the outstanding unmatured deposits were transferred to an escrow account together with the future interest payable thereon till the date of maturity and these are being repaid on maturity. Accordingly, there have been no fresh deposits accepted during 2012-13. Net of repayments, the matured and unclaimed deposits (including interest accrued) as at 31 March, 2013 were ₹ 0.40 crores.

As at 31 March, 2013 there were 152 depositors whose deposits had matured but had not claimed the maturity amount aggregating to ₹ 0.40 crores (along with interest accrued). As a process, the company sends periodical reminders to these depositors before transferring the sums due to the Investor Education and Protection Fund (IEPF) under Section 205C of the Companies Act, 1956. During the year, the company remitted a sum of ₹ 0.18 crores to IEPF under this head representing unclaimed public deposits and interests thereon beyond seven years. In respect of outstanding fixed deposit of ₹ 0.02 crores, the repayment to the depositors has been stayed by courts / instruction from CBI and not remitted to IEPF.

#### CREDIT RATING

The Credit rating details of the company as on 31 March, 2013 are as follows:

Rating Agency	Term	Type	Rating
ICRA	LT	NCD / SD / CC / TL	[ICRA]AA with Stable Outlook
	LT	PD	[ICRA]AA- with Stable Outlook
	ST	CP / WCDL	[ICRA]A1+
CRISIL	ST	CP	[CRISIL]A1+
	LT	SD	[CRISIL]AA-/ Stable Outlook
CARE	LT	NCD	CARE AA
	LT	SD	CARE AA -
	LT	PD	CARE A+
INDIA Ratings*	LT	SD	IND AA- (ind) with Stable Outlook

\* earlier known as FITCH

NCD - Non Convertible Debentures    CP - Commercial Paper  
 CC - Cash Credit    SD - Subordinated Debt  
 TL - Term Loan    WCDL - Working Capital Demand Loan  
 PD - Perpetual Debt    ST - Short Term  
 LT - Long Term

The ratings as mentioned above were re-affirmed by the rating agencies during the year 2012-13.

**ASSET FINANCE COMPANY**

During the year, the company retained its categorisation as an asset finance company (AFC) by Reserve Bank of India (RBI).

**RBI GUIDELINES**

RBI constituted a Working Group headed by Smt. Usha Thorat to reflect on the broad principles that underpin the regulatory architecture for NBFCs. Based on the recommendations of the working group, RBI has released the draft guidelines on 12 December, 2012 in relation to corporate governance, entry point

norms, principle business criteria and prudential regulations. The final guidelines on the same is awaited.

**CAPITAL ADEQUACY**

The company's capital adequacy ratio was at 19.04% as on 31 March, 2013 as against 18.08% as on 31 March, 2012. The minimum capital adequacy prescribed by RBI is 15%.

**EMPLOYEE STOCK OPTION SCHEME**

Pursuant to the approval accorded by the shareholders at the twenty ninth annual general meeting of

the company held in July, 2007, the compensation & nomination committee had formulated the Employee Stock Option Scheme 2007. During the year under review, the employees exercised 26,899 options and there were no fresh options granted. As required under the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines), the following details of this scheme as on 31 March, 2013 are being provided:

Nature of Disclosure	Particulars
a. Options granted	2,473,123 options in 10 tranches since 30 July, 2007. Each option gives the grantee a right to subscribe to one equity share of ₹ 10/- each in the company.
b. The pricing formula	The options were granted at an exercise price equal to the latest available closing price of the equity shares on the stock exchange in which there was highest trading volume, prior to the date of grant of the options.
c. Options vested and exercisable	596,564
d. Options exercised	42,091
e. The total no. of shares arising as a result of exercise of Options	42,091
f. Options lapsed/surrendered	1,337,234
g. Variation in terms of Options	The compensation & nomination committee at its meeting held on 30 July, 2008 revised the performance parameters of the employees for vesting. The shareholders of the company, at the 34 <sup>th</sup> Annual General Meeting held on 30 July, 2012, approved extension of exercise period from 3 years to 6 years from the date of vesting.
h. Money realised by exercise of options during 2012-13	₹ 4,199,495/-
i. Total number of Options in force	1,093,798

Nature of Disclosure		Particulars
j.	(i) Details of Options granted to Senior Management Personnel	The company has not granted options during 2012-13.
	(ii) Any other employee who received a grant, in any one year of Option amounting to 5% or more of Options granted during the year	The company has not granted options during 2012-13.
	(iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the company at the time of grant	The company has not granted options during 2012-13.
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20	₹ 22.83
l.	(i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognised in the accounts if the fair value of Options had been used as the method of accounting	The employee compensation cost for the year would have been higher by ₹ 323.33 lakhs had the company used the fair value of options as the method of accounting instead of intrinsic value.
	(ii) Impact of the difference mentioned in (i) above on the profits of the company	The stock-based compensation cost calculated as per the intrinsic value method for 2012-13 is Nil. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for 2012-13 would be ₹ 323.33 lakhs.
	(iii) Impact of the difference mentioned in (i) above on the EPS of the company	Had the company accounted the Options as per fair value the diluted EPS would have been ₹ 22.59 per share instead of ₹ 22.83 per share.
m.	(i) Weighted average exercise price of Options	The company has not granted options during 2012-13.
	(ii) Weighted average fair value of Options	The company has not granted options during 2012-13.
n.	(i) Method used to estimate the fair value of Options	Black Scholes Options Pricing Model.
	(ii) Significant assumptions used (weighted average information relating)	
	(a) Risk -free interest rate	7.92% - 8.12%
	(b) Expected life of the Option	0.12 years - 6.25 years
	(c) Expected volatility	28.28% - 63%
	(d) Expected dividend yields	1.18%
	(e) Price of the underlying share in the market at the time of Option grant	₹ 212.05

The certificate from the statutory auditors as required under the SEBI Guidelines, confirming that the company's Employees Stock Option Scheme 2007 has been implemented in accordance with the SEBI Guidelines and shareholders resolution, will be placed before the shareholders at the ensuing annual general meeting.

The board at its meeting held on 26 April, 2012 had approved the introduction of a new Employee Stock Option Plan 2012 (ESOP 2012) for the benefit of eligible employees of the company and its subsidiaries, subject to shareholders approval at the general meeting.

While members' approval was obtained for the ESOP 2012 at the company's annual general meeting held on 30 July, 2012, the company did not proceed with the implementation of the scheme consequent to the regulatory changes prohibiting acquisition of securities from the secondary market by ESOP Schemes.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors' responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956, reporting the compliance with the accounting standards, is attached and forms part of the directors' report.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The management discussion and analysis report, highlighting the business-wise details is attached and forms part of this report.

### **CORPORATE GOVERNANCE REPORT**

A report on corporate governance, including the status of implementation of mandatory and non-mandatory norms as per clause 49 of the listing agreement and the corporate governance voluntary guidelines, 2009 issued by Ministry of Corporate Affairs, is attached and forms part of this report.

### **DIRECTORS**

Mr. R.V.Kanoria retires by rotation at the ensuing annual general meeting and has expressed his intention not to seek re-appointment in view of his serving the board for a considerable period of time since 1995. The board places on record its appreciation for the long years of guidance, support and advice rendered by Mr. Kanoria.

Mr. M.B.N.Rao is liable to retire by rotation at the ensuing annual general meeting and being eligible, offers himself for re-appointment.

### **AUDITORS**

M/s. Deloitte Haskins & Sells, chartered accountants, retire at the ensuing annual general meeting and are eligible for re-appointment.

### **INFORMATION AS PER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956**

The company has no activity relating to consumption of energy or technology absorption. Foreign currency expenditure amounting to ₹ 0.28 crores (including interest accrued but not due) was incurred during the year under review. The company does not have any foreign exchange earnings.

### **PARTICULARS OF EMPLOYEES**

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and the Companies (Particulars of Employees) Amendment Rules, 2011, the name and other particulars of employees are to be set out in the annexure to the directors' report. However, having regard to provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the annual report is being sent to all members of the company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the company secretary at the registered office of the company.

### **SUBSIDIARY COMPANIES**

Cholamandalam Securities Limited, Cholamandalam Distribution Services Limited and Cholamandalam Factoring Limited are subsidiaries of the company. The financial performance of the subsidiaries is given below.

#### **Cholamandalam Securities Limited (CSEC)**

CSEC recorded a gross income of ₹ 7.21 crores for the year ended 31 March, 2013. CSEC made a loss before tax of ₹ 0.96 crores as against a loss before tax of ₹ 2.58 crores in the previous year.

#### **Cholamandalam Distribution Services Limited (CDSL)**

CDSL recorded a gross income of ₹ 11.56 crores for the year ended 31 March, 2013. CDSL made a profit before tax of ₹ 2 crores as against a loss before tax of ₹ 0.37 crores in the previous year.

**Cholamandalam Factoring Limited (CFACT)**

CFACT recorded a gross income of ₹ 1.46 crores for the year ended 31 March, 2013. CFACT made a profit before tax of ₹ 1.43 crores as against a loss of ₹ 61.29 crores in the previous year.

During the year, your board considered and approved a scheme of amalgamation of CFACT with the company, subject to the approval of Hon'ble High Court of Judicature

Place : Chennai

Date : 26 April, 2013

at Madras and other necessary approvals and sanctions. The proposed "Appointed Date" for amalgamation is 1 April, 2012. CFACT filed the application and petition documents and the matter came up for final hearing on 27 March, 2013. The Order of the Hon'ble High Court is awaited.

**ACKNOWLEDGEMENT**

The directors wish to thank the company's customers, vehicle

manufacturers, vehicle dealers, banks, mutual funds, rating agencies and shareholders for their continued support. The directors also thank the employees of the company for their contribution to the company's operations during the year under review.

On behalf of the board

**M.B.N.Rao**

*Chairman*



## Directors' Responsibility Statement

The directors accept the responsibility for the integrity and objectivity of the statement of Profit & Loss Account for the year ended 31 March, 2013 and the Balance Sheet as at that date ("financial statements") and confirm that:

- > in the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed.
- > appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.
- > proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognised in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- > the financial statements have been prepared on a going concern basis.

On behalf of the board

Place : Chennai  
Date : 26 April, 2013

**M.B.N.Rao**  
*Chairman*

# Management Discussion and Analysis



## INDIA'S ECONOMIC SCENARIO

India's economy faced significant headwinds in 2012, owing to escalating inflation, burgeoning fiscal deficit and high interest rate, which weighed down on its GDP growth rate. Recent improvements in the macroeconomic indicators helped build a sense of optimism. Wholesale price inflation dipped below 5% in 2013 from the high levels of around 8% in 2012-13. GDP is expected to reach 6.40% in 2013-14 from 5% in 2012-13. The fiscal deficit is also likely to reduce to 3% of GDP by 2016-17 from 4.89% in 2012-13. During the year, RBI resorted to reduction in repo rate thrice to bring it down to its current value of 7.50%. Besides, RBI also slashed the cash reserve ratio once to reduce it to 4%, apart from conducting periodic Open

Market Operations (OMO) to infuse liquidity into the system. These steps are expected to ensure adequate liquidity to facilitate a turnaround in credit deployment to productive sectors to spur growth. With signs of improvement, the Indian economy is likely to experience a smoother sailing in future.

## Vehicle finance industry

India's vehicle finance industry faced challenges with the slowdown in investment demand and spending, owing to economic deceleration during 2012-13. However, changing demographics, higher dependence on road transport, institution of BS-IV norms, revamping the road network across the nation, rising demand in the rural economy are likely to augment the vehicle finance industry's future growth. While

**Changing demographics, higher dependence on road transport, institution of BS-IV norms, revamping the road network across the nation, rising demand in the rural economy are likely to augment the vehicle finance industry's future growth.**

## Management Discussion and Analysis

the long term perspective of the commercial vehicle industry looks positive and is expected to grow at a compound annual growth rate (CAGR) of 12-14% till 2017-18 (source: CRISIL Research), FY 2012-13 witnessed a sharp correction in demand with a steep decline in the sales of heavy commercial vehicles and a moderation in growth rates of light and small commercial vehicles.

### Home equity industry

The loan book of India's housing finance companies increased by 20% over 2005-13 estimates. The growth was driven by several factors, such as better demographics, rising affordability levels, lower interest rates, bespoke product offerings and increased real estate activities and rapid construction. Under this vertical, the loan against property market is still in a nascent stage. With increased focus and strategies in place to tap unexplored markets, the players are expected to experience high medium-term growth.

### BUSINESS REVIEW

During the year under review, the company focused on expanding and strengthening its core businesses of vehicle finance (VF) and home equity (HE). To attain this, it focussed on improving productivity and profitability by introducing technology-aided process changes supported by a number of learning and development initiatives.

The company extended its product lines further to offer home loans, rural financing syndication and loans for micro, small and medium enterprises (MSME).

Moreover, the company widened its pan-India footprint with a substantial increase in branch network. Following are some of the major initiatives

undertaken during 2012-13:

- > Introduced mobile-based applications to improve sales productivity in VF business
- > Strengthened technology platform to ensure faster turnaround time, efficient controls and better management information system (MIS)
- > Substantially systemised various processes at operating level to reduce non-value added activities and improve data consistency
- > Increased presence in 143 new locations in Tier-II, Tier-III cities and rural towns and increased the total pan-India branch strength to 518
- > Improved portfolio quality through focused collection across product lines
- > Strengthened asset liability management
- > Established a training centre to continuously guide the operating team

All these initiatives catalysed impressive growth during the year and are expected to help the company reap future benefits as well.

### Overall performance

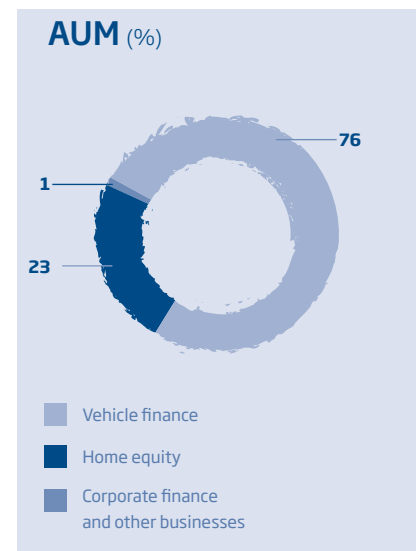
The company registered a significant improvement across all the key parameters of disbursements, asset book, profits and portfolio quality in VF and HE businesses.

The company's aggregate loan disbursements grew by 36% from ₹ 8,889 crores in 2011-12 to ₹ 12,118 crores in 2012-13. The company's disbursements of ₹ 9,882 crores and ₹ 2,161 crores in VF and HE verticals, respectively, were the highest since

inception. In other businesses, the company disbursed gold loans of ₹ 59 crores, home loans of ₹ 3 crores and corporate finance of ₹ 13 crores.

Chola's net managed assets clocked a growth of 41% increasing from ₹ 13,470 crores on 31 March, 2012, to a record high of ₹ 18,999 crores on 31 March, 2013. Total assets (including off-balance sheet assets) rose from ₹ 14,651 crores on 31 March, 2012 to ₹ 20,713 crores on 31 March, 2013.

The profile of the company's net managed loan book at the end of the year under review, was as follows:



VF, which funds commercial vehicles and tractors, continues to account for the largest share of the Chola's asset portfolio. The business has an asset deployment of ₹ 14,369 crores, which constitute 76% of the net managed assets.

The HE business ended the year with an asset portfolio of ₹ 4,337 crores, constituting 23% of the net managed assets.

Corporate finance caters to the working capital needs of promoters, high networth individuals (HNIs) and

corporate houses secured against shares and property. The book size of this business as of 31 March, 2013 was ₹ 258 crores. The remaining businesses closed the year with an aggregate portfolio of ₹ 35 crores (gold loans of ₹ 19 crores, home loans of ₹ 3 crores, MSME loans of ₹ 13 crores), which constituted around 1% of the net managed assets.

### Divisional analysis

#### Vehicle finance

The economic slowdown adversely impacted commercial vehicles (CV) sales, particularly in the HCV segment in FY 2013.

Against this backdrop, disbursements of the VF business grew by 35% to ₹ 9,882 crores. This performance was led by VF's continued focus in the LCV and SCV product categories, leveraging the potential available in the broad-based product offerings, including used CV financing, tractors and deeper penetration of the existing customer database. The enhanced reach and penetration in new geographies played a critical role in sustaining the growth of the business.

The key strategies adopted by the business during 2012-13 are the following:

- Added 129 new branches to increase pan-India footprint, taking the total VF branch strength to 473
- Focused on manufacturer and dealer engagement programmes and supported them through increased penetration in new geographies
- Increased the sales teams' productivity
- Improved overall operating efficiencies
- Focused on retention of and business generation from existing customers

The general industry outlook (in the relevant product segments) though subdued, is one of cautious optimism. Based on the anticipated revival of the agricultural sector, renewed investments being made in the infrastructure and construction sectors along with recommencement of activities in the mining sector, a modest growth rate of 5-10% is projected for the CV industry segment in 2013-14 against the negative industry growth rate recorded in 2012-13.

#### Home equity

The HE business completed its sixth year of operations in FY 2012-13 and forms a significant part of the Chola's growth story. The disbursements in this business grew from ₹ 1,528 crores in FY 2011-12 to ₹ 2,161 crores in FY 2012-13. The managed asset book grew by 41% to reach ₹ 4,337 crores as on 31 March, 2013. The business reached a new milestone by crossing the ₹ 100 crores profit before tax (PBT) mark. The business consolidated its presence in the locations it already operated in as well as expanded its presence further. Besides, it also focused on maintaining a clean and profitable portfolio.

In 2012-13, the business undertook several initiatives to enhance customer engagement and experience and improve the asset book's quality. These initiatives have helped to improve customer feedback and reduce delinquent accounts.

The environment for the HE business was intensely competitive in 2012-13 with more banks and NBFCs entering the space. Besides, the existing players are also strengthening their market presence. However, the business has established itself in this space and is viewed today, as one of the most competitive and profitable businesses. It expects a robust growth in this segment in 2013-14, fuelled by healthy credit off take in the target customer segments.

The business continues to focus on self-occupied residential properties, a safer asset class to lend against, as its preferred asset class. Its target segment continues to be the self-employed, non-professional customers. The business has built an expertise in understanding and assessing this customer segment.

#### Corporate finance

In corporate finance, business loans are offered for a tenure of one to two years. These loans are secured through collaterals, such as listed equity shares, mutual fund units and property.

The company realigned this business and continued to reduce the finance against shares exposure in line with its revised focus and strategy in this business.

Corporate finance business ended the year with an asset float (net) of ₹ 258 crores. The year witnessed a highly volatile capital market with sensex fluctuating between 15965 and 20100 levels.

46% of the book is represented by loans secured against equity shares and the balance 54% is represented by loans secured by a combination of property/assets and shares.

In the fourth quarter of 2013, the business launched MSME loans, such as bill discounting, working capital demand loans, bridge loans, pre-shipment credit and term loans. These loans are being piloted with the vendors, dealers and customers of Murugappa Group as well as with Chola's existing clients.

#### Gold loans

The company's gold loan business completed one year of operations. In 2012-13, the business disbursed ₹ 59 crores and its net managed assets stood at ₹ 19 crores. The business added 5,737 customers during this period.

## Management Discussion and Analysis

The average loan to value (LTV) at 56% shields the portfolio in case of a steep fall in the gold prices. The gold loan market is going through a wave of changes due to the external environment.

The company has therefore recalibrated its strategies and is exploring alternate models to be competitive and profitable in this segment.

### Asset liability management (ALM)

During the year under review, the company strengthened its ALM by increasing long-term borrowings in the form of bank term loans and market instruments. The ALM position was maintained with no negative carry in any of the buckets up to one year.

### Resources and treasury

During the year, the company focused on mobilising debt funds to support the growth of its businesses. This was done maintaining a right mix of long and short-term borrowings to maintain a healthy asset liability position throughout the year.

### Bank borrowing

In 2012-13, Chola mobilised ₹ 3,150 crores of medium-term loans and ₹ 1,414 crores (net) of working capital and cash credit facilities from banks.

### Market borrowing

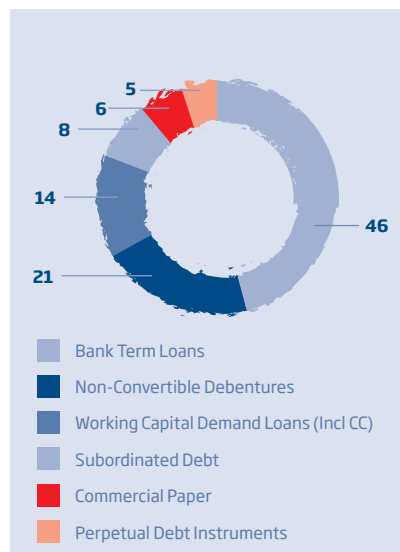
During the year under review, the company raised commercial papers (CP) worth ₹ 5,655 crores and repaid ₹ 5,040 crores of CP. CP outstanding, as at the end of the year was ₹ 850 crores. The company mobilised medium and long-term secured non-convertible debentures (NCD) to the tune of ₹ 1,499 crores at competitive rates to address its medium to long-term funding requirements. At the end of 2012-13, outstanding NCD stood at ₹ 3,228 crores.

### Investments

The company's investments of ₹ 225 crores include investments in subsidiaries of ₹ 58 crores (net of provisions), investments in Pass Through Certificates of ₹ 31 crores, investments in equity shares of ₹ 1 crore and ₹ 135 crores into liquid schemes of mutual funds.

### Borrowing profile

The company's borrowing profile, as on 31 March, 2013, is given below (%):



### Movement in interest cost

The company's interest cost, as a percentage of average borrowings, increased from 10.19% in 2011-12 to 10.56% in 2012-13, driven by the impact of base rate hikes by banks. The respite, provided by marginal reduction of 25 bps in February 2013 will have a positive impact in the coming year. The base rates of most of the bank loans were at 10.50% for more than 10 months during 2012-13, which is now reduced to 10.25%.

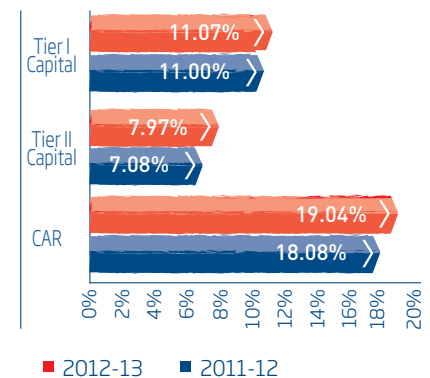
The increase in cost of funds was clearly visible among all the market

players. To minimise its impact, the company adopted various measures, such as:

- > Renegotiating the interest rates with various lenders
- > Prepaying high-cost loans
- > Securitisation of priority sector assets

### Capital adequacy ratio

The company improved its capital adequacy ratio (CAR) to 19.04% as on 31 March, 2013, compared to 18.08% in the previous financial year.



During 2012-13, the company raised equity share capital of ₹ 300 crores through a qualified institutional placement. Further, it raised ₹ 318 crores of perpetual debt instruments and ₹ 380 crores of subordinated debt to meet its capital adequacy requirements. As at the end of 2012-13, Chola's perpetual debt instrument outstanding was ₹ 826 crores and subordinated debt was ₹ 1,158 crores.

### Human resource (HR)

Chola believes that employees constitute its core strength and they have played a major role behind its success. The company has

comprehensive HR policies in place to nurture and develop talent.

The company employed 2,044 employees as on 31 March, 2013. With its focus on competence development and business partnering, the company rolled out HR initiatives to identify employee potential. Besides, its approach to fill competency gaps played a major role in its employee development initiative. An in-house assessment and development centre was set up to identify the development needs of employees.

The company automated its performance management process and various employee engagement initiatives, such as dialogue, new hire assimilation and connect forums were introduced. Chola's Learning and Development (L&D) team successfully inaugurated its Learning Academy in Chennai and conducted various need-based training programmes for VF and HE businesses. The L&D team logged in 8,814 man-days of training during this fiscal year.

### BEING IT-SAVVY

In an ever evolving technological world, it is important for every business to remain IT-savvy. Aligning and realigning the operations regularly help offer the best services to the customers. During the year, several technological initiatives on campaign management and tele-calling were implemented to leverage the existing customer base. Mobile application was significantly enhanced to improve the productivity of the sales and collection teams. This, in turn, helped to reduce the turnaround time. Critical MIS

applications are being developed on Hyperion planning solution platform to analyse a branch's profitability and performance at sub-product levels. Loan origination system was enhanced to accommodate the changes in the credit and operation workflow. Hyperion planning would be implemented during the coming year to automate the budgeting and planning exercise. A comprehensive solution to automate the branch activity is under implementation. Once completed, this will help reduce paper work. Mobile application and loan management system enhancements will continue to improve control and governance.

### RISK MANAGEMENT

Comprehensive risk management practices form an integral part of the operations at Chola. The nature of business the company is engaged in exposes it to a slew of complex and variable risks. The rapid and continuous changes in the business environment have ensured that the organisation becomes increasingly risk focused to achieve its strategic objectives. Chola's policies ensure timely identification, management and mitigation of relevant risks, such as credit risk, liquidity risk, interest rate risk, operational risk, reputational and regulatory risks, which help the company move forward with vigour.

The company's robust risk management framework is driven by the following fundamentals to:

- Identify key risks
- Evaluate the probability of occurrences and their impact
- Position tolerance limits and establish adequate review

mechanisms to monitor and control risks

- Incorporate robust reporting mechanism and adopt appropriate mitigation processes

Risk management is well embedded in Chola's standard operating procedures (SOP) for all activities. The risk management department is ably complemented by the Internal Audit team, which evaluates the extent of SOP compliance to locate gaps. The company's asset liability committee (ALCO) manages market-related risks. Besides, it also helps adopt various strategies related to assets and liabilities, in line with the company's risk management framework. The fraud control unit of the company helps to manage fraud-related risks and to monitor suspicious transactions. Moreover, it continuously helps to improve the processes and procedures to mitigate such risks.

The company's risk management initiatives and Risk MIS are reviewed monthly by the managing director and business heads. Besides, the board has set up a risk management committee, under the chairmanship of Mr. M.B.N.Rao, with three other directors and senior management team. The committee meets at least four times a year, with an annual calendar for review including risk MIS and various other initiatives of the enterprise risk management division.

### INTERNAL CONTROL SYSTEMS

An extensive internal control framework helps the company establish clear delegation of authority and SOP for all its

## Management Discussion and Analysis

businesses and functions. The company adopts a co-sourced model of internal audit. Both in-house internal audit department and M/s. Ernst and Young, the company's external auditors, incessantly review the adequacy and effectiveness of existing internal controls.

The critical audit observations are shared with the audit committee

on a quarterly basis to effectively monitor controls and implement recommendations. On compliance matters, a methodical system of monthly self assessment exists in all functions. Chola has a robust mechanism to control, detect and prevent fraud. The investigations are reviewed by a disciplinary committee comprising senior management members and chaired by the

managing director. The company has a strong IT security system and audit to ensure information security.

Clear segregation of duties exists between various functions. Key operational processes (finance and operations) are centralised at the head office for better control.

## RESULT OF OPERATIONS

### Balance sheet

The company's balance sheet size has steadily grown, compared to the previous year. A summarised version of the same is given below:

Particulars	₹ in crores		
	March 2013	March 2012	Growth %
<b>Assets</b>			
Business Assets	16,627	12,330	35%
Other Assets	1,557	1,100	42%
<b>TOTAL</b>	<b>18,184</b>	<b>13,430</b>	<b>35%</b>
<b>Liabilities</b>			
Networth	1,965	1,417	39%
Borrowings	15,289	11,444	34%
Other Liabilities	930	569	63%
<b>TOTAL</b>	<b>18,184</b>	<b>13,430</b>	<b>35%</b>
Off-Balance Sheet Assets	2,529	1,221	107%
<b>Total Assets</b>	<b>20,713</b>	<b>14,651</b>	<b>41%</b>

### Statement of Profit & Loss

The company's profit before tax increased from ₹ 290.11 crores in 2011-12 to ₹ 450.80 crores in 2012-13. This was primarily achieved, as the net margin increased by 43% and operating expenses to income decreased from 24.43% in 2011-12 to 22.29% in 2012-13. The summarised version is given below:

₹ in crores

Particulars	March 2013	March 2012	Growth %
<b>Disbursements</b>	<b>12,118.27</b>	<b>8,888.56</b>	<b>36%</b>
Income	2,555.68	1,788.21	43%
Cost of Funds	(1,411.01)	(988.18)	43%
<b>Net Margin</b>	<b>1,144.67</b>	<b>800.03</b>	<b>43%</b>
Operating Expenses	(569.58)	(436.79)	30%
Provisions and Losses	(124.29)	(73.13)	70%
<b>Profit Before Tax (PBT)</b>	<b>450.80</b>	<b>290.11</b>	<b>55%</b>
Current and Deferred Tax	(144.25)	(117.57)	23%
<b>Profit After Tax (PAT)</b>	<b>306.55</b>	<b>172.54</b>	<b>78%</b>

### Key Ratios

Key ratios have improved considerably, as given in the table below:

Particulars	March 2013	March 2012	Growth %
Net Income Margin	7.57%	7.43%	2%
Return on Equity - PAT	18.13%	13.86%	31%
Return on Total Assets - PAT	1.48%	1.18%	26%
Total Assets under Management - ₹ in crores	20,713	14,651	41%
Earnings Per Share - Basic in ₹	22.89	14.39	59%
Market Price - Closing in ₹	271.35	185.05	47%
Market Capitalisation - ₹ in crores	3,883.23	2,452.92	58%
CAR	19.04%	18.08%	5%
Operating Expenses to Income	22.29%	24.43%	-9%
Profit Before Tax to Income	17.64%	16.22%	9%

% of AUM

Particulars	March 2013	March 2012
Gross Non-Performing Assets (GNPA)	1.05	0.93
Provisions	0.82	0.60
Net Non-Performing Assets (NNPA)	0.23	0.33
Provision Coverage on GNPA	78.39	63.93



**Provision for standard assets**

During the year under review, the company made provisions aggregating to ₹ 7.69 crores (₹ 12.90 crores in the previous year) on its standard assets, in accordance with the guidelines issued by the RBI in this regard.

**KEY PARTNERSHIPS AND PREFERRED FINANCIERS**

Particulars	Institution
Life Insurance business	Tata AIA Life Insurance Company Limited
General Insurance business	Cholamandalam MS General Insurance Company Limited
Preferred financiers for	Tata Motors Limited
	Mahindra & Mahindra Limited
	Ashok Leyland
	Daimler India Commercial Vehicles
	VE Commercial Vehicles Limited (Formerly Eicher Motors Limited)
	SML Isuzu Limited
	Force Motors Limited
	TAFE Limited
	New Holland
	Sonalika International Tractors Limited

**SUBSIDIARIES PERFORMANCE**

The securities business incurred a loss before tax of ₹ 0.96 crores in 2012-13, against a loss of ₹ 2.58 crores in the previous year. The distribution business made a profit before tax of ₹ 2 crores in

2012-13, against a loss of ₹ 0.37 crores in the previous year. Cholamandalam Factoring Limited made a profit before tax of ₹ 1.43 crores in 2012-13, against a loss of ₹ 61.29 crores in the previous year.

**CONSOLIDATED RESULTS**

The consolidated profit after tax for the year under review was ₹ 307.91 crores, against ₹ 168.99 crores in the previous year.

Place : Chennai  
Date : 26 April, 2013

On behalf of the board

**M.B.N.Rao**  
Chairman

# Report on Corporate Governance



Corporate governance is about commitment to values and ethical business conduct. It is also about how an organisation is managed viz., its corporate and business structure, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial position of the company, its performance and ownership forms part of the corporate governance.

## **CORPORATE GOVERNANCE PHILOSOPHY**

The company is committed to the highest standards of corporate governance in all its activities and processes.

The company has always believed in and practiced the highest standards of corporate governance since its inception. The board recognises that governance expectations

are constantly evolving and it is committed to keeping its standards of transparency and dissemination of information under review to meet both letter and spirit of the law and its own demanding levels of business ethics.

The company believes that sound corporate governance practices are crucial to the smooth and efficient operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders and provide shareholder value. Everything the company does is defined and conditioned by the highest standards of governance, which serve its values. The company firmly believes in and follows the below quote:

*"The fundamental principle of economic activity is that no man you transact with will lose; then you shall not."*

The corporate governance philosophy of the company is driven by the following fundamental principles:

- Adhere to corporate governance standards beyond the letter of law;
- Maintain transparency and high degree of disclosure levels;
- Maintain a clear distinction between the personal interest and corporate interest;
- Have a transparent corporate structure driven by business needs and
- Ensure compliance with applicable laws.

## **BOARD OF DIRECTORS**

The corporate governance of the company ensure that the board remains informed, independent and involved in the company and that

there are ongoing efforts towards better corporate governance to mitigate “non-business” risks.

The board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning the company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

The board of directors (“the board”) are committed to representing the long-term interests of the stakeholders and in providing effective governance over the company’s affairs and exercise reasonable business judgment on the affairs of the company.

The company’s day to day affairs are managed by the managing

director, assisted by a competent management team, under the overall supervision of the board. The company has in place an appropriate risk management system covering various risks that the company is exposed to, including fraud risks, which are discussed and reviewed by the audit committee and the board from time to time.

The company’s commitment to ethical and lawful business conduct is a fundamental shared value of the board, the senior management and all employees of the company. Consistent with its Values and Beliefs, the company has formulated a Code of Conduct applicable to the board and senior management. Further, the company has also adopted an Insider Trading Code for prevention of insider trading and a Whistle Blower Policy for reporting

any concerns or grievances by employee / customer and others in their dealings with the company.

### Composition

The board has been constituted in a manner, which results in an appropriate mix of executive / non-executive and independent directors to ensure proper governance and management. The board members have collective experience in diverse fields like banking, finance, compliance, engineering and technology. The directors are elected based on their qualification and experience in varied fields. At the time of induction of a director on the board of the company, a formal invitation to join the board of the company is sent out and a directors’ handbook comprising a compendium of the role, powers and duties to be performed by a director is given to the new director.

The details of directors as at 31 March, 2013 including the details of their other board directorship and committee membership reckoned in line with clause 49 of the listing agreement as well as their shareholdings are given below:

Name of the directors	Executive/ Non-executive/ Independent/ Promoter	No. of directorship Excluding CIFCL* (Out of which as chairman)	No. of shares held in the company	No. of board committee membership Excluding CIFCL** (Out of which as chairman)
Mr. M.B.N.Rao	Non-executive / Independent Chairman	14	NIL	9(3)
Mr. N.Srinivasan	Non-Executive/ Vice Chairman	5	25,000	2
Mr. Indresh Narain	Non-executive / Independent director	1	NIL	1
Mr. R.V.Kanoria	Non-executive / Independent director	7(1)	NIL	2( 1)
Mr. V.Srinivasa Rangan	Non-executive / Independent director	11	4,000	7
Mr. L.Ramkumar	Non-executive director	3(1)	154	1
Mr. Vellayan Subbiah	Managing Director / Promoter director	4	245,493	4

\* excludes private limited companies, section 25 companies, foreign companies and alternate directorships

\*\* only chairmanship / membership of audit committee and shareholders grievance committee of other companies have been considered

The independent directors of the company provide an annual certificate of independence in accordance with clause 49 of the listing agreement, to the company which is taken on record by the board of company. All the board members including independent directors have the opportunity and access to interact with the management.

### Board Meetings

The board meet at regular intervals with an annual calendar and a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The board is regularly briefed and updated on the key activities of the business and is provided with briefings and presentations on operations, quarterly financial statements and other matters concerning the company. Besides, information about statutory compliance, minutes of all the subsidiary companies and sub-committees of the board and information as required under listing agreement are also provided to the directors on a quarterly basis. The board at every meeting also reviews the important regulatory changes and correspondence between two meetings.

The dates of the board meetings are fixed in advance for the full calendar year to enable maximum attendance from directors. During the year ended 31 March, 2013, six meetings of the board were held i.e., 26 April, 2012, 30 July, 2012, 30 October, 2012, 27 December, 2012, 18 January, 2013 and 20 March, 2013. Besides, the company also provided video conferencing and audio conferencing facilities to enable the directors' participation at the meetings.

### COMMITTEES OF THE BOARD

The board has constituted various committees to support the board in discharging its responsibilities.

There are five committees constituted by the board - audit committee, shareholders grievance committee, compensation & nomination committee, risk management committee and business committee.

The board at the time of constitution of each committee fixes the terms of reference and also delegates further powers from time to time. Various recommendations of the committees are submitted to the board for approval. The minutes of the meetings of all the committees are circulated to the board for its information.

### AUDIT COMMITTEE

#### Terms of Reference

The role of the audit committee includes overseeing the financial reporting process and disclosure of financial information, review the financial statements before submission to the board, adequacy of internal control systems, findings of internal audits / investigations / whistle blower policy / monitoring the usage of funds from issue proceeds, related party transactions besides recommending appointment / removal of statutory auditors, internal auditors and fixing their remuneration.

#### Composition & Meetings

The committee comprises four non-executive directors with three-fourth of them being independent directors. As at 31 March, 2013, the committee comprised Mr. Indresh Narain, independent director as the

chairman, Mr. M.B.N.Rao, Mr. N.Srinivasan and Mr. V.Srinivasa Rangan as its members and Mr. Vellayan Subbiah, managing director as an invitee. Company Secretary acts as the secretary to the committee. All members of audit committee have knowledge of financial management, audit and accounts. The statutory auditors, internal auditors and senior management are invited to attend all the meetings of the committee. Further, as a good corporate governance practice, the company has in place a system for a separate discussion of the committee with the statutory and internal auditors without the presence of the management team. The committee had five scheduled meetings during the year ended 31 March, 2013, for reviewing the financial statements and considering internal audit reports and plans.

### SHAREHOLDERS GRIEVANCE COMMITTEE

#### Terms of Reference

The role of the committee includes formulation of shareholders servicing plans and policies, consideration of valid share transfer requests with folios beyond 5000 shares, share transmissions, issue of duplicate share certificates, issue of share certificates for split, rematerialisation, consolidation of shares etc. The committee also monitors and reviews the mechanism of share transfers, dematerialisation of shares and payment of dividends. It further looks into the redressing of shareholders grievances and determining, monitoring and reviewing the standards for resolution of shareholders' grievances.

### **Composition & Meetings**

As at 31 March, 2013, the committee comprised Mr. N.Srinivasan as the chairman and Mr. Vellayan Subbiah as a member. Ms. P.Sujatha, company secretary is the compliance officer. During the year, the committee held two meetings.

During the year, the company had received four complaints from the shareholders and all of them have been resolved to the satisfaction of the shareholders. There were no investor complaints pending as at 31 March, 2013.

### **COMPENSATION & NOMINATION COMMITTEE**

#### **Terms of Reference**

The role of the committee is to determine the company's policy on specific remuneration packages for executive directors including pension rights and periodic increments in salary. The committee is also empowered to determine the annual commission / incentives of the executive directors and the minimum remuneration of the executive directors in the event of inadequacy of profits besides implementing, administering and monitoring the employee stock option plan / schemes of the company. The committee further considers and recommends nominees for board positions. Decisions for selecting a nominee director is based on the merit, qualification, competency and the company's business needs. Such candidates shall be free of conflict of interest that would interfere with their ability to discharge their duties. The recommendations of the committee are placed before the board for its approval.

#### **Composition & Meetings**

As at 31 March, 2013, the committee comprised Mr. R.V.Kanoria as the

chairman and Mr. M.B.N.Rao and Mr. N.Srinivasan as members. Majority of the members of this committee comprises independent directors including its chairman. The committee had two meetings during the year ended 31 March, 2013.

### **RISK MANAGEMENT COMMITTEE**

#### **Terms of Reference**

The role of the committee includes review of the risk management policy developed by the management, review of the annual risk management framework document, implementation of the actions planned in the annual risk framework document, periodically review the process for systematic identification and assessment of the business risks. Besides, the committee periodically monitors the critical risk exposures by specialised analysis and quality reviews and reports to the board the details of any significant developments, the action taken to manage the exposures and carry out any other function as may be necessary to ensure that an effective risk management system is in place.

#### **Composition & Meetings**

Mr. V.Srinivasa Rangan was inducted as a member of the committee effective 30 July, 2012. As at 31 March, 2013, the committee comprised Mr. M.B.N.Rao as the chairman, Mr. N.Srinivasan, Mr.Vellayan Subbiah, Mr. V.Srinivasa Rangan and the various business and functional heads of the company as members. The committee held three meetings during the year ended 31 March, 2013.

### **BUSINESS COMMITTEE**

#### **Terms of Reference**

The role of the committee includes review of the business of the

company including approval and review of business proposals beyond certain financial limits, review and recommend new product note to the board for approval, approve borrowings within the limits prescribed by the board, approve assignment of receivables and oversee the asset liability management system of the company.

#### **Composition & Meetings**

As at 31 March, 2013, the business committee comprised Mr. M.B.N.Rao as the chairman and Mr. N.Srinivasan and Mr. Vellayan Subbiah as its members. The senior management is invited to attend the meetings of the committee. The committee held four meetings during the year.

### **REMUNERATION OF DIRECTORS**

#### **Remuneration Policy**

The success of the organisation in achieving good performance and governance depends on its ability to attract quality individuals as executive and independent directors.

The compensation to the managing director comprises a fixed component and a performance incentive. The compensation is determined based on the level of responsibility and scales prevailing in the industry. The managing director is not paid sitting fees for any board / committee meetings attended by him.

The compensation to the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission up to one per cent of the net profits of the company for each year calculated as per the provisions of Companies Act, 1956, the actual commission paid to the directors is restricted to a fixed sum. The sum is reviewed periodically taking into consideration

various factors such as performance of the company, time devoted by the directors in attending to the affairs and business of the company and the extent of responsibilities cast on the directors under various laws and

other relevant factors. Depending on the time and efforts put in by the directors towards the affairs of the company, the directors are also paid a differential remuneration. The non-executive directors are also

paid sitting fees as permitted by government regulations for all board and committee meetings attended by them.

### Remuneration of managing director:

Details of the remuneration of the managing director for the year ended 31 March, 2013 are as follows:

₹ in lakhs

Name of the Managing Director	Salary	Allowance	Incentive*	Perquisites & Contributions	Total
Mr. Vellayan Subbiah	47.09	70.49	57.69	17.94	193.21

\* Provisional and subject to determination by the board and the same will be paid after the adoption of accounts by the shareholders at the annual general meeting.

### Remuneration of Non-executive directors

Mr. L.Ramkumar is not paid any sitting fees / commission in view of his being the managing director of the holding company, M/s.Tube Investments of India Limited.

The details of commission provided / sitting fees paid to other non-executive directors for the year ended 31 March, 2013 are as follows:

₹ in lakhs

Name	Commission #	Sitting Fees paid	Total
Mr. M.B.N.Rao	10.00	2.55	12.55
Mr. Indresh Narain	5.00	1.65	6.65
Mr. R.V.Kanoria	5.00	0.25	5.25
Mr. N.Srinivasan	5.00	2.15	7.15
Mr. V.Srinivasa Rangan	5.00	1.60	6.60
<b>TOTAL</b>	<b>30.00</b>	<b>8.20</b>	<b>38.20</b>

# Commission will be paid after the adoption of accounts by the shareholders at the annual general meeting.

### ATTENDANCE AT BOARD, COMMITTEE AND GENERAL MEETINGS

Names	Number of meetings attended						Attendance at last AGM
	Board	Audit committee	Shareholders Grievance committee	Compensation & Nomination committee	Business committee	Risk Management committee	
Mr. M.B.N.Rao	6	5	NA	2	4	3	Yes
Mr. Indresh Narain	6	5	NA	NA	NA	NA	Yes
Mr. R.V.Kanoria	1	NA	NA	1	NA	NA	No
Mr. N.Srinivasan	6	5	2	2	4	3	Yes
Mr. V.Srinivasa Rangan#	6	4	NA	NA	NA	2#	Yes
Mr. L.Ramkumar	5	NA	NA	NA	NA	NA	Yes
Mr. Vellayan Subbiah	6	NA	2	NA	4	3	Yes

# The board reconstituted the risk management committee and inducted Mr. V.Srinivasa Rangan at its meeting held on 30 July, 2012.

**GENERAL BODY MEETINGS**

Particulars of venue, date and time of the previous three annual general meetings are given below:

Year	Date and Time	Venue
2010	28 July, 2010 at 4.00 p.m.	The Music Academy, New No.168 (Old No.306), T.T.K Road, Royapettah, Chennai - 600 014
2011	28 July, 2011 at 4.00 p.m.	-do-
2012	30 July, 2012 at 4.00 p.m.	-do-

**DETAILS OF SPECIAL RESOLUTIONS PASSED**

Particulars of special resolutions passed in the previous three annual general meetings are given below:

Date of AGM	Details
28 July, 2010	<ol style="list-style-type: none"> <li>1. Amendment to clause 70A of the Articles of Association of the company regarding the affirmative covenants with International Finance Corporation.</li> <li>2. Amendment to clause 127A of the Articles of Association of the company regarding the board composition.</li> </ol>
28 July, 2011	Not applicable
30 July, 2012	<ol style="list-style-type: none"> <li>1. Amendment to Employee Stock Option Plan 2007 by extending the exercise period of options from three years to six years.</li> <li>2. Introduction of a new Employee Stock Option Plan 2012 (ESOP 2012) through a Trust route for the benefit of eligible employees of the company and its subsidiary companies.</li> </ol>

**POSTAL BALLOT**

During the year, the company passed special resolution for further issue of securities under sections 81 and 81(1A) of the Companies Act 1956.

The postal ballot was conducted in accordance with the procedure laid down under Section 192A of the Companies Act, 1956 read with Companies (Passing of the resolution by postal ballot) Rules, 2011 by Mr. R.Sridharan of M/s. R.Sridharan & Associates, company secretaries through physical as well as electronic voting. The above resolution was passed with requisite majority by the shareholders on 4 February, 2013. The results of the postal ballot are as follows:

Particulars	Postal Ballot Form	E-voting	% on Total Shares (Votes) Received
Assent	104,819,440	1,834,472	99.75
Dissent	257,740	275	0.25
Invalid	8,520	-	-
<b>TOTAL</b>	<b>105,085,700</b>	<b>1,834,747</b>	<b>100.00</b>

As of now, there is no proposal for passing any special resolution through postal ballot.

### COMPLIANCE REPORT

The board reviews the compliance of all applicable laws every quarter and gives appropriate directions, wherever necessary.

### SECRETARIAL AUDIT

The company annually conducts a secretarial audit by an independent practicing company secretary. For the year ended 31 March, 2013, M/s. R.Sridharan & Associates, company secretaries has conducted the secretarial audit and the certificate was placed before the board.

### CODE OF CONDUCT

The board has laid down a "Code of Conduct" for all the board members and the senior management of the company and the code of conduct have been posted on the website of the company. Annual declaration confirming compliance of the code is obtained from every person covered by the code of conduct. A declaration to this effect signed by Mr. Vellayan Subbiah, managing director is attached to this report.

### AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

The auditors' certificate on compliance of corporate governance norms is annexed to the report.

### CEO/CFO CERTIFICATION

Mr. Vellayan Subbiah, managing director and Mr. D.Arul Selvan, Sr. Vice President & CFO have given a certificate to the board with regard to financial statements, compliance and internal control systems as contemplated under clause 49 of the listing agreement.

### DISCLOSURES

Transactions with related parties are disclosed in note 32 of the financial statements in the annual report. There were no material transactions with related parties i.e., transactions of the company of material nature,

with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.

There were no instances of non-compliance on any matter related to capital markets during the last three years.

### COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The company has complied with all mandatory requirements of corporate governance norms as enumerated in clause 49 of the listing agreement with stock exchanges.

The company has also adopted the following non-mandatory requirements:

1. As detailed in the earlier paragraphs, a compensation & nomination committee has been constituted by the company.
2. A newsletter from the managing director highlighting the performance / significant achievements during the half-year ended 30 September, 2012 and enclosing the financial results was sent to all the shareholders of the company.
3. The company has established a whistle blower mechanism to provide an avenue to raise concerns. The mechanism provides for adequate safeguards against victimisation of employees who avail of the mechanism and also for appointment of an ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct appeal to the chairperson of the audit committee. We further affirm that during the year, no employee has been denied access to the audit committee.

The other non-mandatory requirements of clause 49 have not been adopted by the company.

The Ministry of Corporate Affairs has issued "Corporate Governance Voluntary Guidelines" in December, 2009. While these guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business, the company has adopted most of these guidelines as detailed in the earlier paragraphs. The company will examine the possibilities of adopting the remaining guidelines in an appropriate manner.

### MEANS OF COMMUNICATION

The audited financial results, quarterly results and other major announcements like notices of board meetings, book closures were published in Business Standard and Dinamani and are also available in the company's website [www.cholafinance.com](http://www.cholafinance.com). Press releases are given in the leading newspapers and also posted on company's website. The quarterly Investors presentations and call transcripts are also posted in the company's website. The company has posted a shareholder's satisfaction survey in its website to ascertain the level of shareholders satisfaction. Further, the shareholding pattern and presentations made to analysts and investors from time to time are also displayed on the website of the company.

### MANAGEMENT DISCUSSION & ANALYSIS

A management discussion & analysis forms part of the annual report.

### GENERAL SHAREHOLDER INFORMATION

A separate section on the above has been included in the annual report.

On behalf of the board

**M.B.N.Rao**  
Chairman

Place : Chennai

Date : 26 April, 2013



## Declaration on Code of Conduct

This is to confirm that the board has laid down a code of conduct for all board members and senior management of the company. The code of conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the code of conduct of the company for the year ended 31 March, 2013, as envisaged in Clause 49 of the listing agreement with stock exchanges.

Place : Chennai  
Date : 26 April, 2013

**Vellayan Subbiah**  
*Managing Director*

## Auditors' Certificate on Corporate Governance

### **CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

#### **To the Members of Cholamandalam Investment and Finance Company Limited**

1. We have examined the compliance of conditions of corporate governance by **Cholamandalam Investment and Finance Company Limited**, ("the company") for the year ended on 31 March, 2013 as stipulated in clause 49 of the Listing Agreement of the company with the stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us by the directors and the management, we certify that the company has complied with the conditions of corporate governance as stipulated in clause 49 of the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
(Registration No.: 008072S)

**Geetha Suryanarayanan**  
*Partner*  
(Membership No.: 29519)

Place : Chennai  
Date : 26 April, 2013

## General Shareholder Information

### REGISTERED OFFICE

"Dare House", No.2, N.S.C. Bose Road, Parrys, Chennai - 600 001.

### ANNUAL GENERAL MEETING

Date	Time	Venue
31 July, 2013	4 p.m.	The Music Academy, New No.168 (Old No.306), T.T.K Road, Royapettah, Chennai - 600 014

### FINANCIAL YEAR

1 April to 31 March

### DATES OF BOOK CLOSURE

26 July, 2013 to 31 July, 2013 (both days inclusive)

### DIVIDEND PAYMENT DATE

The company at its board meeting held on 18 January, 2013 approved payment of an interim dividend on the equity shares for the financial year ending 31 March, 2013 at the rate of 25% (₹ 2.50 per share) and fixed a record date as 31 January, 2013. The dividend was paid to all the shareholders by 8 February, 2013.

The board has further recommended declaration of final dividend of 1% (₹ 1 per share), for the year ended 31 March, 2013. The same will be paid within 7 days from the date of declaration by the shareholders at the ensuing annual general meeting.

### LISTING ON STOCK EXCHANGES

The equity shares of the company are listed on the following stock exchanges:

<b>BSE Limited</b> Floor 25, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001. Stock Code: 511243	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Plot No.C/1, G Block Bandra - Kurla Complex Bandra (E), Mumbai - 400 051. Stock Code: CHOLAFIN EQ
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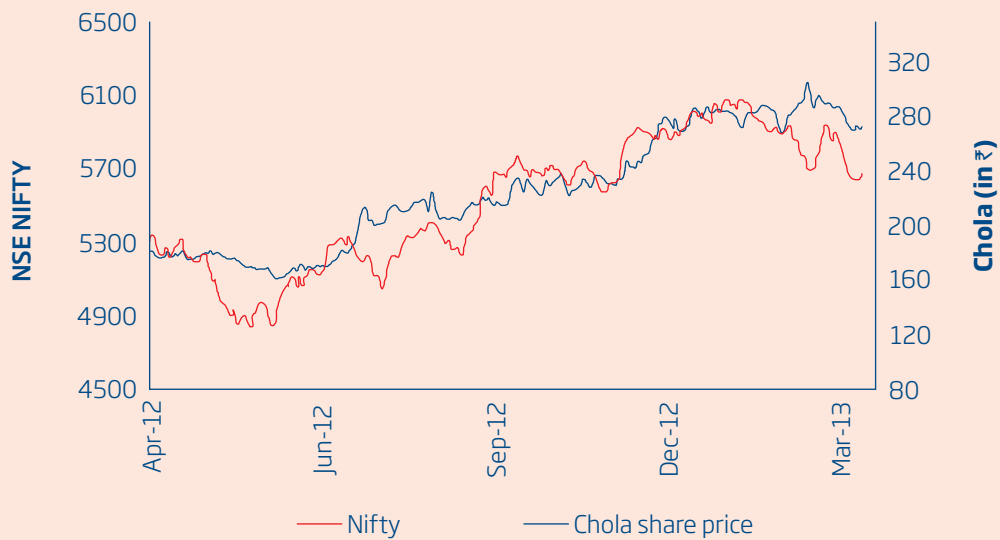
The listing fees for the year 2012-2013 were paid to the above stock exchanges.

**SHARE PRICE DATA**

in ₹

Month	BSE			NSE		
	High	Low	Vol.	High	Low	Vol.
April, 2012	186.65	173.00	83,920	187.50	164.70	290,791
May, 2012	183.00	166.00	238,833	184.90	142.70	759,778
June, 2012	173.40	160.00	18,275	173.90	159.10	102,933
July, 2012	222.80	170.00	2,681,426	223.00	167.10	863,608
August, 2012	238.90	200.20	125,879	238.90	192.50	436,151
September, 2012	233.00	198.10	383,128	233.50	190.25	723,558
October, 2012	242.20	215.10	169,783	242.50	206.60	940,174
November, 2012	251.00	221.40	2,988,047	251.00	218.00	2,155,750
December, 2012	292.95	240.00	755,679	292.70	234.00	2,304,853
January, 2013	299.80	265.00	1,170,583	299.60	260.50	1,510,635
February, 2013	307.50	263.05	2,282,178	309.70	262.10	2,540,834
March, 2013	306.00	261.00	145,097	308.90	265.15	568,513

**CHOLA SHARE PRICE PERFORMANCE IN COMPARISON WITH NSE NIFTY**



## REGISTRAR AND SHARE TRANSFER AGENT

M/s. Karvy Computershare Pvt. Ltd., Hyderabad is the Registrar and Share Transfer Agent (RTA) for handling the physical and electronic registry work. The shareholders are requested to address their share related requests / queries to the RTA.

### The contact details of the RTA are as follows:

#### Karvy Computershare Pvt. Ltd.

(Unit: Cholamandalam Investment and Finance Company Limited)  
Plot No.17-24, Vittal Rao Nagar,  
Madhapur

Hyderabad 500 081.

Tel. No. : 040-23420818

Fax No. : 040-23420814

E-mail ID: einward.ris@karvy.com

Contact person : Mr. V. K. Jayaraman,  
General Manager

#### Share Transfer System

For speedy processing of share transfers, the board has delegated powers to approve share transfers to the shareholders grievance committee and to the managing director. Depending on the number of requests received share transfers are processed every week.

#### Dematerialisation of shares and liquidity

The company has signed agreements with both depositories in the country, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The company's shares are in the list of compulsory demat settlement by all investors. As of 31 March, 2013, 99.60% of the company's shares were held in dematerialised form. The company's

shares are regularly traded on National Stock Exchange of India Limited and BSE Limited, in electronic form.

To enable us to serve our investors better, we request shareholders whose shares are in physical mode to dematerialise shares and to update their bank accounts with their respective depository participants.

#### Nomination facility

The company is accepting nomination forms from shareholders in the prescribed Form 2B. All those who are desirous of making a nomination are requested to contact the RTA. The shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the concerned depository participants. Nomination is only optional and can be cancelled or varied by a shareholder at any time.

#### Payment of dividend through ECS / NECS

The company uses Electronic Clearing Service (ECS) facility for payment of dividends directly to the bank accounts of shareholders. In addition to this, the electronic fund transfer platform called the National Electronic Clearing System (NECS) is also used for disbursement of dividends. We request all the shareholders to use these facilities by providing the bank account numbers to the Depository Participant / Registrar & Transfer Agent, as may be relevant, to enable the company to effect the dividend payment through the ECS / NECS modes.

#### Green initiative in corporate governance

As per the circulars from the Ministry of Corporate Affairs (MCA) and

Clause 32 of the Listing Agreement with the stock exchanges, the company may send all communication to shareholders including the annual report through email if a shareholder has registered his email address with the company for the said purpose. If a shareholder has not registered his email, the service of documents will be affected by other modes of service as provided under Section 53 of the Companies Act, 1956. We request the shareholders to participate and support the company in this green initiative by registering your e-mail ids with the company.

#### Designated email address for investors services

In terms of Clause 47(f) of the Listing Agreement, the designated email address for investor complaints is *investors@chola.murugappa.com*.

#### Payment of unclaimed / unpaid dividend

The company has remitted all unclaimed/unpaid dividends pertaining to the earlier financial years up to 30 October, 1995 to the central government. The dividends relating to the subsequent years that are lying unclaimed/unpaid for a period of seven years are transferred from time to time to the Investor Education and Protection Fund (IEPF) created by the central government under the Investor Education and Protection Fund (Awareness and protection of investors) Rules, 2001. The company has remitted ₹ 7.08 lakhs to IEPF during the year and no claim shall lie for such unclaimed dividends from IEPF by the members.

Year wise details of the dividend to be paid out are given below:

Year to which the dividend relates	Date of declaration	Due date of transfer to Investor Education and Protection Fund (IEPF)
2006	21 July, 2006	25 August, 2013
2007	30 July, 2007	3 September, 2014
2008	30 July, 2008	4 September, 2015
2010	26 April, 2010	31 May, 2017
2011	28 July, 2011	1 September, 2018
2012 - Interim	31 January, 2012	7 March, 2019
- Final	30 July, 2012	4 September, 2019
2013 - Interim	18 January, 2013	23 February, 2020

#### Unclaimed Suspense Account

In terms of clause 5A of the amended listing agreement all the shares issued in physical form pursuant to a public issue or any other issue, which remain unclaimed needs to be transferred into one folio in the name of Unclaimed Suspense Account and such shares shall be dematerialised by the company after the registrar

sends at least three reminders to such shareholders. Accordingly, the registrar had sent three reminders to such shareholders informing them of the process advised by SEBI with regard to such unclaimed shares. After processing three requests received from such shareholders claiming for their shares, the company transferred the remaining

unclaimed shares to a suspense account and dematerialised the shares. The voting rights of these shares shall remain frozen till the rightful owner of such shares claims the shares. The details regarding the shares which are in the unclaimed suspense account are given below:

Sl. No	Description	Total No. of cases	Total shares
1	No. of shareholders and outstanding shares lying in the unclaimed suspense account at the beginning of the year	12	762
2	No. of shareholders who approached for transfer of shares from unclaimed suspense account during the year	-	-
3	No. of shareholders to whom shares were transferred from the unclaimed suspense account during the year	-	-
4	No. of shareholders and outstanding shares lying in the unclaimed suspense account at the end of the year	12	762

#### Distribution of Shareholding as on 31 March, 2013

No. of shares held	No. of shareholders	No. of Shares	% of Shareholding
1 - 5000	15416	1,525,509	1.07
5001 - 10000	1031	793,994	0.55
10001 - 20000	526	770,450	0.54
20001 - 30000	218	558,274	0.39
30001 - 40000	97	345,441	0.24
40001 - 50000	74	339,302	0.24
50001 - 100000	149	1,085,797	0.76
100001 & Above	211	137,688,974	96.21
<b>TOTAL</b>	<b>17,722</b>	<b>143,107,741</b>	<b>100.00</b>

## SHAREHOLDING PATTERN

Category	As on 31 March, 2013	
	No. of shares	% of shareholding
Promoters	82,590,290	57.71
Public		
Multilateral Financial Institution	11,831,352	8.27
Foreign Institutional Investors	18,575,656	12.98
Foreign Corporate Bodies	14,097,695	9.85
Private Corporate Bodies	1,813,031	1.27
Mutual Funds, Trust and Venture Capital Fund	6,302,884	4.40
Resident Individuals and others	7,896,833	5.52
<b>TOTAL</b>	<b>143,107,741</b>	<b>100.00</b>

### OUTSTANDING GDRs / ADRs ETC.

The company has not issued any GDR / ADR or any convertible instruments that is likely to impact the equity share capital of the company.

### FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Government of India, Ministry of Corporate Affairs (MCA) vide its circular dated 8 February, 2011 has exempted certain companies under section 212(8) of the Companies Act, 1956 from attaching the annual reports of the subsidiary companies to the company's accounts in view of the presentation of consolidated financial statements of the subsidiaries in the annual report. As the company is covered under the exemption in view of it publishing the consolidated financial statements, it has not attached the financial statements of the subsidiary companies to the annual report. However, the annual accounts of

the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in the head office of the company and its respective subsidiary companies.

### ONLINE INFORMATION

Shareholders are requested to visit [www.cholafinance.com](http://www.cholafinance.com) for online information about the company. The financial results, share price information, dividend announcements of the company are posted on the website of the company and are periodically updated with all developments for the information of shareholders. The company also has posted various forms including the shareholder satisfaction survey form for obtaining feedback from shareholders on various parameters including

shareholder servicing. Besides, the shareholders have the facility to post any query to the company directly from the website which are acted upon within 24 hours of receipt of query.

### LOCATION

The company operates out of more than 518 branches across the country.

### CONTACT PERSON

For any shareholders assistance the company secretary can be contacted at the following address:

Ms. P.Sujatha  
Company Secretary  
"Dare House"  
No.2, N.S.C. Bose Road, Parrys  
Chennai-600 001  
Phone: 044 30007172 (bd.)  
30007055 (d)  
Fax: 044 25346464  
E-Mail: [sujathap@chola.murugappa.com](mailto:sujathap@chola.murugappa.com)  
[investors@chola.murugappa.com](mailto:investors@chola.murugappa.com)

On behalf of the board

**M.B.N.Rao**  
Chairman

Place : Chennai  
Date : 26 April, 2013

# Independent Auditors' Report

TO

THE MEMBERS OF

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

## Report on the Financial Statements

1. We have audited the accompanying financial statements of **CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31 March, 2013;
  - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Independent Auditors' Report (Contd.)

### Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
7. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
  - (e) On the basis of the written representations received from the directors as on 31 March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
(Registration No.: 008072S)

**Geetha Suryanarayanan**  
*Partner*  
(Membership No.: 29519)

Place : Chennai  
Date : 26 April, 2013



## Annexure to the Independent Auditors' Report

(Referred to in paragraph 6 of our report of even date)

- (i) Having regard to the nature of the Company's business / activities / results during the year, clauses 4(ii), 4(viii), 4(x), 4(xiii), 4(xiv), 4(xv) and 4(xx) of paragraph 4 of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act 1956, according to the information and explanations given to us:
  - (a) The Company has granted loans aggregating ₹ 3,650 lakhs to one party during the year. At the year-end, the outstanding balances of such loans granted aggregated ₹ Nil (one party) and the maximum amount involved during the year was ₹ 1,500 lakhs (one party)
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie, not prejudicial to the interest of the Company.
  - (c) The receipts of principal amounts and interest have been regular / as per stipulations.
  - (d) There were no overdue amounts remaining outstanding as at the year-end.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

  - (a) The Company has taken loans aggregating ₹ 3,011 lakhs from two parties during the year. At the year-end, the outstanding balances of such loans taken aggregated ₹ 2,041 lakhs (two parties) and the maximum amount involved during the year was ₹ 2,041 lakhs (two parties).
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
  - (c) The payments of principal amounts and interest in respect of such loans are regular / as per stipulations.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services and during the course of our audit we have not observed any continuing failure to correct major weaknesses in such internal control system. The Company does not purchase inventory nor does it sell any goods (other than repossessed automobile assets) in the ordinary course of its business.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

## Annexure to the Independent Auditors' Report (Contd.)

- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, as applicable to the Company, with regard to the deposits accepted from the public prior to 01 November, 2006. However, in respect of overdue amounts totalling to ₹ 1.86 lakhs, payments have not been made since the repayment of the same to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totalling to ₹ 0.11 lakhs, payments have not been made as per instructions received from the Central Bureau of Investigation. Other than the above, according to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the internal audit functions carried out during the year by the Company's internal audit department and an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
- The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31 March, 2013 for a period of more than six months from the date they became payable.
  - Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31 March, 2013 on account of disputes are given below:

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates (Financial Year)	Amount involved (₹ in lakhs)
Income Tax Act, 1961	Tax and Interest	Commissioner of Income Tax (Appeals)	2000-01, 2005-06 and 2009-10	1,346
Income Tax Act, 1961	Tax and Interest	Appellate Tribunal (ITAT)	1990-91, 1991-92, 2003-04	12
Income Tax Act, 1961	Tax and Interest	Madras High Court	1995-96, 2000-01, 2001-02, 2002-03	97
Income Tax Act, 1961	Tax Deducted at Source	Commissioner of Income Tax (Appeals)	2009-10	225
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	Sales Tax Appellate Tribunal	1995-96	34
Central Sales Tax Act, 1956	Sales Tax	Sales Tax Appellate Tribunal	1995-96	15
Bihar Finance Act, 1981	Sales Tax	Sales Tax Appellate Tribunal	1993-94 and 1994-95	3
Gujarat Sales Tax Act, 1969	Sales Tax	Sales Tax Tribunal	1997-98	2
Delhi Sales Tax Act, 1975	Sales Tax	Deputy Commissioner of Sales Tax Appeals	1991-92	7

## Annexure to the Independent Auditors' Report (Contd.)

- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (x) In our opinion, the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.
- (xii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- (xiii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xiv) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 20,537 debentures of ₹ 1,000,000 each and 2,860 debentures of ₹ 500,000 each. The Company has created security in respect of the debentures issued.
- (xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year though there have been a few cases of irregularities amounting to ₹ 143.76 lakhs (Refer Note 39 to the financial statements) detected and appropriately dealt with by the management.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
(Registration No.: 008072S)

**Geetha Suryanarayanan**  
*Partner*  
(Membership No.: 29519)

Place : Chennai  
Date : 26 April, 2013

# Balance Sheet

 as at 31 March, 2013

₹ in lakhs

	Note	As at 31.03.2013	As at 31.03.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	14,317.31	13,261.99
Reserves and surplus	4	182,159.38	128,466.50
		<b>196,476.69</b>	<b>141,728.49</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	829,871.00	715,455.00
Other long-term liabilities	6	4,845.63	1,936.88
Long-term provisions	7	8,819.85	5,294.93
		<b>843,536.48</b>	<b>722,686.81</b>
<b>Current liabilities</b>			
Short-term borrowings	5	298,153.01	154,806.28
Trade Payables	8	14,387.99	9,932.53
Current maturities of Long-term borrowings	5	400,877.00	274,150.01
Other current liabilities	8	49,720.72	28,142.00
Short-term provisions	7	15,327.74	11,580.04
		<b>778,466.46</b>	<b>478,610.86</b>
<b>TOTAL</b>		<b>1,818,479.63</b>	<b>1,343,026.16</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	9		
(i) Tangible assets		6,518.22	4,945.49
(ii) Intangible assets		547.10	370.93
		7,065.32	5,316.42
Non-current investments	10	8,278.47	5,769.39
Deferred tax asset (net)	11	6,886.05	5,112.97
Receivable under Financing activity	12	1,147,363.27	834,289.83
Long-term loans and advances	13	5,425.35	4,486.38
Other non-current assets	14	45,732.27	36,470.26
		<b>1,220,750.73</b>	<b>891,445.25</b>
<b>Current assets</b>			
Current investments	15	14,172.50	400.67
Cash and cash equivalents	16	38,896.69	25,839.99
Receivable under Financing activity	12	515,230.80	398,700.30
Short-term loans and advances	13	1,242.05	3,017.04
Other current assets	14	28,186.86	23,622.91
		<b>597,728.90</b>	<b>451,580.91</b>
<b>TOTAL</b>		<b>1,818,479.63</b>	<b>1,343,026.16</b>

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

For and on behalf of the **Board of Directors**

**M.B.N.Rao**  
Chairman

**Vellayan Subbiah**  
Managing Director

**Statement of Profit and Loss** for the year ended 31 March, 2013

₹ in lakhs

	Note	Year ended 31.03.2013	Year ended 31.03.2012
Revenue			
- Revenue from operations	17	255,337.08	176,538.21
- Other income	18	231.06	2,282.87
<b>Total Revenue</b>		<b>255,568.14</b>	<b>178,821.08</b>
Expenses			
- Finance Costs	19	141,101.20	98,818.16
- Business origination outsourcing		17,436.78	12,693.37
- Employee benefits expense	20	15,308.62	11,037.27
- Other operating expenses	21	22,180.92	19,058.38
- Depreciation and amortisation expense	9	2,031.22	890.25
- Provisions and loan losses	22	12,429.35	3,966.97
<b>Total expenses</b>		<b>210,488.09</b>	<b>146,464.40</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>45,080.05</b>	<b>32,356.68</b>
Exceptional items	23	-	(3,346.00)
<b>PROFIT BEFORE TAX</b>		<b>45,080.05</b>	<b>29,010.68</b>
Tax expense:			
- Current tax			
- Current year - Expense		17,322.91	3,657.32
- Prior years - (Reversal of provision)/Expense		(1,124.32)	152.17
- Deferred tax	11	(1,773.08)	7,946.92
		14,425.51	11,756.41
<b>PROFIT FOR THE YEAR</b>		<b>30,654.54</b>	<b>17,254.27</b>
Earnings per equity share of ₹ 10 each	24		
- Basic		22.89	14.39
- Diluted		22.83	14.39

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

For and on behalf of the **Board of Directors**

**M.B.N.Rao**  
Chairman

**Vellayan Subbiah**  
Managing Director

# Cash Flow Statement

 for the year ended 31 March, 2013

₹ in lakhs

Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Net Profit Before Tax</b>		<b>45,080.05</b>		<b>29,010.68</b>
<b>Adjustments for :</b>				
Depreciation	2,031.22		890.25	
Provisions/(reversal of provisions) - Long Term				
- Standard Assets (Net)	775.08		727.49	
- Non Performing Assets under Financing Activity (Net)	2,684.05		1,395.45	
- Credit Enhancement and Servicing Costs on Assets De-recognised(Net)	65.79		(1,845.89)	
- Diminution in Value of Investments	(107.00)		6,650.00	
- Inter corporate Deposit	-		(304.00)	
Provisions/(reversal of provisions) - Short Term				
- Standard Assets (Net)	(6.16)		(2,437.09)	
- Non Performing Assets under Financing Activity (Net)	4,897.97		(17,216.43)	
- Credit Enhancement and Servicing Costs on Assets De-recognised(Net)	(176.52)		(742.15)	
- Mark to Market Losses on Derivatives	-		296.47	
- Compensated Absences(Net)	298.10		123.28	
- Contingent Service Tax claims	56.76		666.28	
Loss on Repossessed Assets (Net)	2,995.36		1,617.15	
Loss assets written off	1,153.37		17,222.96	
Financing Charges	141,101.20		98,818.16	
Profit on Sale of Fixed Assets ( Net )	(0.63)		(0.41)	
Profit on Sale of Current Investments ( Net )	(2,011.18)		(1,047.63)	
Amortisation of Premium on Acquisition of Government Securities	-		7.46	
Loss on redemption of Government securities	0.67		-	
Gain on prepayment of Commercial paper and Debentures (Net)	(11.96)		-	
Interest on Bank Deposits	(3,010.78)		(2,947.27)	
Interest on Investments	(2.63)		(29.60)	
Dividend on Investments	(1.50)		(0.03)	
		150,731.21		101,844.45
<b>Operating Profit Before Working Capital Changes</b>		<b>195,811.26</b>		<b>130,855.13</b>
<b>Adjustments for :</b>				
(Increase)/Decrease in operating Assets - Current/short term				
- Receivables under Financing Activity (including Repossessed Assets)	(339,887.26)		(163,909.43)	
- Other Assets	(15,863.26)		(7,402.40)	
- Loans and advances	1,774.99	(353,975.53)	3,169.59	(168,142.24)
(Increase)/Decrease in operating Assets - Non Current/Long term				
- Receivables under Financing Activity (including Repossessed Assets)	(313,073.44)		(338,192.73)	
- Other Assets	1,632.38		(2,670.03)	
- Loans and advances	59.52	(311,381.54)	1,590.09	(339,272.67)
Securitisation / Bilateral Assignment of Receivables	218,775.00	218,775.00	111,337.45	111,337.45
Increase/(Decrease) in operating liabilities				
- Current/Short term liabilities	17,349.07	17,349.07	3,910.32	3,910.32
- Long term liabilities	64.25	64.25	118.93	118.93
<b>Cash Used in Operations</b>		<b>(233,357.49)</b>		<b>(261,193.08)</b>

# Cash Flow Statement

 for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
Financing charges paid	(133,309.83)		(92,186.78)	
Direct Taxes Paid	(17,424.71)	(150,734.54)	(3,861.35)	(96,048.13)
<b>Net Cash Used in Operating Activities (A)</b>		(384,092.03)		(357,241.21)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Bank Deposits and Unpaid Dividend Accounts (See Note below)	5,391.31		2,930.56	
Purchase of Fixed Assets	(3,564.23)		(3,093.17)	
Sale of Fixed Assets	12.37		22.84	
Investment in Subsidiary Companies	(1.32)		(6,000.00)	
Purchase of Other Investments	(2,027,075.54)		(1,301,001.22)	
Sale/ Redemption of Other Investments	2,026,413.46		1,302,048.85	
Interest Received on Bank Deposits and other investments	6,159.76		4,535.86	
Dividend Received on Investments	1.50		0.03	
<b>Net Cash From / (Used in) Investing Activities (B)</b>		7,337.31		(556.25)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in Equity Share Capital and Securities Premium (net of expenses)	29,620.22	29,620.22	20,892.84	20,892.84
Increase/(Decrease) in borrowings - Non current/Long term				
- Debentures	100,950.00		134,060.00	
- Banks and Others	13,466.00	114,416.00	19,843.37	153,903.37
Increase/(Decrease) in borrowings - Current/Short term				
- Debentures	22,320.00		78,500.00	
- Banks and Others	247,753.72	270,073.72	117,117.18	195,617.18
Decrease in Fixed Deposits	(14.21)	(14.21)	(13.61)	(13.61)
Dividends Paid (Including Distribution Tax)	(5,393.00)	(5,393.00)	(4,159.23)	(4,159.23)
<b>Net Cash From Financing Activities (C)</b>		408,702.73		366,240.55
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>		<b>31,948.01</b>		<b>8,443.09</b>
Cash and Cash Equivalents at the Beginning of the Year		13,614.95		5,171.86
Cash and Cash Equivalents at the End of the Year		45,562.96		13,614.95
<b>Note:</b>				
Cash and Cash Equivalents at the End of the Year as per Balance Sheet		38,896.69		25,839.99
Add: Current Investments (Excluding Investments under Lien)		13,500.00		-
Less: Balance in Current Accounts held for Unpaid Dividends		33.35		33.49
Less: Bank Deposits held for More than Three Months		68.96		4,997.83
Less: Bank Deposits under Lien		6,731.42		7,193.72
		45,562.96		13,614.95

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

For and on behalf of the **Board of Directors**

**M.B.N.Rao**  
Chairman

**Vellayan Subbiah**  
Managing Director

## Notes forming part of the Financial statements for the year ended 31 March, 2013

**Cholamandalam Investment and Finance Company Limited** ("the Company") is one of the premier diversified non-banking finance companies in India, engaged in providing vehicle finance, home loans, corporate mortgage loans and gold loans. The Company through its subsidiaries, is also engaged in the business of broking and distribution of financial products.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Accounting and Preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India (RBI) for Non-deposit taking Non-Banking Finance Companies (NBFC-ND).

#### b) Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the year. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### c) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### d) Revenue Recognition

Interest Income is recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. In the case of Non Performing Loans, interest income is recognised upon realisation, as per RBI guidelines. Unrealised interest recognised as income in the previous period is reversed in the month in which the loan is classified as Non Performing.

Service Charges are recognised on issue of delivery instruction to the dealer/ manufacturer in respect of the assets financed or on release of disbursement amount, whichever is earlier, and when there is no uncertainty in receiving the same.

Additional Finance Charges, Cheque bounce charges, Field visit charges and other penal / servicing charges are recognised as income on realisation due to uncertainty in their collection.

Interest spread on bilateral assignment or securitisation of receivables is recognised on accrual basis over the tenor of the underlying assets.

Loss if any in respect of securitisation and assignment is recognised upfront.

Income from non financing activity is recognised as per the terms of the respective contract on accrual basis.

Interest income on bonds and deposits and pass through certificates is recognised on accrual basis.

Profit / loss on sale of investments is recognised at the time of sale or redemption.

Dividend Income is recognised when the right to receive dividend is established.



## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### e) Fixed Assets, Depreciation and Impairment

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately.

Depreciation on own fixed assets is provided pro-rata on the basis of the Straight Line Method over their estimated useful lives or at the rates specified in Schedule XIV of the Companies Act, 1956, whichever is higher.

Asset Description	Estimated Useful Life
Buildings	20 years
Plant and Machinery	
- Computer Equipment	3 years
- Others	5 years
Office Equipment	5 years
Leasehold improvements	Lease Period or 5 years, whichever is lower
Furniture and Fixture	5 years
Vehicles	5 years
Intangible Assets - Computer Software	License Period or 3 years, whichever is lower

Assets individually costing less than or equal to ₹ 5,000 are fully depreciated in the year of acquisition.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

The carrying amount of assets is reviewed at each balance sheet date to ascertain impairment based on internal or external factors. Impairment is recognised if the carrying value exceeds the higher of net selling price of the assets and its value in use.

### f) Investments

Investments which are long term in nature are stated at cost. Provision is made for diminution in value if it is of nature other than temporary.

Current investments are valued at lower of cost and fair value.

Cost of investments include acquisition charges such as brokerage, fees and duties.

### g) Receivables under Financing Activity and Provisioning

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off

- (i) Unearned income
- (ii) Instalments appropriated up to the balance sheet date

Provision for Standard Assets is made as per internal estimates, based on past experience, realisation of security, and other relevant factors, on the outstanding amount of Standard Assets for all types of lending subject to minimum provisioning requirements specified by RBI.

Provision for Non Performing Assets is made as per the provisioning norms approved by the Board for each type of lending activity subject to minimum provisioning requirements specified by RBI.

### h) Repossessed Assets

Repossessed Assets are valued at lower of cost and estimated net realisable value.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### i) Retirement and Other Benefits

#### (i) Defined Contribution Plan

**Provident Fund:** Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund, based on the statutory provisions as per the Employee Provident Fund Scheme, are charged to Statement of Profit and Loss in the period incurred.

**Superannuation:** The Company contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company has no liability for future Superannuation Fund benefits other than its contribution and recognises such contributions as an expense in the Statement of Profit and Loss in the period incurred.

#### (ii) Defined Benefit Plan & Long Term Compensated Absences

Expenditure for defined benefit gratuity plan and long term accumulated compensated absences is calculated as at the balance sheet date in a manner that distributes expenses over the employees working lives. These commitments are valued at the present value of expected future payments and with consideration for calculated future salary increases.

The Company makes contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined every year by LIC / independent actuary using the Projected Unit Credit method.

The Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the statement of profit and loss in the year in which they occur.

#### (iii) Other Short Term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of short-term compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

### j) Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the balance sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the Statement of profit and loss.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the period.

### k) Derivative Transactions

The Company enters into derivative contracts in the nature of foreign currency swaps with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign currency transactions and translations.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### l) Lease Accounting

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

### m) Service Tax Input Credit

Service Tax Input Credit is accounted for in the books in the period when the underlying service received is accounted and when there is no uncertainty in availing / utilising the same.

### n) Taxation

**Income Tax:** Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

**Deferred Tax:** Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

### o) Employee share based payments

In respect of stock options granted pursuant to the Company's Employee Stock Option Schemes, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

### p) Provisions, Contingent Liabilities and Contingent Assets

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

Contingent liability is disclosed for -

- (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements.

### q) Segment Reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure.

### r) Prepaid Finance Charges

Prepaid Finance Charges represents ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed, and is amortised on a straight line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### s) Share issue expenses

Share issue expenses are either debited to the Statement of profit and loss or adjusted against securities premium account in accordance with Section 78(2) of the Companies Act, 1956, based on management's decision.

### t) Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

### u) Operating Cycle

Assets and Liabilities are classified as Current and Non-Current based on the Operating Cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realised and settled, within a period of 12 months from the date of Balance sheet have been classified as Current and other assets and liabilities are classified as Non-current.

## 2. APPROVAL OF SCHEME OF AMALGAMATION

The Board of Directors at their meeting held on 30 October, 2012 approved a Scheme of Amalgamation of the Company's wholly owned subsidiary M/s.Cholamandalam Factoring Limited (CFACT) with the Company with effect from 01 April, 2012 (the Appointed Date) subject to the approval of Hon'ble High Court of Judicature at Madras and other necessary approvals and sanctions. The Order of Hon'ble High Court is awaited on the petition filed by CFACT in this regard. As per the proposed Scheme of Amalgamation, the details of assets / liabilities appearing in the books of CFACT as at the appointed date, proposed to be merged into the Company are summarised below:

Particulars	₹ in lakhs
	As at 1 April, 2012
Investments	228.62
Receivable under Financing Activity	6900.48
Cash and Cash Equivalents	1.73
Other Current Assets	8.93
Loans and Advances	42.80
<b>Total Assets - A</b>	<b>7,182.56</b>
Current Liabilities	10.60
Provisions	6,900.48
<b>Total Liabilities - B</b>	<b>6,911.08</b>
<b>Net Assets (A-B)</b>	<b>271.48</b>

The impact of the above Scheme of Amalgamation including the tax effects, if any, will be recorded in the financial statements of the Company upon approval by the Hon'ble High Court of Judicature at Madras.

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	Amount	Nos.	Amount
<b>NOTE : 3 SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
Equity Shares of ₹ 10 each	150,000,000	15,000.00	150,000,000	15,000.00
Preference Shares of ₹ 100 each	30,000,000	30,000.00	30,000,000	30,000.00
		<b>45,000.00</b>		<b>45,000.00</b>
<b>ISSUED</b>				
Equity Shares of ₹ 10 each	143,244,495	14,324.45	132,691,303	13,269.13
1% Fully Convertible Cumulative Preference Shares of ₹ 100 each (Fully converted on 17 May, 2010 into 3,26,08,695 equity shares)	30,000,000	30,000.00	30,000,000	30,000.00
		<b>44,324.45</b>		<b>43,269.13</b>
<b>SUBSCRIBED AND FULLY PAID UP</b>				
Equity Shares of ₹ 10 each	143,107,741	14,310.77	132,554,549	13,255.45
Add : Forfeited Shares	130,900	6.54	1,30,900	6.54
		<b>14,317.31</b>		<b>13,261.99</b>

## a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year:

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	Amount	Nos.	Amount
<b>Equity Shares</b>				
At the beginning of the year	132,554,549	13,255.45	119,283,881	11,928.39
Issued during the year on preferential basis (Refer Note f)	10,526,315	1,052.63	13,255,454	1,325.54
Issued during the year - Employees Stock Option Scheme	26,877	2.69	15,214	1.52
<b>Outstanding at the end of the year</b>	<b>143,107,741</b>	<b>14,310.77</b>	<b>132,554,549</b>	<b>13,255.45</b>
<b>Forfeited shares</b>				
Equity - Amount originally paid up	<b>1,30,900</b>	<b>6.54</b>	<b>1,30,900</b>	<b>6.54</b>

## b) Terms/rights attached to Equity shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. All these shares have the same rights and preferences with respect to payment of dividend, repayment of capital and voting. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except for Interim dividend.

Repayment of capital will be in proportion to the number of Equity shares held.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### c) Equity Shares held by Holding company and its Associates:

Particulars	As at 31.03.2013	As at 31.03.2012
Tube Investments of India Limited - Holding company	72,233,019	72,233,019
Murugappa Holdings Limited - Associate of Holding company	176	176

### d) Details of shareholding more than 5% shares in the company:

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	% holding in the class	Nos.	% holding in the class
Tube Investments of India Limited	72,233,019	50.47	72,233,019	54.49
International Finance corporation	11,831,352	8.27	11,831,352	8.93
Ambadi Investments Private Limited	7,218,410	5.04	7,218,410	5.45

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

### e) Shares reserved for issue under options:

Refer Note 36 for details of shares reserved for issue under options

### f) Issue of shares on Preferential basis:

On 13 February, 2013 the Company allotted 10,526,315 equity shares of ₹ 10 each at a premium of ₹ 275 per share aggregating to ₹ 30,000 lakhs to eligible investors who are Qualified Institutional Buyers.

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 4 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>0.03</b>	<b>0.03</b>
<b>Capital Redemption Reserve</b> (Note 4.1)	<b>3,300.00</b>	<b>3,300.00</b>
<b>Securities Premium Account</b>		
Balance at the beginning of the year	87,779.55	68,211.04
Add: Premium on issue of shares on preferential basis (Refer Note 3 (f))	28,947.37	19,883.18
Premium on ESOPs exercised	39.31	5.57
Less: Share issue expenses	(421.78)	(320.24)
<b>Closing balance</b>	<b>116,344.45</b>	<b>87,779.55</b>
<b>Statutory Reserve</b> (Note 4.2)		
Balance at the beginning of the year	12,593.82	9,142.82
Add: Amount transferred from surplus in the Statement of Profit and Loss	6,131.00	3,451.00
<b>Closing balance</b>	<b>18,724.82</b>	<b>12,593.82</b>

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	As at	
	31.03.2013	31.03.2012
<b>NOTE : 4 RESERVES AND SURPLUS (Contd.)</b>		
<b>General Reserve</b>		
Balance at the beginning of the year	16,426.13	6,426.13
Add: Amount transferred from surplus in the statement of profit and loss	15,000.00	10,000.00
<b>Closing balance</b>	<b>31,426.13</b>	<b>16,426.13</b>
<b>Surplus in the Statement of Profit and loss</b>		
Balance at the beginning of the year	8,366.97	8,184.12
Profit for the year	30,654.54	17,254.27
Less:		
Dividend		
Equity for previous year (Refer Note:4.3)	(0.03)	(0.08)
Equity Interim - Paid (₹ 2.50 per share)	(3,314.54)	(1,789.49)
Equity - Proposed (₹ 1.00 per share)	(1,431.08)	(1,325.55)
Distribution tax on Equity Dividend	(780.91)	(505.30)
Transfer to Statutory Reserve	(6,131.00)	(3,451.00)
Transfer to General Reserve	(15,000.00)	(10,000.00)
<b>Net surplus in the Statement of Profit and Loss</b>	<b>12,363.95</b>	<b>8,366.97</b>
<b>Total Reserves and surplus</b>	<b>182,159.38</b>	<b>128,466.50</b>

4.1 Represents the amount transferred for a sum equal to the nominal value of shares redeemed during the prior years.

4.2 Represents the Reserve Fund created under Section 45-1C of the Reserve Bank of India Act, 1934.

4.3 Represents dividend payment relating to previous year in respect of 3,433 (31 March, 2012 - 5,128) shares which were allotted to the employees under the Employee Stock Option Scheme 2007 after 31 March, 2012 but before 25 July, 2012(book closure date).

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 5 BORROWINGS (Refer Note 5.3)</b>				
<b>Long Term</b>				
Redeemable Non-Convertible Debentures				
Medium Term - Secured	204,940.00	160,790.00	117,820.00	93,500.00
- Refer Note 5.1 (i) & 5.2 (i) to (iv)				
Subordinated Debt - Unsecured	102,800.00	77,800.00	13,000.00	15,000.00
- Refer Note 5.2 (v)				
Perpetual Debt - Unsecured	82,570.00	50,770.00	-	-
- Refer Note 5.2 (vi)				

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 5 BORROWINGS (Contd.)</b>				
Term Loan				
Rupee Loans from Banks - Secured	434,133.00	410,834.00	259,201.00	139,833.00
- Refer Note 5.1 (ii) & 5.2 (vii)				
Foreign currency Loans from Banks - Secured	5,428.00	15,261.00	10,856.00	25,817.01
- Refer Note 5.1(ii) & 5.2 (vii)				
	829,871.00	715,455.00	400,877.00	274,150.01
The above amount includes				
Secured borrowings	644,501.00	586,885.00	387,877.00	259,150.01
Unsecured borrowings	185,370.00	128,570.00	13,000.00	15,000.00
Amount disclosed under the head "Current Maturities of Long term borrowings"	-	-	(400,877.00)	(274,150.01)
	<b>829,871.00</b>	<b>715,455.00</b>	-	-
<b>Short Term</b>				
Working Capital Demand loans and Cash Credit from Banks - Secured	-	-	211,107.01	131,306.28
- Refer Note 5.1 (iii)				
Commercial Paper - Unsecured	-	-	85,005.00	23,500.00
Inter-corporate Deposit - Unsecured from subsidiaries (Refer Note 32)	-	-	2,041.00	-
	-	-	<b>298,153.01</b>	<b>154,806.28</b>
The above amount includes				
Secured borrowings	-	-	211,107.01	131,306.28
Unsecured borrowings	-	-	87,046.00	23,500.00
	-	-	<b>298,153.01</b>	<b>154,806.28</b>

### 5.1 Security

- (i) Redeemable Non convertible debentures - Medium term is secured by way of specific charge on assets under hypothecation relating to automobile financing, corporate mortgage loans and loans against immovable property and pari passu charge on immovable property situated at Ahmedabad
- (ii) Term loans from banks is secured by way of specific charge on assets under hypothecation relating to automobile financing and loans against immovable property
- (iii) Cash credit from banks and working capital demand loans are secured by floating charge on assets under hypothecation and other current assets



# Notes

 forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

## 5.2 Details of Debentures

(i) Secured Redeemable Non-Convertible Debentures - Redeemable at par in - No put call option

No. of Debentures	Face Value ₹	Balance as at		Due date of redemption	Rate of interest %
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
2500	1,000,000	25,000	-	17-Dec	10.50
2500	1,000,000	25,000	-	15-Dec	10.50
250	1,000,000	2,500	-	15-Jun	10.67
250	1,000,000	2,500	-	15-Apr	10.20
850	1,000,000	8,500	-	15-Mar	10.07
600	1,000,000	6,000	3,500	14-Nov	10.05 to 10.90
400	1,000,000	4,000	-	14-Oct	10.08
2600	1,000,000	26,000	21,500	14-Sep	10.30 to 10.90
500	1,000,000	5,000	5,000	14-Aug	10.55
250	1,000,000	2,500	2,500	14-Jul	10.55
3350	1,000,000	33,500	10,000	14-Jun	10.77 to 10.95
805	1,000,000	8,050	-	14-Apr	9.70 to 9.82
1000	1,000,000	10,000	10,000	14-Feb	10.70 to 10.71
250	1,000,000	2,500	2,500	13-Dec	10.67
750	1,000,000	7,500	7,500	13-Sep	10.30 to 10.45
1350	1,000,000	13,500	13,500	13-Aug	10.30 to 10.35
500	1,000,000	5,000	10,000	13-Jul	10.40 to 10.59
100	1,000,000	1,000	1,000	13-Jun	10.59
700	1,000,000	7,000	7,000	13-May	8.75 to 10.64
850	1,000,000	8,500	13,500	13-Apr	10.45 to 10.80
650	1,000,000	-	6,500	13-Mar	10.40 to 10.45
500	1,000,000	-	5,000	13-Feb	10.40
100	1,000,000	-	1,000	12-Oct	10.70
1100	1,000,000	-	11,000	12-Sep	9.90 to 12.00
2000	1,000,000	-	20,000	12-Aug	8.55 to 8.75
500	1,000,000	-	5,000	12-Jun	8.25
1500	1,000,000	-	15,000	12-May	8.25 to 8.40
		<b>203,550</b>	<b>171,000</b>		

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

(ii) Secured Redeemable Non-Convertible Debentures - Redeemable at premium in - No put call option

No. of Debentures	Face Value ₹	Balance as at		Due date of redemption	Redemption price ₹
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
145	1,000,000	1,450	-	15-Sep	13,40,839
102	1,000,000	1,020	-	15-Sep	13,34,362
30	1,000,000	300	-	15-Aug	13,82,264
180	1,000,000	1,800	1,800	15-Jun	13,63,970
225	1,000,000	2,250	-	15-May	13,48,378
97	1,000,000	970	970	15-Apr	13,36,573
113	1,000,000	1,130	-	15-Apr	13,31,826
137	1,000,000	1,370	-	15-Mar	13,20,885
300	1,000,000	3,000	3,000	15-Feb	13,32,073
50	1,000,000	500	500	15-Jan	13,32,420
150	1,000,000	1,500	1,500	14-Dec	13,35,731
600	1,000,000	6,000	6,000	14-Nov	13,54,707
600	1,000,000	6,000	6,000	14-Nov	13,49,068
250	1,000,000	2,500	-	14-Jun	12,27,000
330	1,000,000	3,300	-	14-May	12,20,232
180	1,000,000	1,800	1,800	14-Apr	12,18,469
150	1,000,000	1,500	1,500	14-Apr	12,11,490
500	1,000,000	5,000	-	Apr-14	11,02,376
40	1,000,000	400	400	14-Mar	12,08,700
110	1,000,000	1,100	1,100	14-Feb	12,07,865
250	1,000,000	2,500	2,500	13-Nov	12,20,668
100	1,000,000	1,000	-	13-Nov	11,07,560
750	1,000,000	7,500	7,500	13-Oct	12,27,765
1000	1,000,000	10,000	10,000	13-Aug	11,61,219
160	1,000,000	1,600	-	13-Jul	11,17,377
45	1,000,000	450	450	13-Jun	11,39,226
500	1,000,000	5,000	5,000	13-May	11,75,400
30	1,000,000	300	300	13-May	11,20,782
47	1,000,000	470	470	13-May	11,20,497
250	1,000,000	2,500	2,500	13-Apr	11,19,304
		<b>74,210</b>	<b>53,290</b>		

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

(iii) Secured Redeemable Non-Convertible Debentures - Redeemable at par in - with Put option \*

No. of Debentures	Face Value ₹	Balance as at		Due date of redemption*	Rate of interest %
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
3000	1,000,000	30,000	30,000	Aug-14	10.15
		<b>30,000</b>	<b>30,000</b>		

\* Put option available to debenture holders on 22-Feb-13, 22-Aug-13 and 22-Feb-14

(iv) Secured Redeemable Non-Convertible Debentures - Redeemable at par in - with Call option \*

No. of Debentures	Face Value ₹	Balance as at		Due date of redemption*	Rate of interest %
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
1500	1,000,000	15,000	-	Sep-14	10.25
		<b>15,000</b>	-		

\* Call option available to the Company on 03-Sep-13

	₹ in lakhs					
	Non - Current		Current		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Redeemable at par - No put call option	148,550	107,500	55,000	63,500	203,550	171,000
Redeemable at premium - No put call option	41,390	53,290	32,820	-	74,210	53,290
Redeemable at par - with put option	-	-	30,000	30,000	30,000	30,000
Redeemable at par - with call option	15,000	-	-	-	15,000	-
	<b>204,940</b>	<b>160,790</b>	<b>117,820</b>	<b>93,500</b>	<b>322,760</b>	<b>254,290</b>

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

(v) Unsecured Redeemable Non-Convertible Debentures - Subordinated debt - Redeemable at par in - No put call option

No. of Debentures	Face Value ₹	Balance as at		Due date of redemption	Rate of interest %
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
600	1,000,000	6,000	-	22-Dec	11.05 to 11.25
500	1,000,000	5,000	5,000	20-Jul	10.70
115	1,000,000	1,150	1,150	20-May	11.00
1000	1,000,000	10,000	10,000	20-Apr	11.00
750	1,000,000	7,500	-	19-Dec	11.50
700	1,000,000	7,000	-	19-Jun	11.40
1500	1,000,000	15,000	-	19-May	11.70 to 11.75
100	1,000,000	1,000	1,000	18-Nov	10.55
250	1,000,000	2,500	-	18-Sep	11.25
895	1,000,000	8,950	8,950	18-Aug	12.25
620	1,000,000	6,200	6,200	18-Jun	10.55 to 12.25
750	1,000,000	7,500	7,500	17-Nov	12.75
150	1,000,000	1,500	1,500	17-Mar	11.25
350	1,000,000	3,500	3,500	17-Feb	11.15
1000	1,000,000	10,000	10,000	15-Feb	11.25
1000	1,000,000	10,000	10,000	14-Dec	12.65
1000	1,000,000	10,000	10,000	13-Jun	10.85
300	1,000,000	3,000	3,000	13-Apr	11.50
550	1,000,000	-	5,500	12-Aug	12.00
100	1,000,000	-	1,000	12-Jul	13.75
450	1,000,000	-	4,500	12-Jun	10.50 to 12.00
400	1,000,000	-	4,000	12-May	9.35
		<b>115,800</b>	<b>92,800</b>		

(vi) Unsecured Redeemable Non-Convertible Debentures - Perpetual debt

No. of Debentures	Face Value ₹	Balance as at		Maturity Date - Perpetual (Call option available; with prior approval of RBI in)	Rate of interest % (increase by 100 bps if call option is not exercised on the due date)
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
300	1,000,000	3,000	-	Feb-23	12.80
1450	1,000,000	14,500	-	Dec-22	12.70 to 12.80
860	500,000	4,300	-	Sep-22	12.75

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

(vi) Unsecured Redeemable Non-Convertible Debentures - Perpetual debt (Contd.)

No. of Debentures	Face Value ₹	Balance as at		Maturity Date - Perpetual (Call option available; with prior approval of RBI in)	Rate of interest % (increase by 100 bps if call option is not exercised on the due date)
		31.03.2013 ₹ in lakhs	31.03.2012 ₹ in lakhs		
2000	500,000	10,000	-	Aug-22	12.90
200	500,000	1,000	1,000	Mar-22	12.50
700	500,000	3,500	3,500	Jan-22	12.50
3500	500,000	17,500	17,500	Dec-21	12.50 to 12.95
320	500,000	1,600	1,600	Aug-21	12.50
413	500,000	2,065	2,065	Jul-21	12.50
2021	500,000	10,105	10,105	Jun-21	12.50
3000	500,000	15,000	15,000	Oct-20	12.05
		<b>82,570</b>	<b>50,770</b>		

5.2 (vii) Details of term loans

Rate of Interest	Maturity	Instalments	Amount outstanding			
			Non Current		Current	
			31.03.2013	31.03.2012	31.03.2013	31.03.2012
Base Rate	< 1 year	1	-	-	31,834	39,000
	1 - 2 years	1	60,000	8,500	-	-
		2	27,500	27,500	7,500	27,500
		4	12,500	-	37,500	-
	2 - 3 years	1	105,000	45,000	-	-
		2	-	20,000	-	-
		4	27,000	50,000	-	-
	Base Rate + spread (0.5% to 1.50%)	< 1 year	1	-	-	81,500
1 - 2 years		1	90,500	91,500	-	-
		2	-	18,334	-	3,333
		3	3,333	-	6,667	-
		4	37,500	20,000	12,500	-
2 - 3 years		1	-	30,000	-	-
		2	-	50,000	-	-
		3	8,300	-	4,200	-
Fixed Rate or Base rate whichever is higher	< 1 year	1	-	-	40,000	-
	1 - 2 years	1	-	40,000	-	-
		4	-	10,000	-	-

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### 5.2 (vii) Details of term loans (Contd.)

₹ in lakhs

Rate of Interest	Maturity	Instalments	Amount outstanding			
			Non Current		Current	
			31.03.2013	31.03.2012	31.03.2013	31.03.2012
Fixed Rate	< 1 year	1	-	-	-	5,000
		2	-	-	20,000	5,000
		4	-	-	10,000	-
	1 - 2 years	2	7,500	-	7,500	-
		3	15,000	-	-	-
	2 - 3 years	1	10,000	-	-	-
<b>TOTAL</b>			<b>434,133</b>	<b>410,834</b>	<b>259,201</b>	<b>139,833</b>
USD 6M LIBOR + Spread	< 1 year	1	-	-	-	8,986
		2	-	-	-	5,230
		3	-	-	-	6,514
USD 12M LIBOR + Spread	< 1 year	1	-	-	10,856	5,087
	1-2 years	1	5,428	10,174	-	-
	2-3 years	1	-	5,087	-	-
<b>TOTAL</b>			<b>5,428</b>	<b>15,261</b>	<b>10,856</b>	<b>25,817</b>

### 5.3 The company has not defaulted in the repayment of dues to its lenders

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 6 OTHER LONG TERM LIABILITIES</b>		
Advances from customers	115.85	79.16
Interest Accrued but Not Due on Borrowings	4,523.95	1,679.45
Deferred Rent	205.83	178.27
	<b>4,845.63</b>	<b>1,936.88</b>

₹ in lakhs

Particulars	Long term		Short term	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 7 PROVISIONS</b>				
<b>Provision for Employee Benefits</b>				
- Compensated Absences	-	-	1,047.72	749.62
	-	-	1,047.72	749.62
<b>Other provisions</b>				
Provision for Standard Assets	2,850.62	2,075.54	1,305.73	1,311.89
Provision for Non performing Assets	5,215.79	2,531.74	10,432.93	5,534.96
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	753.44	687.65	74.70	251.22
Provisions for Mark to Market Losses on Derivatives	-	-	-	1,456.15

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Long term		Short term	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 7 PROVISIONS (Contd.)</b>				
Contingent Service Tax claims	-	-	792.37	735.61
Proposed Dividend - Equity	-	-	1,431.08	1,325.55
Provision for Distribution tax on proposed Dividend - Equity	-	-	243.21	215.04
	8,819.85	5,294.93	14,280.02	10,830.42
	<b>8,819.85</b>	<b>5,294.93</b>	<b>15,327.74</b>	<b>11,580.04</b>

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 8 OTHER CURRENT LIABILITIES</b>		
<b>Trade payables</b>		
- Outstanding dues to Micro Small and Medium Enterprises (Refer Note 28 for details of dues)	0.06	3.64
- Others	14,387.93	9,928.89
	<b>14,387.99</b>	<b>9,932.53</b>
<b>Other current liabilities</b>		
Interest Accrued but Not Due on Borrowings / Other Deposits	27,518.73	18,819.27
Income received in advance	-	14.06
Unclaimed Dividend (Refer Note 8.1)	33.35	33.49
Fixed Deposits including interest accrued thereon - Matured and unclaimed (Refer Note 8.2 & 8.3)	39.53	53.74
Advances from customers	1,459.15	1,081.52
Security Deposit received	361.60	283.99
Remittances payable - Derecognised assets (Refer Note 16.1)	18,486.80	6,712.12
Collections from customers towards Insurance	1,219.69	636.05
Statutory dues	415.91	339.04
Other liabilities *	185.96	168.72
	<b>49,720.72</b>	<b>28,142.00</b>
* Other liabilities include dues to subsidiaries		
Cholamandalam Securities Limited	7.35	2.28
Cholamandalam Distribution Services Limited	0.99	-

- 8.1 There are no amounts of Unclaimed Dividend due and outstanding to be credited to Investor Education and Protection Fund (IEPF).
- 8.2 As at 31 March, 2013, there are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for ₹1.86 lakhs (31 March, 2012 - ₹1.86 lakhs), the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to ₹0.11 lakhs (31 March, 2012 - ₹0.11 lakhs), payments have not been made as per instructions received from Central Bureau of Investigation.
- 8.3 Pursuant to the Company obtaining a fresh Certificate of Registration dated 11 December, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits and consequent to its decision to exit from deposit accepting activities effective 01 November, 2006, the Company has a total deposit of ₹ 48.06 lakhs as at 31 March, 2013 (31 March, 2012 - ₹ 85.21 lakhs) in an Escrow Account, as directed by the RBI. Also refer Note 16.

# Notes

 forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Description	Gross Block		Accumulated Depreciation and Amortisation				Net Block as at			
	Cost as at 31.03.2012	Additions	Deletions	Cost as at 31.03.2013	Upto 31.03.2012	Provided for the year	Withdrawn during the year	Upto 31.03.2013	31.03.2013	31.03.2012
<b>Tangible Asset</b>										
Freehold Land	464.19	-	-	464.19	-	-	-	-	464.19	464.19
Buildings (Refer Note 9.1)	3,424.91	38.86	-	3,463.77	384.99	170.77	-	555.76	2,908.01	3,039.92
Plant and Machinery	1,621.58	781.01	15.35	2,387.24	1,146.98	457.23	13.14	1,591.07	796.17	474.60
Office Equipment	548.67	596.93	8.88	1,136.72	309.99	346.20	8.31	647.88	488.84	238.68
Furniture and Fixtures	517.10	805.48	14.55	1,308.03	360.11	364.44	14.56	709.99	598.04	156.99
Leasehold Improvements	596.23	934.18	5.12	1,525.29	336.64	326.45	5.12	657.97	867.32	259.59
Vehicles	411.15	192.23	39.18	564.20	99.63	99.13	30.21	168.55	395.65	311.52
<b>TOTAL</b>	<b>7,583.83</b>	<b>3,348.69</b>	<b>83.08</b>	<b>10,849.44</b>	<b>2,638.34</b>	<b>1,764.22</b>	<b>71.34</b>	<b>4,331.22</b>	<b>6,518.22</b>	<b>4,945.49</b>
<b>Intangible Asset</b>										
- Computer Software	2,255.67	443.17	-	2,698.84	1,884.74	267.00	-	2,151.74	547.10	370.93
<b>TOTAL</b>	<b>2,255.67</b>	<b>443.17</b>	<b>-</b>	<b>2,698.84</b>	<b>1,884.74</b>	<b>267.00</b>	<b>-</b>	<b>2,151.74</b>	<b>547.10</b>	<b>370.93</b>

## NOTE : 9 FIXED ASSETS

As at 31 March, 2013



**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)**NOTE : 9 FIXED ASSETS (Contd.)**

As at 31 March, 2012

Description	₹ in lakhs										
	Cost as at 31.03.2011		Gross Block		Cost as at 31.03.2012		Accumulated Depreciation and Amortisation			Net Block as at	
	Costs at 31.03.2011	Additions	Deletions	Cost as at 31.03.2012	Upto 31.03.2011	Provided for the year	Withdrawn during the year	Upto 31.03.2012	31.03.2012	31.03.2011	
<b>Tangible Asset</b>											
Freehold Land	-	464.19	-	464.19	-	-	-	-	-	-	-
Buildings (Refer Note 9.1)	2,962.61	462.30	-	3,424.91	228.14	156.85	-	384.99	3,039.92	2,734.47	
Plant and Machinery	1,084.73	537.79	0.94	1,621.58	1,023.95	123.42	0.39	1,146.98	474.60	60.78	
Office Equipment	246.69	303.48	1.50	548.67	168.75	142.38	1.14	309.99	238.68	77.94	
Furniture and Fixtures	249.76	268.83	1.49	517.10	237.14	124.27	1.30	360.11	156.99	12.62	
Leasehold improvements	309.01	296.15	8.93	596.23	255.01	88.20	6.57	336.64	259.59	54.00	
Vehicles	266.92	219.73	75.50	411.15	88.14	68.02	56.53	99.63	311.52	178.78	
<b>TOTAL</b>	<b>5,119.72</b>	<b>2,552.47</b>	<b>88.36</b>	<b>7,583.83</b>	<b>2,001.13</b>	<b>703.14</b>	<b>65.93</b>	<b>2,638.34</b>	<b>4,945.49</b>	<b>3,118.59</b>	
<b>Intangible Asset</b>											
- Computer Software	1,896.45	359.22	-	2,255.67	1,697.63	187.11	-	1,884.74	370.93	198.82	
<b>TOTAL</b>	<b>1,896.45</b>	<b>359.22</b>	<b>-</b>	<b>2,255.67</b>	<b>1,697.63</b>	<b>187.11</b>	<b>-</b>	<b>1,884.74</b>	<b>370.93</b>	<b>198.82</b>	

Note:

9.1 Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars		As at 31.03.2013	As at 31.03.2012
<b>NOTE : 10 NON CURRENT INVESTMENTS</b> (valued at cost unless stated otherwise)			
<b>Trade Investments - Unquoted</b>			
<b>Investment in Equity shares of subsidiaries</b>			
Cholamandalam Distribution Services Limited 42,400,000 Equity shares of ₹ 10 each fully paid up		4,240.00	4,240.00
Cholamandalam Securities Limited 20,500,014 Equity shares of ₹ 10 each fully paid up		2,050.00	2,050.00
Cholamandalam Factoring Limited 80,364,829 (31 March, 2012 - 80,362,779) Equity shares of ₹ 10 each fully paid up		8,096.68	8,095.36
		14,386.68	14,385.36
Less: Provision for diminution in the value of investment		(8,638.36)	(8,745.36)
<b>Total (a)</b>		<b>5,748.32</b>	<b>5,640.00</b>
<b>Non Trade Investments</b>			
<b>Investment in Equity shares - Unquoted</b>			
Amaravathi Sri Venkatesa Paper Mills Limited 293,272 Equity shares of ₹ 10 each fully paid up		129.04	129.04
Saraswat Co-operative Bank Limited 1,000 Equity shares of ₹ 10 each fully paid up		0.10	0.10
The Shamrao Vithal Co-operative Bank Limited 1,000 Equity shares of ₹ 25 each fully paid up		0.25	0.25
<b>Investment in other shares - Unquoted</b>			
Abhishek Co-operative Housing Society 5 shares of ₹ 50 each : Cost ₹ 250 only		0	0
Chennai Willingdon Corporate Foundation 5 shares of ₹ 10 each : Cost ₹ 50 only		0	0
<b>Investment in Pass Through Certificates - Unquoted</b>	3,073.26		
Amount disclosed under Current Investments (Refer Note 15)	(672.50)	2,400.76	-
<b>Total (b)</b>		<b>2,530.15</b>	<b>129.39</b>
<b>Total Non current Investments (a+b)</b>		<b>8,278.47</b>	<b>5,769.39</b>
Aggregate Value of Unquoted Investments - At Cost		16,916.83	14,514.75
Aggregate provision for diminution in the value of investments		8,638.36	8,745.36

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	As at	
	31.03.2013	31.03.2012
<b>NOTE : 11 DEFERRED TAX ASSET (Net)</b>		
<b>Deferred Tax Asset</b>		
Provision for Standard Assets	1,412.75	1,099.05
Provision for Non-Performing Assets	5,319.00	2,617.24
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	281.49	304.62
Provision for Repossessed Stock	407.29	307.82
Provision for Contingent Service Tax	269.33	-
Income Derecognised on Non Performing Assets	750.63	1,963.83
Provision for diminution in value of investment	-	4.83
Provisions for mark to market losses on derivatives	-	472.45
Provision for compensated absences	356.12	243.22
Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.	200.33	72.27
Others	69.96	58.47
<b>(A)</b>	<b>9,066.90</b>	<b>7,143.80</b>
<b>Deferred Tax Liability</b>		
Unamortised Prepaid Finance Charges	2,180.85	2,030.83
<b>(B)</b>	<b>2,180.85</b>	<b>2,030.83</b>
<b>Net Deferred Tax Asset (A) - (B)</b>	<b>6,886.05</b>	<b>5,112.97</b>
<b>Movement in Net Deferred Tax Asset during the year</b>	<b>1,773.08</b>	<b>(7,946.92)</b>

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 12 RECEIVABLES UNDER FINANCING ACTIVITY (Refer Note 12.5)</b>				
<b>Secured (Refer Note 12.1)</b>				
Automobile Financing	741,411.85	543,592.65	435,785.94	327,479.99
Loans against Immovable Property	399,178.16	278,563.15	34,283.78	20,531.24
Loans against Securities	5,424.99	9,667.77	10,046.50	23,922.47
Loans against Gold (Refer Note 12.6)	-	-	1,533.92	4,131.26
Other Loans	1,313.74	2,300.00	-	-
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.3)	-	-	23,660.82	12,108.56
<b>Total (a)</b>	<b>1,147,328.74</b>	<b>834,123.57</b>	<b>505,310.96</b>	<b>388,173.52</b>
<b>Unsecured</b>				
Consumer Loans	34.53	166.26	105.32	761.85
Other Loans	-	-	8,506.44	8,220.44
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.4)	-	-	1,308.08	1,544.49
<b>Total (b)</b>	<b>34.53</b>	<b>166.26</b>	<b>9,919.84</b>	<b>10,526.78</b>
<b>Total receivables under financing activity (a) + (b)</b>	<b>1,147,363.27</b>	<b>834,289.83</b>	<b>515,230.80</b>	<b>398,700.30</b>

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 12 RECEIVABLES UNDER FINANCING ACTIVITY (Contd.)</b>				
12.1 Secured means exposures secured wholly or partly by hypothecation of automobile assets and / or, pledge of securities and / or, equitable mortgage of property and/ or, corporate guarantees or personal guarantees and/ or, undertaking to create a security.				
12.2 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment/Securitisation of Receivables.			2,560.54	927.82
12.3 Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months			5,642.85	4,292.06
12.4 Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months			1,107.98	1,322.51
12.5 Of the above:				
Considered Good	1,140,246.23	829,640.23	502,386.20	391,588.86
Others - Non Performing Assets	7,117.04	4,649.60	12,844.60	7,111.44
	1,147,363.27	834,289.83	515,230.80	398,700.30
Refer Note 7 for Provision for Non performing assets				
12.6 Percentage of Loans against Gold to Total Assets	-	-	0.08%	0.31%

₹ in lakhs

Particulars	Long Term		Short Term	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 13 LOANS AND ADVANCES</b>				
<b>Unsecured - considered good</b> (unless otherwise stated)				
Capital Advances	137.03	364.66	-	-
Security Deposits	755.04	813.58	530.68	353.04
Prepaid expenses	16.35	17.33	277.42	374.68
Service tax input credit	-	-	252.24	2,032.16
Advance tax {net of provision for tax ₹ 27,645.42 lakhs; ( 31 March, 2012 - ₹ 11,564.09 lakhs)}	4,516.93	3,290.81	-	-
Other advances	-	-	181.71	257.16
	<b>5,425.35</b>	<b>4,486.38</b>	<b>1,242.05</b>	<b>3,017.04</b>

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 14 OTHER ASSETS</b>				
<b>Unsecured - considered good</b> (unless otherwise stated)				
Non current bank balances (Refer Note 16)	35,071.59	24,296.75	-	-
Excess Interest spread - Derecognised assets	5,113.28	5,791.00	675.99	1,679.73
Prepaid Finance Charges	4,948.84	4,829.29	1,467.30	1,430.00
Prepaid Discount on Commercial paper	-	-	2,648.05	496.50
Repossessed Automobile assets (net of provision)	-	-	627.65	194.62
Interest and Other Income Accrued but Not Due				
- on Loans to Borrowers	-	-	19,009.45	13,704.66
- on Deposits and Investments	-	-	519.45	3,665.80
Financial assets on derivative transactions	598.56	1,553.22	1,756.00	1,512.50
Other Accruals and receivables	-	-	1,482.97	939.10
	<b>45,732.27</b>	<b>36,470.26</b>	<b>28,186.86</b>	<b>23,622.91</b>

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 15 CURRENT INVESTMENTS</b> (valued at lower of cost and fair value, unless stated otherwise - Non Trade)		
<b>Investment in Government Securities - Quoted</b>		
Government of India Stock : 7.40% - 2012 (Face Value ₹ 400 lakhs)	-	460.36
Less: Amortisation of premium on acquisition	-	(59.69)
	-	400.67
<b>Investments in Mutual Funds - Unquoted</b>	13,500.00	-
Current Portion of Long term Investment in Pass Through Certificates - <b>Unquoted</b> (Refer Note 10)	672.50	-
	<b>14,172.50</b>	<b>400.67</b>
<b>Aggregate Value of Quoted Investments</b>		
- At Cost	-	460.36
- At Market Value	-	399.46
<b>Aggregate amount of investments in unquoted mutual funds</b>		
- At Cost	13,500.00	-
- At Market Value	13,507.92	-
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds		

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 16 CASH AND CASH EQUIVALENTS</b>		
Cash on hand	3,247.58	2,089.41
Cheques, drafts on hand	2,027.17	778.86
Balances with banks		
- In Current Accounts (Refer Note 16.1)	16,788.21	10,746.68
- In Deposit Accounts - Original maturity 3 months or less	10,000.00	-
- In Deposit Accounts - Original maturity more than 3 months (Refer Note 16.2)	68.96	4,997.83
- In earmarked accounts		
- In Unpaid Dividend Accounts	33.35	33.49
- Deposits as collateral towards assets derecognised	41,754.95	31,405.26
- Amount disclosed under Non current bank balances (Refer Note 14)	(35,071.59)	(24,296.75)
	6,683.36	7,108.51
- Public deposit Escrow Account (Refer Note 8.3)	48.06	85.21
	<b>38,896.69</b>	<b>25,839.99</b>

Of the above, the balances that meet the definition of cash and cash equivalents as per AS3 cash flow statements is ₹ 32,062.96 lakhs (31 March, 2012 - ₹ 13,614.95 lakhs).

16.1 Balances with Banks on Current Account include amounts collected in respect of assets de-recognised on account of Assignment /Securitisation of Receivables pending remittance to the assignees/investors. Refer Note 8.

16.2 Balance on Deposit Accounts - Free of lien includes deposits amounting to ₹ 43.42 lakhs (31 March, 2012 - ₹ 4,997.83 lakhs) which have an original maturity of more than 12 months.

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 17 REVENUE FROM OPERATIONS</b>		
<b>(a) Income from Financing activity</b>		
<b>i) Interest</b>		
-Automobile Financing	163,393.17	107,563.55
-Loans against Immovable Property	49,260.46	31,489.40
-Loans against Securities	2,978.12	8,738.02
-Loans against Gold	806.05	154.62
-Other Loans	1,199.10	800.92
-Interest spread on assignment/securitisation	5,655.26	2,880.37
<b>ii) Other Operating Revenue</b>		
-Automobile Financing	21,707.02	16,928.20
-Loans against Immovable Property	3,620.07	2,653.78
-Loans against Securities	65.84	198.04

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 17 REVENUE FROM OPERATIONS (Contd.)</b>		
-Loans against Gold	4.62	2.34
-Consumer Loans	121.00	113.50
-Other Loans	4.27	6.25
<b>(b)</b> Interest on deposits placed as collateral towards assets derecognised and pass through certificates	2,982.92	2,891.90
<b>(c)</b> Profit on sale of current investments	2,011.18	1,047.63
<b>(d)</b> Income from Non Financing activity	1,528.00	1,069.69
	<b>255,337.08</b>	<b>176,538.21</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 18 OTHER INCOME</b>		
Interest Income		
on Deposits	27.86	55.37
on Investments - Non current , Non Trade & Quoted	2.63	29.60
on Income tax refund	41.34	20.53
Dividend Income from long term investments	1.50	0.03
Other Non-operating Income		
Rent	27.31	16.25
Profit on sale of Fixed assets	0.63	0.41
Miscellaneous Income (Refer 18.1)	129.79	2,160.68
	<b>231.06</b>	<b>2,282.87</b>
18.1) Miscellaneous Income includes		
<b>Gain on prepayment of commercial paper</b>		
Consideration paid for prepayment of commercial papers	1,691.00	-
Book Value (including interest accrued) on the date of prepayment of commercial papers	1,603.01	-
<b>Gain</b>	<b>87.99</b>	-
<b>Loss on prepayment of Debentures</b>		
Consideration paid for prepayment of Debentures	17,900.00	-
Book Value (including interest accrued) on the date of prepayment of Debentures	17,976.03	-
<b>Loss</b>	<b>(76.03)</b>	-
Reversal of provision for diminution in the value of investment in subsidiaries (net)	107.00	-
Reversal of provision for delinquency for derecognised assets	-	2,160.68

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 19 FINANCE COSTS</b>		
Interest Expense		
- Debentures	51,332.09	31,997.80
- Bank Loans	71,352.40	54,380.38
- Inter corporate Deposit	116.02	-
Discount on Commercial Papers	14,868.79	8,714.36
Others		
- Amortisation of ancillary borrowing costs	2,638.20	3,161.09
- Amortisation of premium on Forward contracts	221.67	147.78
- Bank charges	572.03	416.75
	<b>141,101.20</b>	<b>98,818.16</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 20 EMPLOYEE BENEFIT EXPENSE</b>		
Salaries, Bonus and Commission	13,657.64	10,022.34
Contribution to Provident and Other Funds	669.68	476.70
Staff Welfare Expenses	981.30	538.23
	<b>15,308.62</b>	<b>11,037.27</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 21 OTHER OPERATING EXPENSES</b>		
Rent (Refer Note 21.1)	2,539.71	1,898.51
Electricity Charges	623.98	375.69
Rates and Taxes (Refer Note 21.2)	2,069.51	2,049.07
Communication Cost	1,076.34	707.08
Travelling and Conveyance	2,047.17	1,254.45
Advertisement Expenses	551.21	748.11
Insurance	496.81	350.95
Repairs and Maintenance		
- Buildings	3.24	6.34
- Others	24.58	34.84



## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 21 OTHER OPERATING EXPENSES (Contd.)</b>		
Printing and Stationery	738.63	488.32
Information Technology Expenses (Refer Note 21.1)	954.64	624.85
Auditors' Remuneration (Refer Note 27)	42.23	29.10
Professional Charges	2,836.92	2,432.88
Lease Rental Expense	601.44	619.73
Commission to Directors	32.27	35.10
Sitting Fees to Directors	8.20	7.95
Foreign Exchange Loss (net)	627.10	1,506.33
Recovery Charges (Refer Note 21.4)	6,497.21	5,754.58
Miscellaneous Expenses (Refer Note 21.3)	423.63	157.14
	22,194.82	19,081.02
Less : Expenses Recovered	(13.90)	(22.64)
	<b>22,180.92</b>	<b>19,058.38</b>
21.1 Lease equalisation charge included in:		
- Rent	25.61	68.07
- Information technology expense	-	(1.42)
21.2 Service Tax charge included in Rates and Taxes	1,781.96	1,963.35
21.3 Donation included in Miscellaneous expenses	218.88	145.00
21.4 Net of reversal of provision for servicing costs on assets derecognised	39.74	77.34

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 22 PROVISIONS AND LOAN LOSSES</b>		
Loss Assets Written Off	1,153.37	17,222.96
Loss on Repossessed Assets(Net)	2,995.36	1,617.15
Provision for Non Performing Assets	10,757.05	3,716.91
Provision Released for Non Performing Assets on recovery/write off (Refer Note 22.1)	(3,246.02)	(19,887.91)
	11,659.76	2,669.11
Provision for Standard Assets (Net)	768.92	1,290.40
Amortisation of Premium on Acquisition of Government securities	-	7.46
Loss on redemption of Government securities	60.36	-
Less: Reversal of provision	(59.69)	-
	0.67	-
	<b>12,429.35</b>	<b>3,966.97</b>
22.1 Includes reversal of provision for credit enhancements on assets derecognised	70.99	350.01

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013 Gain/(Loss)	Year ended 31.03.2012 Gain/(Loss)
<b>NOTE : 23 EXCEPTIONAL ITEMS</b>		
(Provision) made for diminution in value of investment and Inter corporate deposit placed with Subsidiaries		
- Cholamandalam Factoring Limited (investment and deposit)	-	(5,446.00)
- Cholamandalam Securities Limited (investment)	-	(900.00)
Reversal of Provision for Standard Assets made in March, 2009 as per capital reduction scheme	-	3,000.00
<b>Exceptional Items (Net)</b>	-	<b>(3,346.00)</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 24 EARNINGS PER SHARE</b>		
<b>Profit After Tax Attributable to Equity Shareholders (₹ in lakhs)</b>	<b>30,654.54</b>	<b>17,254.27</b>
Weighted Average Number of Equity Shares (Basic)	1,339,19,347	1,198,71,902
Add: Dilutive effect relating to ESOP	3,45,778	14,309
Weighted Average Number of Equity Shares (Diluted)	1,342,65,125	1,198,86,211
<b>Earnings per Share - Basic (₹)</b>	<b>22.89</b>	<b>14.39</b>
<b>Earnings per Share - Diluted (₹)</b>	<b>22.83</b>	<b>14.39</b>
Face Value Per Share (₹)	10.00	10.00

**Note:**

Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share".

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 25 ASSETS DE-RECOGNISED</b>		
<b>a) On Securitisation</b>		
No. of SPVs sponsored for Securitisation transactions	8	1
Outstanding securitised Assets in books of SPV	221,819.82	33,220.25
Less: Collections not yet due to be remitted to SPV*	11,938.60	1,882.33
Outstanding securitised Assets as per books	209,881.22	31,337.92
Total amount of exposure to comply with Minimum Retention Ratio (MRR)		
a) Off Balance Sheet Exposure		
• First Loss	-	-
• Others	-	-

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 25 ASSETS DE-RECOGNISED (Contd.)</b>		
b) On Balance Sheet Exposure		
• First Loss - Cash collateral	20,342.63	1,618.20
• Others		
i) Second Loss - Cash Collateral	2,225.00	2,225.00
ii) Investment in PTC	3,073.26	-
Amount of Exposures to Securitisation transactions Other than MRR	Nil	Nil
Book value of Asset sold	259,229.50	40,454.27

\* Excludes interest collected from customers on securitised assets.

<b>b) On Bilateral assignment</b>		
No. of Assignment Transactions	7	9
Outstanding Assignment Assets as per books	42,996.20	100,853.02
Total amount of exposure		
a) Off Balance Sheet Exposure		
• First Loss	-	-
• Others	-	-
b) On Balance Sheet Exposure		
• First Loss - Cash Collateral	19,187.32	27,562.06
• Others	-	-
Book value of Asset sold	137,286.40	170,513.77

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 26 DETAILS OF OUTSTANDING DERIVATIVES</b>		
(i) Outstanding Derivatives:		
(a) Contracted Value		
- Interest rate derivatives	-	-
- Currency derivatives	13,560.00	58,046.00
(ii) Foreign currency exposure not hedged by derivative instrument or otherwise	-	-

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 27 AUDITORS' REMUNERATION</b> (Net of Service Tax Input Credit)		
Statutory Audit	21.60	18.00
Tax Audit	2.40	2.00
Other Services	16.25	8.00
Reimbursement of Expenses	1.98	1.10
<b>Total</b>	<b>42.23*</b>	<b>29.10</b>

(\*) Excludes ₹ 23.00 lakhs paid for Preferential Issue related certification services, debited to Share Premium account.

### NOTE : 28 MICRO, SMALL & MEDIUM ENTERPRISES

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year end are furnished below:

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
Principal amount due to suppliers under MSMED Act, as at the year end	0.06	3.64
Interest accrued and due to suppliers under MSMED Act, on the above amount as at the year end	-	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act	-	-

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 29 EXPENDITURE IN FOREIGN CURRENCY</b>		
Travel	2.09	0.59
Interest on External Commercial Borrowing (including amount accrued and not due)	18.55	268.26
Membership fees	2.19	-
Professional charges	5.55	10.10

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 30 GRATUITY</b>		
<b>Details of Actuarial Valuation</b>		
<b>Projected Benefit Obligation at the Beginning of the Year</b>	<b>357.50</b>	<b>237.45</b>
Current Service Cost	80.65	54.58
Interest Cost	28.60	19.00
Actuarial Losses / (Gains)	81.76	54.67
Benefits Paid	(9.94)	(8.20)
<b>Projected Benefit Obligation at the End of the Year</b>	<b>538.57</b>	<b>357.50</b>
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets at the Beginning of the Year	360.17	251.48
Expected Returns on Plan Assets	34.66	22.89
Employer's Contribution	150.00	94.00
Inward transfer of Equitable interest	15.01	-
Benefits Paid	(9.94)	(8.20)
Actuarial Gains / (Losses)	-	-
<b>Fair Value of Plan Assets at the End of the Year</b>	<b>549.90</b>	<b>360.17</b>
<b>Amount Recognised in the Balance Sheet</b>		
Fair Value of Plan Assets as at the End of the Year	549.90	360.17
Liability at the End of the Year	538.57	357.50
<b>Amount Recognised in the Balance Sheet under Note 13 Other Loans and advances- Current</b>	<b>11.33</b>	<b>2.67</b>
<b>Cost of the Defined Benefit Plan for the Year</b>		
Current Service Cost	80.65	54.58
Interest on Obligation	28.60	19.00
Expected Return on Plan Assets	(34.66)	(22.89)
Inward transfer of Equitable interest	(15.01)	-
Net Actuarial Losses/(Gains) Recognised in the Year	81.76	54.67
<b>Net Cost Recognised in the Statement of Profit and Loss</b>	<b>141.34</b>	<b>105.36</b>
<b>Assumptions</b>		
Discount Rate	8.00% p.a.	8.00% p.a.
Future Salary Increase	5.00% p.a.	5.00% p.a.
Attrition Rate		
-Senior Management	1% p.a.	1% p.a.
-Middle Management	2% p.a.	2% p.a.
-Others	3% p.a.	3% p.a.
Expected Rate of Return on Plan Assets	9.40% p.a.	9.25% p.a.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### OTHER DISCLOSURES:

Benefit	2012-13	2011-12	2010-11	2009-10	2008-09
Projected Benefit Obligation	538.57	357.50	237.45	145.88	120.04
Fair Value of Plan Assets	549.90	360.17	251.48	157.37	76.81
<b>Surplus/(Deficit)</b>	<b>11.33</b>	<b>2.67</b>	<b>14.03</b>	<b>11.49</b>	<b>(43.23)</b>

#### Notes:

- The expected return on plan assets for the year ended 31 March, 2013 is as furnished by LIC.
- The entire plan assets are managed by LIC. The data on plan assets and experience adjustment has not been furnished by LIC and hence there are no disclosures in this regard.
- The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

### NOTE : 31 SEGMENT REPORTING

The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting".

### NOTE : 32 RELATED PARTY DISCLOSURES (AS PER AS-18 "RELATED PARTY DISCLOSURES")

#### List of Related Parties:

Holding Company	: Tube Investments of India Limited
Associate of Holding Company	: Murugappa Holdings Limited
Joint venture of Holding Company	: Cholamandalam MS Risk Services Limited
Subsidiaries	: Cholamandalam Securities Limited, Cholamandalam Distribution Services Limited, Cholamandalam Factoring Limited
Fellow Subsidiary	: Cholamandalam MS General Insurance Company Limited
Key Management Person	: Mr. Vellayan Subbiah, Managing Director

#### Note:

Related party relationships are as identified by the Management and relied upon by the Auditors.

₹ in lakhs

Nature of Transaction	Year ended 31.03.2013	Year ended 31.03.2012
<b>a) Tube Investments of India Limited</b>		
Dividend Payments		
- Equity shares	2,528.15	1,083.49
Rent (including hiring) receipts	13.55	33.35
Expenses - Reimbursed	0.05	-
Purchase of Fixed Assets	3.00	-
Deposit received	0.90	-
Net Amount Receivable/(Due) as at year end	(0.90)	3.43

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)**NOTE : 32 RELATED PARTY DISCLOSURES (Contd.)**

₹ in lakhs

Nature of Transaction	Year ended 31.03.2013	Year ended 31.03.2012
<b>b) Murugappa Holdings Limited</b>		
Dividend payments - Equity shares - ₹ 616.00 (31 March, 2012 - ₹ 264.00)	0.00	0.00
<b>c) Cholamandalam MS Risk Services Limited</b>		
Rent (including hiring) Receipts	3.90	3.16
Expenses - Reimbursed	12.31	0.68
Amount received towards reimbursement of Expenses	0.85	0.34
Net Amount Receivable/(Due) as at year end	(0.11)	-
<b>d) Cholamandalam Securities Limited</b>		
Interest Receipts	5.17	0.04
Rent payments	-	1.18
Rent (including hiring) receipts	27.08	27.99
Payments for services availed	63.35	75.56
Expenses - Reimbursed	22.74	0.52
Amount received towards reimbursement of Expenses	15.59	16.60
Purchase of Fixed Assets	1.22	0.30
Advances/Deposits given	3,650.00	150.00
Advances/Deposits recovered	3,650.00	150.00
Net Amount Receivable/(Due) as at year end	(7.35)	(2.28)
<b>e) Cholamandalam Distribution Services Limited</b>		
Interest Receipts	-	0.14
Interest Payments	97.12	-
Rent payments	14.07	60.62
Rent (including hiring) receipts	53.48	52.02
Expenses - Reimbursed	2.97	20.62
Amount received towards reimbursement of Expenses	24.08	19.62
Purchase of Fixed Assets	22.75	4.85
Advances/Deposits given	-	55.00
Advances/Deposits recovered	-	55.00
Advances/Deposits availed	2,620.00	-
Advances/Deposits repaid	974.86	-
Net Amount Receivable/(Due) as at year end	(1,650.99)	-

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### NOTE : 32 RELATED PARTY DISCLOSURES (Contd.)

₹ in lakhs

Nature of Transaction	Year ended 31.03.2013	Year ended 31.03.2012
<b>f) Cholamandalam Factoring Limited</b>		
Interest Payments	18.89	-
Advances/Deposits given	-	654.00
Advances/Deposits recovered	-	958.00
Advances/Deposits availed	391.00	-
Remittance of amounts collected in respect of assets derecognised on account of Assignment of Receivables	117.94	685.62
Investment in Equity shares	1.32	6,000.00
Net Amount Receivable/(Due) as at year end	(394.30)	(37.63)
<b>g) Cholamandalam MS General Insurance Company Limited</b>		
Interest payments	428.51	257.25
Rent payments	29.73	31.96
Rent (including hiring) receipts	73.29	77.53
Payments for services availed	450.61	486.61
Receipts for services rendered	1,622.95	1,063.97
Receipts on settlement of insurance claim	95.06	69.62
Expenses - Reimbursed	16.31	13.75
Amount received towards reimbursement of Expenses	45.53	27.96
Issue of Commercial paper	902.93	-
Redemption of Commercial paper	995.89	-
Net Amount Receivable/(Due) as at year end	243.99	182.88
	(4,169.11)	(1,994.14)
<b>h) Key Management Person</b>		
Remuneration - Mr. Vellayan Subbiah	193.21	146.09

### NOTE : 33 CONTINGENT LIABILITIES AND COMMITMENTS

- (a) Counter Guarantees provided to Banks - ₹ 115.65 lakhs (31.03.2012- ₹ 113.49 lakhs).  
 (b) Contested Claims not provided for:

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Income tax and Interest Tax issues where the Company is in appeal	3,444.93	2,290.20
Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax	98.36	108.56
Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal	65.28	384.15
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	1,477.52	1,062.66

The Company is of the opinion that the above demands are not sustainable and expects to succeed in its appeals / defence.

- (c) Commitments  
 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) - ₹ 528.64 lakhs (31 March, 2012 - ₹ 572.74 lakhs)



# Notes

 forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)**NOTE : 34 CHANGES IN PROVISIONS**

₹ in lakhs

Particulars	As at 31.03.2012	Additional Provision	Utilisation/ Reversal	As at 31.03.2013
Provision for Standard Assets	3,387.43	768.92	-	4,156.35
Provision for Non-Performing Assets	8,066.70	10,757.05	(3,175.03)*	15,648.72
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	938.87	-	(110.73)*	828.14
Contingent Service Tax claims	735.61	56.76	-	792.37

\*Refer Note 21.4 and 22.1

**NOTE : 35 LEASES**

Assets taken on Non-cancellable operating lease consists of Plant and Machinery, Furniture and Fixtures and Office Equipments.

The details of Maturity profile of non-cancellable future operating lease payments are given below.

₹ in lakhs

Period	As at 31.03.2013	As at 31.03.2012
Not later than one year	540.13	561.38
Later than one year and not later than five years	135.03	701.72
Later than five years	-	-
<b>TOTAL</b>	<b>675.16</b>	<b>1,263.10</b>

**NOTE : 36 EMPLOYEE STOCK OPTION PLAN**

The Board at its meeting held on 22 June, 2007, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Capital of the Company (before Rights Issue) aggregating to 1,904,162 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on 30 July, 2007 approved the aforesaid issue of 1,904,162 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation and Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Stock Option Scheme -2007:

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

Particulars	Date of Grant	Exercise Price (₹)	Vesting Commences on	Options Granted	Options Exercised	Options Forfeited / Lapsed	Options Outstanding at the end of the Year	Vested	Yet to vest
<b>Grant No.</b>									
<b>1</b>	Original* CAA *	30-07-07 25-01-08	193.40 178.70	30-07-08 -	765,900 54,433	12,040 546	635,732 44,337	118,128 9,550	- -
<b>2</b>	Original	24-10-07	149.90	24-10-08	70,400	-	70,400	-	-
<b>3</b>	Original	25-01-08	262.20	25-01-09	162,800	-	133,638	29,162	-
<b>4</b>	Original	25-04-08	191.80	25-04-09	468,740	3,484	310,955	154,301	-
<b>5</b>	Original	30-07-08	105.00	30-07-09	10,070	3,445	1,491	5,134	-
<b>6</b>	Original	24-10-08	37.70	24-10-09	65,600	17,384	38,786	9,430	-
<b>7</b>									
<b>- Tr I</b>	Original	27-01-11	187.60	27-01-12	294,600	3,192	29,672	93,196	168,540
<b>- Tr II</b>	Original	27-01-11	187.60	27-01-12	209,700	2,000	27,123	121,387	59,190
<b>8</b>	Original	30-04-11	162.55	30-04-12	113,400	-	36,414	13,466	63,520
<b>9</b>	Original	28-07-11	175.35	28-07-12	61,800	-	2,208	10,152	49,440
<b>10</b>	Original	27-10-11	154.55	27-10-12	195,680	-	6,478	32,658	156,544

\* CAA- Corporate Action Adjustment

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an independent Consultant.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Date of Grant	Variables					
	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share in the Market at the time of the Option Grant (₹)	Fair Value of the Option (₹)
<b>30-Jul-07</b>	7.10% - 7.56%	3-6 years	40.64% - 43.16%	5.65%	193.40	61.42
<b>24-Oct-07</b>	7.87% - 7.98%	3-6 years	41.24% - 43.84%	5.65%	149.90	44.25
<b>25-Jan-08</b>	6.14% - 7.10%	3-6 years	44.58% - 47.63%	5.65%	262.20	78.15
<b>25-Apr-08</b>	7.79% - 8.00%	2.5-5.5 years	45.78% - 53.39%	3.97%	191.80	76.74
<b>30-Jul-08</b>	9.14% - 9.27%	2.5-5.5 years	46.52% - 53.14%	3.97%	105.00	39.22
<b>24-Oct-08</b>	7.54% - 7.68%	2.5-5.5 years	48.2% - 55.48%	3.97%	37.70	14.01
<b>27-Jan-11</b>						
<b>- Tranche I</b>	8%	4 years	59.50%	10%	187.60	94.82
<b>- Tranche II</b>	8%	3.4 years	61.63%	10%	187.60	90.62

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

Date of Grant	Variables					Fair Value of the Option (₹)
	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share in the Market at the time of the Option Grant (₹)	
30-Apr-11	8%	4 years	59.40%	25%	162.55	73.07
28-Jul-11	8%	4 years	58.64%	25%	175.35	79.17
27-Oct-11	8%	4 years	57.52%	25%	154.55	67.26

The shareholders of the Company, at the 34<sup>th</sup> Annual General Meeting held on 30 July, 2012, authorised extension of exercise period from 3 years from the date of vesting to 6 years from the date of vesting. Accordingly, the Company has measured the fair value of the options using the Black Scholes model immediately before and after the date of modification to arrive at the incremental fair value arising due to the extension of the exercise period. The incremental fair value so calculated is recognised from the modification date over the vesting period in addition to the amount based on the grant date fair value of the stock options.

The incremental cost due to modification of the exercise period from 3 years to 6 years from the date of vesting for the year ended 31 March, 2013 is ₹ 189.52 lakhs.

The fair value of the options has been calculated using the Black Scholes model on the date of modification.

The assumptions considered for the calculation of the fair value (on the date of modification) are as follows:

Variables	Post Modification
Risk Free Interest Rate	7.92%-8.12%
Expected Life	0.12 years- 6.25 years
Expected Volatility	28.28%-63%
Dividend Yield	1.18%
Price of the underlying share in market at the time of the option grant.(₹)	212.05

Had compensation cost for the stock options granted under the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

Particulars	₹ in lakhs	
	Year ended 31.03.2013	Year ended 31.03.2012
Net Profit attributable to Equity Share Holders (as reported)	30,654.54	17,254.27
Add: Stock based employee compensation expense included in net profit	-	-
Less: Stock based compensation expense/(gain) determined under fair value based method (Proforma)	323.33	259.75
Net Profit (Proforma)	30,331.21	16,994.52
Basic Earnings per Share of ₹ 10 each (as reported) (₹)	22.89	14.39
Basic Earnings per Share of ₹ 10 each (pro forma) (₹)	22.65	14.18
Diluted Earnings per Share of ₹ 10 each (as reported) (₹)	22.83	14.39
Diluted Earnings per Share of ₹ 10 each (pro forma) (₹)	22.59	14.18

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### NOTE : 37 SHARING OF COSTS

The Company shares certain costs / service charges with other companies in the Group. These costs have been allocated between the Companies on a basis mutually agreed to between the Companies, which has been relied upon by the Auditors.

### NOTE : 38 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION DNBS.193DG (VL) - 2007 DATED 22 FEBRUARY, 2007:

Sl. No.	Particulars	₹ in lakhs	
		Amount Outstanding	Amount Overdue
		as at 31 March, 2013	
<b>Liabilities:</b>			
(1)	<b>Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:</b>		
(a)	Debentures		
	- Secured	343,998.80	-
	- Unsecured	122,718.25	-
	(other than falling within the meaning of public deposits)		
	- Perpetual Debt Instrument	86,262.57	-
(b)	Deferred Credits	-	-
(c)	Term Loans	709,776.79	-
(d)	Inter-Corporate Loans and Borrowings	2,041.00	-
(e)	Commercial Paper	82,356.95	-
(f)	Other Loans	211,180.81	-
	(Represents Working Capital Demand Loans, Cash Credit from Banks & Fixed Deposits along with Interest Accrued but Not Due on above) [Refer Notes 1 and 2 below]		

#### Notes:

- Though the Company has become a Non-deposit taking Non-Banking Finance Company, since the Company still has fixed deposits from the public accepted prior to 01 November, 2006 which have not yet been liquidated (Refer Note 8), the details of the same have been disclosed above.
- Fixed Deposits include Matured / Unclaimed Deposits (together with Interest on Matured / Unclaimed Deposits) amounting to ₹ 39.53 lakhs as at 31 March, 2013.

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Sl. No.	Particulars	Amount Outstanding as at 31 March, 2013
<b>(2)</b>	<b>Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below]: (including interest accrued)</b>	
(a)	Secured	457,818.83
(b)	Unsecured	9,854.83
<b>(3)</b>	<b>Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities</b>	
(i)	Lease Assets including Lease Rentals Accrued and Due:	
(a)	Financial Lease	-
(b)	Operating Lease	-
(ii)	Stock on Hire including Hire Charges under Sundry Debtors:	
(a)	Assets on hire	-
(b)	Repossessed assets	-
(iii)	Other Loans counting towards AFC Activities	
(a)	Loans where assets have been repossessed	627.65
(b)	Loans other than (a) above	1,213,929.86
<b>4)</b>	<b>Break-up of Investments (net of provision for diminution in value):</b>	
	<b>Current Investments:</b>	
<b>I</b>	<b>Quoted:</b>	
(i)	Shares: (a) Equity	-
	(b) Preference	-
(ii)	Debentures and Bonds	-
(iii)	Units of Mutual Funds	-
(iv)	Government Securities (Net of amortisation)	-
(v)	Others	-
<b>II</b>	<b>Unquoted:</b>	
(i)	Shares: (a) Equity	-
	(b) Preference	-
(ii)	Debentures and Bonds	-
(iii)	Units of Mutual Funds	13,500.00
(iv)	Government Securities	-
(v)	Others	-
	<b>Long term Investments:</b>	
<b>I</b>	<b>Quoted:</b>	
(i)	Shares: (a) Equity	-
	(b) Preference	-
(ii)	Debentures and Bonds	-
(iii)	Units of Mutual Funds	-

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Sl. No.	Particulars	Amount Outstanding as at 31 March, 2013
(iv)	Government Securities (Net of amortisation)	-
(v)	Others	-
<b>II</b>	<b>Unquoted:</b>	
<b>(i)</b>	<b>Shares:</b>	
(a)	Equity (Net of Provision for Diminution in Value of Investment)	5,877.71
(b)	Preference	-
(ii)	Debentures and Bonds	-
(iii)	Units of Mutual Funds	-
(iv)	Government Securities	-
(v)	Others- Investment in Pass Through Certificates	3,073.26

### (5) Borrower Group-wise Classification of Assets Financed as in (2) and (3) above

₹ in lakhs

Category	Amount (Net of Provisioning) as at 31 March, 2013		
	Secured	Unsecured	Total
1. Related Parties *			
(a) Subsidiaries	-	-	-
(b) Companies in the same Group	-	-	-
(c) Other Related Parties	-	-	-
2. Other than Related Parties	1,658,114.35	8,468.09	1,666,582.44
<b>TOTAL</b>	<b>1,658,114.35</b>	<b>8,468.09</b>	<b>1,666,582.44</b>

### (6) Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :

₹ in lakhs

Category	Market value / Break up Value or Fair Value or Net Asset Value	Book Value (Net of Provisioning)
1. Related Parties *		
(a) Subsidiaries	4,527.76	5,748.32
(b) Companies in the Same Group	-	-
(c) Other Related Parties	-	-
2. Other than Related Parties	16,710.57	16,702.65
<b>TOTAL</b>	<b>21,238.33</b>	<b>22,450.97</b>

**Notes** forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)**(7) Other Information**

₹ in lakhs

Particulars	Amount Outstanding as at 31 March, 2013
(i) Gross Non-Performing Assets	
a) With Related Parties *	-
b) With Others	19,961.64
(ii) Net Non-Performing Assets	
a) With Related Parties *	-
b) With Others	4,312.92
(iii) Assets Acquired in Satisfaction of Debt	
a) With Related Parties *	-
b) With Others	-

\* Related Parties are as identified in Note 32 above.

**A. Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK) - 2008 dated 01 August, 2008:****i. Capital Adequacy Ratio**

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
Tier I Capital	192,766	142,815
Tier II Capital	138,820	91,859
<b>Total Capital</b>	<b>331,586</b>	<b>234,674</b>
Total Risk Weighted Assets	1,741,148	1,298,308
<b>Capital Ratios</b>		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	11.07%	11.00%
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	7.97%	7.08%
<b>TOTAL (%)</b>	<b>19.04%</b>	<b>18.08%</b>

**ii. Exposure to Real Estate Sector, both Direct and Indirect**

₹ in lakhs

Category	As at 31.03.2013	As at 31.03.2012
<b>(a) Direct Exposure (Net of Advances from Customers)</b>		
<b>(i) Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:		
- individual housing loans upto ₹ 15 lakhs	16,129.79	17,628.39
- individual housing loans more than ₹ 15 lakhs	382,259.82	267,398.62

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Category	As at 31.03.2013	As at 31.03.2012
<b>(ii) Commercial Real Estate -</b>		
Lending secured by mortgages on commercial real estates (office buildings, retails space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.).		
- Fund Based	35,072.33	31,375.42
- Non Fund based	-	-
<b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
a. Residential	-	-
b. Commercial Real Estate	-	-
<b>(b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

**Note:**

The above summary is prepared based on the information available with the Company.

**iii. Asset Liability Management****Maturity pattern of certain items of assets and liabilities as at 31 March, 2013**

₹ in lakhs

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowing from Banks	37,400	55,000	22,500	96,500	269,764	439,561	-	-	9,20,725
Market Borrowings	20,500	15,775	45,641	93,180	42,770	199,940	37,500	152,870	608,176
<b>Assets</b>									
Advances (Net of Provision for Non Performing Assets)	31,340	32,479	34,580	117,210	284,500	704,360	146,258	296,219	1,646,946
Investment (Net of Provision for Diminution in Value of Investments)	13,635	134	133	389	721	1,532	29	5,878	22,451



## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### B. Disclosure pursuant to Reserve Bank of India Notification DNBS (PD) No. 202(PK)/2008-09 and DNBS 203(PK)/2008-09 dated 29 October, 2008.

₹ in lakhs

Perpetual Debt Instrument (PDI)	As at 31.03.2013	As at 31.03.2012
(i) Amount raised through PDI		
- during the year	31,800.00	35,770.00
- outstanding as at year end	82,570.00	50,770.00
(ii) PDI as a percentage of Tier I Capital	42.48%	35.50%

### NOTE : 39 DISCLOSURE OF FRAUDS REPORTED DURING THE YEAR ENDED 31 MARCH, 2013 VIDE DNBS. PD. CC NO. 256/ 03.10.042/ 2011-12 DATED 02 MARCH, 2012

	Less than ₹ 1 Lakh		₹ 1 to ₹ 5 lakhs		Greater than ₹ 5 lakhs		Total	
	No. of accounts	Value (₹ lakhs)	No. of accounts	Value (₹ lakhs)	No. of accounts	Value (₹ lakhs)	No. of accounts	Value (₹ lakhs)
A) Person Involved								
Staff	12	0.60	2	8.90	1	7.42	15	16.92
Customers	2	-	1	4.42	6	59.30	9	63.72
Staff and customers	1	-	-	-	4	63.12	5	63.12
<b>TOTAL</b>	<b>15</b>	<b>0.60</b>	<b>3</b>	<b>13.32</b>	<b>11</b>	<b>129.84</b>	<b>29</b>	<b>143.76</b>
B) Type of Fraud								
Misappropriation and Criminal breach of trust	6	0.60	-	-	1	6.98	7	7.58
Fraudulent encashment / manipulation of books of accounts	-	-	-	-	-	-	-	-
Unauthorised credit facility extended	1	-	-	-	-	-	1	0
Cheating and Forgery	8	-	3	13.32	10	122.86	21	136.18
<b>TOTAL</b>	<b>15</b>	<b>0.60</b>	<b>3</b>	<b>13.32</b>	<b>11</b>	<b>129.84</b>	<b>29</b>	<b>143.76</b>

**Note:**

The above summary is prepared based on the information available with the Company and relied upon by the auditors.

## Notes forming part of the Financial statements for the year ended 31 March, 2013 (Contd.)

### NOTE : 40 DISCLOSURE PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

₹ in lakhs

Sl. No	Loans and Advances in the nature of Loans	Amount Outstanding as at 31.03.2013	Maximum Amount Outstanding during the year
(A)	To Subsidiaries		
	- Cholamandalam Securities Limited	-	1500.00
	- Cholamandalam Factoring Limited	-	-
	- Cholamandalam Distribution Services Limited	-	-
(B)	To Associates		
	- No Associate during the Current Year	-	-
(C)	Where there is		
	(i) No repayment schedule	-	-
	(ii) Repayment beyond seven years	-	-
	(iii) No interest	-	-
	(iv) Interest below the rate as specified in section 372 A of the Companies Act	-	-
(D)	To Firms / Companies in which Directors are Interested (other than (A) and (B) above)	-	-
(E)	Investments by the loanee in the shares of Parent Company and Subsidiary Company	-	-

### NOTE : 41 PREVIOUS YEAR'S FIGURES

Previous year's figures have been reclassified to conform with the current year's classification / presentation, wherever applicable.

For and on behalf of the **Board of Directors**

**M.B.N.Rao**  
Chairman

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

**Vellayan Subbiah**  
Managing Director

## Independent Auditors' Report

TO

THE BOARD OF DIRECTORS OF

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31 March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries in the Other Matter paragraph (Paragraph B), the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2013;
  - (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

### Other Matter

7. We did not audit the financial statements of 2 subsidiaries, whose financial statements reflect total assets (net) of ₹ 8,612 lakhs as at 31 March, 2013, total revenues of ₹ 661 lakhs and net cash flows amounting to ₹ (15) lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
(Registration No.: 008072S)

**Geetha Suryanarayanan**  
*Partner*  
(Membership No.: 29519)

Place : Chennai  
Date : 26 April, 2013

## Consolidated Balance Sheet as at 31 March, 2013

₹ in lakhs

	Note	As at 31.03.2013	As at 31.03.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	3	14,317.31	13,261.99
Reserves and surplus	4	180,938.80	127,110.77
		<b>195,256.11</b>	<b>140,372.76</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	829,871.00	715,455.00
Other long-term liabilities	6	4,845.63	1,936.88
Long-term provisions	7	8,820.90	5,300.75
		<b>843,537.53</b>	<b>722,692.63</b>
<b>Current liabilities</b>			
Short-term borrowings	5	296,112.01	154,806.28
Trade Payables	8	15,111.46	10,894.50
Current maturities of Long-term borrowings	5	400,877.00	274,150.01
Other current liabilities	8	49,782.41	28,200.07
Short-term provisions	7	22,171.21	18,542.67
		<b>784,054.09</b>	<b>486,593.53</b>
<b>TOTAL</b>		<b>1,822,847.73</b>	<b>1,349,658.92</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	9		
(i) Tangible assets		6,629.27	5,126.70
(ii) Intangible assets		646.50	522.62
		7,275.77	5,649.32
Non-current investments	10	2,862.50	389.49
Deferred tax asset (net)	11	6,886.05	5,112.97
Receivable under Financing activity	12	1,147,364.31	834,295.65
Long-term loans and advances	13	5,969.87	5,158.32
Trade Receivables	16	0.36	0.69
Other non-current assets	14	45,757.26	36,470.26
		<b>1,216,116.12</b>	<b>887,076.70</b>
<b>Current assets</b>			
Current investments	15	14,332.50	627.37
Trade Receivables	16	486.16	736.34
Cash and Cash Equivalents	17	40,367.90	28,826.87
Receivable under Financing activity	12	522,012.29	405,594.95
Short-term loans and advances	13	1,319.32	3,118.21
Other current assets	14	28,213.44	23,678.48
		<b>606,731.61</b>	<b>462,582.22</b>
<b>TOTAL</b>		<b>1,822,847.73</b>	<b>1,349,658.92</b>

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**Geetha Suryanarayanan**  
Partner

**M.B.N.Rao**  
Chairman

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

**Vellayan Subbiah**  
Managing Director

**Consolidated Statement of Profit and Loss** for the year ended 31 March, 2013

₹ in lakhs

	Note	Year ended 31.03.2013	Year ended 31.03.2012
Revenue			
- Revenue from operations	18	256,791.34	177,929.54
- Other income	19	389.48	2,629.58
<b>Total Revenue</b>		<b>257,180.82</b>	<b>180,559.12</b>
Expenses			
- Finance Costs	20	140,999.92	99,002.09
- Business origination outsourcing		17,847.82	13,219.13
- Employee benefits expense	21	16,080.78	11,919.20
- Other operating expenses	22	22,541.51	19,487.70
- Depreciation and amortisation expense	9	2,157.24	1,038.29
- Provisions and loan losses	23	12,333.69	9,960.60
<b>Total expenses</b>		<b>211,960.96</b>	<b>154,627.01</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>45,219.86</b>	<b>25,932.11</b>
Exceptional items	24	-	3,000.00
<b>PROFIT BEFORE TAX</b>		<b>45,219.86</b>	<b>28,932.11</b>
<b>Tax expense:</b>			
- Current tax - Current year- Expense		17,366.57	3,658.35
- Prior years - (Reversal of provision)/Expense		(1,124.32)	147.21
- MAT Credit Entitlement		(40.33)	0.28
- Deferred tax		(1,773.08)	8,227.24
		14,428.84	12,033.08
<b>PROFIT FOR THE YEAR</b>		<b>30,791.02</b>	<b>16,899.03</b>
Earnings per equity share:	25		
- Basic		22.99	14.10
- Diluted		22.93	14.10

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants**Geetha Suryanarayanan**  
PartnerPlace : Chennai  
Date : 26 April, 2013**P.Sujatha**  
Secretary**D.Arul Selvan**  
Chief Financial OfficerFor and on behalf of the **Board of Directors****M.B.N.Rao**  
Chairman**Vellayan Subbiah**  
Managing Director

## Consolidated Cash Flow Statement for the year ended 31 March, 2013

₹ in lakhs

Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Net Profit Before Tax</b>		<b>45,219.86</b>		<b>28,932.11</b>
<b>Adjustments for :</b>				
Depreciation	2,157.24		1,038.29	
Provisions/(reversal of provisions) - Long Term				
- Standard Assets (Net)	775.08		727.49	
- Non Performing Assets under Financing Activity (Net)	2,679.28		1,220.19	
- Credit Enhancement and Servicing Costs on Assets De-recognised (Net)	65.79		(1,845.89)	
- Diminution in Value of Investments	1.10		-	
Provisions/(reversal of provisions) - Short Term				
- Standard Assets (Net)	(6.16)		(2,437.09)	
- Non Performing Assets under Financing Activity (Net)	4,784.81		(11,107.12)	
- Credit Enhancement and Servicing Costs on Assets De-recognised (Net)	(176.52)		(742.15)	
- Mark to Market Losses on Derivatives	-		296.46	
- Provision for Clawback	2.58		-	
- Compensated Absences (Net)	289.52		129.66	
- Contingent Service Tax claims	56.76		666.28	
Loss on Repossessed Assets (Net)	2,995.36		1,617.15	
Loss assets written off	1,153.37		17,222.96	
Financing Charges	140,999.92		99,002.09	
(Profit)/Loss on Sale of Fixed Assets ( Net )	(1.38)		1.40	
Profit on Sale of Current Investments ( Net )	(2,026.09)		(1,057.62)	
Gain on prepayment of Commercial paper and Debentures (Net)	(11.96)		-	
Loss on redemption of Government securities	0.67		7.46	
Interest on Bank Deposits	(2,982.92)		(2,891.89)	
Interest on Investments	(211.65)		(429.31)	
Dividend on Investments	(18.59)		(11.15)	
		150,526.21		101,407.21
<b>Operating Profit Before Working Capital Changes</b>		<b>195,746.07</b>		<b>130,339.32</b>
<b>Adjustments for:</b>				
(Increase)/Decrease in operating Assets - Current/short term				
- Receivables under Financing Activity (including Repossessed Assets)	(339,774.10)		(106,094.40)	
- Other Assets	(4,833.18)		(7,447.67)	
- Loans and advances	1,797.45	(342,809.83)	2,974.30	(110,567.77)
(Increase)/Decrease in operating Assets - Non Current/Long term				
- Receivables under Financing Activity (including Repossessed Assets)	(313,068.66)		(396,192.39)	
- Other Assets	(9,167.12)		148.68	
- Loans and advances	72.21	(322,163.57)	1,582.42	(394,461.29)
Securitisation / Bilateral Assignment of Receivables	218,775.00	218,775.00	111,337.45	111,337.45
Increase/(Decrease) in operating liabilities				
- Current/Short term liabilities	17,114.49	17,114.49	4,617.69	4,617.69
- Long term liabilities	64.25	64.25	(2,700.74)	(2,700.74)
<b>Cash Used in Operations</b>		<b>(233,273.59)</b>		<b>(261,435.34)</b>

**Consolidated Cash Flow Statement** for the year ended 31 March, 2013 (Contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
Financing charges paid	(133,208.55)		(92,356.27)	
Direct Taxes Paid	(17,305.12)	(150,513.67)	(3,600.38)	(95,956.65)
<b>Net Cash Used in Operating Activities (A)</b>		<b>(383,787.26)</b>		<b>(357,391.99)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Bank Deposits and Unpaid Dividend Accounts (See Note below)	6,913.33		2,784.23	
Purchase of Fixed Assets	(3,598.28)		(3,169.50)	
Sale of Fixed Assets	36.85		33.70	
Purchase of Other Investments	(2,029,377.22)		(1,303,285.38)	
Sale/ Redemption of Other Investments	2,028,495.37		1,304,221.08	
Interest Received on Bank Deposits and other investments	6,364.85		4,887.40	
Dividend Received on Investments	18.59		0.03	
<b>Net Cash From Investing Activities (B)</b>		<b>8,853.49</b>		<b>5,471.56</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in Equity Share Capital and Securities Premium (net of expenses)	29,620.22	29,620.22	20,892.84	20,892.84
Increase/(Decrease) in borrowings - Non current/Long term				
- Debentures	100,950.00		134,060.00	
- Banks and Others	13,466.00	114,416.00	19,843.37	153,903.37
Increase/(Decrease) in borrowings - Current/Short term				
- Debentures	22,320.00		78,500.00	
- Banks and Others	245,712.72	268,032.72	111,117.18	189,617.18
Decrease in Fixed Deposits	(14.21)	(14.21)	(13.61)	(13.61)
Dividends Paid (Including Distribution Tax)	(5,393.30)	(5,393.30)	(4,159.23)	(4,159.23)
<b>Net Cash From Financing Activities (C)</b>		<b>406,661.43</b>		<b>360,240.55</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>		<b>31,727.66</b>		<b>8,320.12</b>
Cash and Cash Equivalents at the Beginning of the Year		13,886.87		5,566.75
Cash and Cash Equivalents at the End of the Year		45,614.53		13,886.87
<b>Note:</b>				
Cash and Cash Equivalents at the End of the Year as per Balance Sheet		40,367.90		28,826.87
Add: Current Investments (Excluding Investments under Lien)		13,500.00		226.70
Less: Balance in Current Accounts held for Unpaid Dividends		33.35		33.79
Less: Bank Deposits held for More than Three Months		743.96		7,402.83
Less: Bank Deposits under Lien		7,476.06		7,730.08
		45,614.53		13,886.87

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner

Place : Chennai  
Date : 26 April, 2013

**P.Sujatha**  
Secretary

**D.Arul Selvan**  
Chief Financial Officer

For and on behalf of the **Board of Directors**

**M.B.N.Rao**  
Chairman

**Vellayan Subbiah**  
Managing Director

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013

**Cholamandalam Investment and Finance Company Limited** (the Company) is one of the premier diversified non-banking finance companies in India, engaged in providing vehicle finance, home loans, corporate mortgage loans and gold loans. The Company through its subsidiaries, is also engaged in the business of broking and distribution of financial products.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Principles of Consolidation

The consolidated financial statements relate to Cholamandalam Investment and Finance Company Limited and its subsidiaries (hereinafter collectively referred to as "the Group"). The consolidated financial statements have been prepared on the following basis:

- (i) The Financial Statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions and resulting in unrealised profits or losses, unless cost cannot be recovered.
- (ii) Investments in entities where the Company holds interest on a temporary basis and where it does not exercise significant influence / control are not considered for consolidation purposes.
- (iii) The Financial Statements of the Subsidiaries in the Consolidation are drawn up to the same reporting date as that of the Company i.e. 31 March, 2013.
- (iv) The excess of Cost to the Company of its Investment in the Subsidiaries over the Company's portion of Equity on the date of acquisition is recognised in the financial statements as Goodwill. The carrying value of goodwill is tested for impairment as at the end of each reporting period.
- (v) The excess of the Company's portion of Equity of the Subsidiaries on the acquisition date over its Cost of Investment is treated as Capital Reserve.

#### b) Particulars of Consolidation

The financial statements of the following subsidiaries (all incorporated in India) have been considered for consolidation:

Name of the Company	Percentage of Voting Power as on	
	31 March, 2013	31 March, 2012
Cholamandalam Securities Limited (CSEC)	100.00%	100.00%
Cholamandalam Distribution Services Limited (CDSL)	100.00%	100.00%
Cholamandalam Factoring Limited (CFACT)	100.00%	99.99%

#### c) Basis of Accounting and Preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The Company and one of its subsidiary follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India (RBI) for Non-deposit taking Non-Banking Finance Companies (NBFC-ND).

#### d) Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the period.



**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

**e) Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**f) Revenue Recognition**

Interest Income is recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. In the case of Non Performing Loans, interest income is recognised upon realisation, as per RBI guidelines. Unrealised interest recognised as income in the previous period is reversed in the month in which the loan is classified as Non Performing.

Service Charges are recognised on issue of delivery instruction to the dealer/ manufacturer in respect of the assets financed or on release of disbursement amount, whichever is earlier, and when there is no uncertainty in receiving the same.

Additional Finance Charges, Cheque bounce charges, Field visit charges and other penal / servicing charges are recognised as income on realisation due to uncertainty in their collection.

Interest spread on bilateral assignment or securitisation of receivables is recognised on accrual basis over the tenor of the underlying assets.

Loss, if any, in respect of securitisation and assignment is recognised upfront.

Income from non financing activity is recognised as per the terms of the respective contract on accrual basis.

Brokerage Income on stock broking and other charges are recognised on the trade date of transaction upon confirmation of the transaction by the exchanges.

Income from depository services, finance charges on client dues are recognised on the basis of agreements entered into with the clients and when the right to receive the income is established.

Interest income on bonds and deposits and pass through certificates is recognised on accrual basis.

Commission is recognised on an accrual basis based on contractual obligations and when there is no uncertainty in receiving the same. Commission income is net of service tax.

Profit / loss on sale of investments is recognised at the time of sale or redemption.

Dividend Income is recognised when the right to receive dividend is established.

**g) Fixed Assets, Depreciation and Impairment**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately.

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

Depreciation on own fixed assets is provided pro-rata on the basis of the Straight Line Method over their estimated useful lives or at the rates specified in Schedule XIV of the Companies Act, 1956, whichever is higher.

Asset Description	Estimated Useful Life
Buildings	20 years
Plant and Machinery	
-Computer Equipment	3 years
-Others	5 years
Office Equipment	5 years
Furniture and Fixtures	Lease Period or 5 years, whichever is lower
-Leasehold Improvements	Lease Period or 5 years, whichever is lower except that in respect of CSEC it is over 5 years.
-Others	5 years
Vehicles	5 years
Intangible Assets - Computer Software	License Period or 3 years, whichever is lower except that in respect of CSEC it is over 6 years
Stock Exchange Membership Card	10 years

Assets individually costing less than or equal to ₹ 5,000 are fully depreciated in the year of acquisition.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

The carrying amount of assets are reviewed at each balance sheet date to ascertain impairment based on internal or external factors. Impairment is recognised if the carrying value exceeds the higher of net selling price of the assets and its value in use.

### h) Investments

Investments which are long term in nature are stated at cost. Provision is made for diminution in value if it is of nature other than temporary.

Current investments are valued at lower of cost and fair value.

Cost of investments include acquisition charges such as brokerage, fees and duties.

Long Term Investments are stated at cost other than the investment in the shares of Bombay Stock Exchange Limited, which is accounted at fair value based on the Expert Advisory Committee opinion on 'Accounting for conversion of membership rights of erstwhile BSE (AOP) into trading rights of BSEL and shares'. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

### i) Receivables under Financing Activity and Provisioning

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off

- (i) Unearned income
- (ii) Instalments appropriated up to the balance sheet date.

Provision for Standard Assets is made as per internal estimates, based on past experience, realisation of security, and other relevant factors, on the outstanding amount of Standard Assets for all types of lending subject to minimum provisioning requirements specified by RBI.

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

Provision for Non Performing Assets is made as per the provisioning norms approved by the Board for each type of lending activity subject to minimum provisioning requirements specified by RBI.

**j) Repossessed Assets**

Repossessed Assets are valued at lower of cost and estimated net realisable value.

**k) Retirement and Other Benefits****(i) Defined Contribution Plan**

**Provident Fund:** Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund, based on the statutory provisions as per the Employee Provident Fund Scheme, are charged to Statement of Profit and Loss in the period incurred.

**Superannuation:** The Group contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Group has no liability for future Superannuation Fund benefits other than its contribution and recognises such contributions as an expense in the Statement of Profit and Loss in the period incurred.

**(ii) Defined Benefit Plan & Long Term Compensated Absences**

Expenditure for defined benefit gratuity plan and long term accumulated compensated absences is calculated as at the balance sheet date in a manner that distributes expenses over the employees working lives. These commitments are valued at the present value of expected future payments and with consideration for calculated future salary increases.

The Group makes contribution to a Gratuity Fund administered by trustees and managed by LIC. The Group accounts its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined every year by LIC / independent actuary using the Projected Unit Credit method.

The Group accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the statement of profit and loss in the year in which they occur.

**(iii) Other Short Term Employee Benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of short-term compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

**l) Foreign Currency Transactions**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the balance sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and period-end restatements are dealt with in the Statement of Profit and Loss account.

The Group enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the period.

### m) Derivative Transactions

The Group enters into derivative contracts in the nature of foreign currency swaps with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign currency transactions and translations.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

### n) Lease Accounting

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

### o) Service Tax Input Credit

Service Tax Input Credit is accounted for in the books in the period when the underlying service received is accounted and when there is no uncertainty in availing / utilising the same.

### p) Taxation

**Income Tax:** Current tax is the amount of tax payable on the taxable income for the period and is determined in accordance with the provisions of the Income Tax Act, 1961.

**Deferred Tax:** Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### q) Employee share based payments

In respect of stock options granted pursuant to the Company's Employee Stock Option Schemes, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)**r) Provisions, Contingent Liabilities and Contingent Assets**

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

Contingent liability is disclosed for -

(i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or

(ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements.

**s) Segment Reporting**

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

**t) Prepaid Finance Charges**

Prepaid Finance Charges represents ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed, and is amortised on a straight line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

**u) Share issue expenses**

Share issue expenses are either debited to the profit and loss account or adjusted against securities premium account in accordance with Section 78(2) of the Companies Act, 1956, based on management's decision.

**v) Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

### w) Operating Cycle

Assets and Liabilities are classified as Current and Non-Current based on the Operating Cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realised and settled, within a period of 12 months from the date of Balance sheet have been classified as Current and other assets and liabilities are classified as Non-current.

### x) Provision for Claw Back of Commission Income

The estimated liability for claw back of commission income is recorded in the period in which the underlying revenue is recognised. These estimates are established using historical information on the nature, frequency and expected average cost of claw back and management estimates regarding possible future incidence. The estimates used for accounting of claw back claims are reviewed periodically and revisions are made as required.

## 2. APPROVAL OF SCHEME OF AMALGAMATION

The Board of Directors at their meeting held on 30 October, 2012 approved a Scheme of Amalgamation of the Company's wholly owned subsidiary M/s. Cholamandalam Factoring Limited (CFACT) with the Company with effect from April 1, 2012 (the Appointed Date) subject to the approval of Hon'ble High Court of Judicature at Madras and other necessary approvals and sanctions. The Order of Hon'ble High Court is awaited on the petition filed by CFACT in this regard.

₹ in lakhs

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	Amount	Nos.	Amount
<b>NOTE : 3 SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
Equity Shares of ₹ 10 each	150,000,000	15,000.00	150,000,000	15,000.00
Preference Shares of ₹ 100 each	30,000,000	30,000.00	30,000,000	30,000.00
		<b>45,000.00</b>		<b>45,000.00</b>
<b>ISSUED</b>				
Equity Shares of ₹ 10 each	143,244,495	14,324.45	132,691,303	13,269.13
1% Fully Convertible Cumulative Preference Shares of ₹ 100 each (Fully converted on 17 May, 2010 into 32,608,695 equity shares)	30,000,000	30,000.00	30,000,000	30,000.00
		<b>44,324.45</b>		<b>43,269.13</b>
<b>SUBSCRIBED AND FULLY PAID UP</b>				
Equity Shares of ₹ 10 each	143,107,741	14,310.77	132,554,549	13,255.45
Add : Forfeited Shares	130,900	6.54	130,900	6.54
		<b>14,317.31</b>		<b>13,261.99</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)**a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year:**

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	Amount	Nos.	Amount
<b>Equity Shares</b>				
At the beginning of the year	132,554,549	13,255.45	119,283,881	11,928.39
Issued during the year on preferential basis (Refer Note (f))	10,526,315	1,052.63	13,255,454	1,325.54
Issued during the year - Employees Stock Option Scheme	26,877	2.69	15,214	1.52
<b>Outstanding at the end of the year</b>	<b>143,107,741</b>	<b>14,310.77</b>	<b>132,554,549</b>	<b>13,255.45</b>
<b>Forfeited shares</b>				
Equity - Amount originally paid up	<b>1,30,900</b>	<b>6.54</b>	<b>1,30,900</b>	<b>6.54</b>

**b) Terms/rights attached to Equity shares :**

The Company has only one class of equity shares having a par value of ₹ 10 per share. All these shares have the same rights and preferences with respect to payment of dividend, repayment of capital and voting. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting except for Interim dividend.

Repayment of capital will be in proportion to the number of Equity shares held.

**c) Equity Shares held by Holding company and its Associates:**

Particulars	As at 31.03.2013	As at 31.03.2012
Tube Investments of India Limited - Holding company	72,233,019	72,233,019
Murugappa Holdings Limited - Associate of Holding company	176	176

**d) Details of shareholding more than 5% shares in the company:**

Particulars	As at 31.03.2013		As at 31.03.2012	
	Nos.	% holding in the class	Nos.	% holding in the class
Tube Investments of India Limited	72,233,019	50.47	72,233,019	54.49
International Finance corporation	11,831,352	8.27	11,831,352	8.93
New Ambadi Estates Private Limited	7,218,410	5.04	7,218,410	5.45

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**e) Shares reserved for issue under options:**

Refer Note 35 for details of shares reserved for issue under options

**f) Issue of shares on Preferential basis:**

On 13 February, 2013 the Company allotted 10,526,315 equity shares of ₹ 10 each at a premium of ₹ 275 per share aggregating to ₹ 30,000 lakhs to eligible investors who are Qualified Institutional Buyers.

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 4 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>3.97</b>	<b>3.97</b>
<b>Capital Redemption Reserve</b> (Note 4.1)	<b>3,300.00</b>	<b>3,300.00</b>
<b>Securities Premium Account</b>		
Balance at the beginning of the year	87,779.55	68,211.04
Add: Premium on issue of shares on Preferential basis ((Refer Note 3(f))	28,947.37	19,883.18
Premium on ESOPs exercised	39.31	5.57
Less: Share issue expenses	(421.78)	(320.24)
<b>Closing balance</b>	<b>116,344.45</b>	<b>87,779.55</b>
<b>Statutory Reserve</b> (Note 4.2)		
Balance at the beginning of the year	12,606.45	9,155.45
Add: Amount transferred from surplus in the statement of profit and loss	6,159.03	3,451.00
<b>Closing balance</b>	<b>18,765.48</b>	<b>12,606.45</b>
<b>General Reserve</b>		
Balance at the beginning of the year	18,623.19	6,434.13
Add: Amount transferred from surplus in the statement of profit and loss	15,000.00	10,000.00
Transfer from Adjustments on consolidation	(1.33)	2,189.06
<b>Closing balance</b>	<b>33,621.86</b>	<b>18,623.19</b>
<b>Adjustments on Consolidation</b>		
Balance at the beginning of the year	-	2,189.06
Less: Transfer to General Reserve	-	(2,189.06)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Surplus in the statement of Profit and loss</b>		
Balance at the beginning of the year	4,797.61	4,970.00
Profit for the year	30,791.02	16,899.03
Less:		
Dividend		
Equity for previous year (Refer Note 4.3)	(0.03)	(0.08)
Equity Interim - Paid (₹ 2.50 per share)	(3,314.54)	(1,789.49)
Equity - Proposed (₹ 1.00 per share)	(1,431.08)	(1,325.55)
Distribution tax on Equity Dividend	(780.91)	(505.30)
Transfer to Statutory Reserve	(6,159.03)	(3,451.00)
Transfer to General Reserve	(15,000.00)	(10,000.00)
<b>Net surplus in the statement of profit and loss</b>	<b>8,903.04</b>	<b>4,797.61</b>
<b>Total Reserves and surplus</b>	<b>180,938.80</b>	<b>127,110.77</b>

4.1 Represents the amount transferred for a sum equal to the nominal value of shares redeemed during the prior years.

4.2 Represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934.

4.3 Represents dividend payment relating to previous year in respect of 3,433 (31 March, 2012 - 5,128) shares which were allotted to the employees under the Employee Stock Option Scheme 2007 after 31 March, 2012 but before 25 July, 2012 (book closure date).



**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 5 BORROWINGS</b> (Refer Note 5.2)				
<b>Long Term</b>				
Redeemable Non-Convertible Debentures				
Medium Term - Secured - Refer Note 5.1 (i)	204,940.00	160,790.00	117,820.00	93,500.00
Subordinated debt - Unsecured	102,800.00	77,800.00	13,000.00	15,000.00
Perpetual debt - Unsecured	82,570.00	50,770.00	-	-
Term Loans				
Rupee Loans - Secured				
- Banks (Refer Note 5.1 (ii))	434,133.00	410,834.00	259,201.00	139,833.00
Foreign currency loans from banks - Secured (Refer Note 5.1 (ii))	5,428.00	15,261.00	10,856.00	25,817.01
	<b>829,871.00</b>	<b>715,455.00</b>	<b>400,877.00</b>	<b>274,150.01</b>
The above amount includes				
Secured borrowings	644,501.00	586,885.00	387,877.00	259,150.01
Unsecured borrowings	185,370.00	128,570.00	13,000.00	15,000.00
Amount disclosed under the head "Current Maturities of Long term borrowings"			(400,877.00)	(274,150.01)
	<b>829,871.00</b>	<b>715,455.00</b>	-	-
<b>Short Term</b>				
Working capital Demand loans and cash credit from Banks				
-Secured (Refer Note 5.1 (iii))	-	-	211,107.01	131,306.28
Commercial paper - Unsecured	-	-	85,005.00	23,500.00
	-	-	296,112.01	154,806.28
The above amount includes				
Secured borrowings	-	-	211,107.01	131,306.28
Unsecured borrowings	-	-	85,005.00	23,500.00
	-	-	<b>296,112.01</b>	<b>154,806.28</b>

**5.1 Security**

- (i) Redeemable Non convertible debentures - Medium term is secured by way of specific charge on assets under hypothecation relating to automobile financing, corporate mortgage loans and loans against immovable property and pari passu charge on immovable property situated at Ahmedabad.
- (ii) Term loans from banks is secured by way of specific charge on assets under hypothecation relating to automobile financing and loans against immovable property.
- (iii) Cash credit from banks and working capital demand loans are secured by floating charge on assets under hypothecation and other current assets.

**5.2 The Company has not defaulted in the repayment of dues to its lender.**

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 6 OTHER LONG TERM LIABILITIES</b>		
Advances from customers	115.85	79.16
Interest Accrued but Not Due on Borrowings	4,523.95	1,679.45
Deferred Rent	205.83	178.27
	<b>4,845.63</b>	<b>1,936.88</b>

₹ in lakhs

Particulars	Long term		Short term	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 7 PROVISIONS</b>				
<b>Provisions for Employee Benefits</b>				
- Compensated Absences	-	-	1,107.11	817.59
	-	-	1,107.11	817.59
<b>Other provisions</b>				
Provision for Standard Assets	2,850.62	2,075.54	1,305.73	1,311.89
Provision for Non performing Assets	5,216.84	2,537.56	17,214.43	12,429.62
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	753.44	687.65	74.70	251.22
Provisions for Mark to Market Losses on Derivatives	-	-	-	1,456.15
Contingent Service Tax Claims	-	-	792.37	735.61
Provision for Clawback	-	-	2.58	-
Proposed Dividend - Equity	-	-	1,431.08	1,325.55
Provision for Distribution tax on proposed Dividend - Equity	-	-	243.21	215.04
	8,820.90	5,300.75	21,064.10	17,725.08
	<b>8,820.90</b>	<b>5,300.75</b>	<b>22,171.21</b>	<b>18,542.67</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>		
<b>Trade payables</b>		
Dues to clients and Stock Exchanges	604.70	826.80
Others	14,506.76	10,067.70
	<b>15,111.46</b>	<b>10,894.50</b>
<b>Other current liabilities</b>		
Interest Accrued but Not Due on Borrowings / Other Deposits	27,518.73	18,819.27
Income received in advance	3.24	29.91
Unclaimed Dividend (Refer Note 8.1)	33.35	33.79
Fixed Deposits including interest accrued thereon - Matured and unclaimed (Refer Note 8.2 & 8.3)	39.53	53.74
Advances from customers/others	1,459.15	1,081.52
Security Deposit received	367.43	293.24
Remittance payables - Derecognised assets (Refer Note 17.1)	18,486.80	6,674.48
Insurance premium collected from customers	1,219.69	636.05
Statutory dues	428.42	368.00
Other liabilities	226.07	210.07
	<b>49,782.41</b>	<b>28,200.07</b>

- 8.1 There are no amounts of Unclaimed Dividend due and outstanding to be credited to Investor Education and Protection Fund (IEPF).
- 8.2 As at 31 March, 2013, there are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for ₹ 1.86 lakhs (31 March, 2012 - ₹ 1.86 lakhs), the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to ₹ 0.11 lakhs (31 March, 2012 - ₹ 0.11 lakhs), payments have not been made as per instructions received from Central Bureau of Investigation.
- 8.3 Pursuant to the Company obtaining a fresh Certificate of Registration dated 11 December, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits and consequent to its decision to exit from deposit accepting activities effective 01 November, 2006, the Company has a total deposit of ₹ 48.06 lakhs as at 31 March, 2013 (31 March, 2012 - ₹ 85.21 lakhs) in an Escrow Account, as directed by the RBI. Also refer Note 17.

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Description	Gross Block		Accumulated Depreciation and Amortisation		Net Block as at					
	Cost as at 31.03.2012	Additions	Deletions	Cost as at 31.03.2013	Upto 31.03.2012	Provided	Withdrawn	Upto 31.03.2013	31.03.2013	31.03.2012
<b>Tangible Asset</b>										
Freehold Land	464.19	-	-	464.19	-	-	-	-	464.19	464.19
Buildings (Refer Note 9.1)	3,424.91	38.86	-	3,463.77	384.99	170.77	-	555.76	2,908.01	3,039.92
Plant and Machinery	2,052.14	781.01	67.76	2,765.39	1,461.64	509.77	57.87	1,913.54	851.85	590.50
Office Equipment	589.00	597.45	20.49	1,165.96	332.92	347.08	13.35	666.65	499.31	256.08
Furniture and Fixtures	557.97	805.48	21.58	1,341.87	373.13	366.35	18.66	720.82	621.05	184.84
Leasehold improvements	675.08	934.18	64.26	1,545.00	411.21	329.67	63.20	677.68	867.32	263.87
Vehicles	429.38	208.75	44.92	593.21	102.08	104.05	30.46	175.67	417.54	327.30
<b>TOTAL</b>	<b>8,192.67</b>	<b>3,365.73</b>	<b>219.01</b>	<b>11,339.39</b>	<b>3,065.97</b>	<b>1,827.69</b>	<b>183.54</b>	<b>4,710.12</b>	<b>6,629.27</b>	<b>5,126.70</b>
<b>Intangible Asset</b>										
Computer Software	2,704.40	453.43	-	3,157.83	2,203.70	322.98	-	2,526.68	631.15	500.70
Stock Exchange Membership Card	170.75	-	-	170.75	148.83	6.57	-	155.40	15.35	21.92
<b>TOTAL</b>	<b>2,875.15</b>	<b>453.43</b>	<b>-</b>	<b>3,328.58</b>	<b>2,352.53</b>	<b>329.55</b>	<b>-</b>	<b>2,682.08</b>	<b>646.50</b>	<b>522.62</b>

### Note 9 : FIXED ASSETS Current Year:

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Description	Gross Block		Accumulated Depreciation and Amortisation			Net Block as at				
	Cost as at 31.03.2011	Additions	Deletions	Cost as at 31.03.2012	Upto 31.03.2011	Provided	Withdrawn	Upto 31.03.2012	31.03.2012	31.03.2011
<b>Tangible Asset</b>										
Freehold Land	-	464.19	-	464.19	-	-	-	-	464.19	-
Buildings (Refer Note 9.1)	2,962.61	462.30	-	3,424.91	228.14	156.85	-	384.99	3,039.92	2,734.47
Plant and Machinery	1,507.59	561.43	16.88	2,052.14	1,293.13	184.82	16.31	1,461.64	590.50	214.46
Office Equipment	291.58	303.82	6.40	589.00	193.02	144.25	4.35	332.92	256.08	98.56
Furniture and Fixtures	274.86	290.48	7.37	557.97	249.81	128.59	5.27	373.13	184.84	25.05
Leasehold improvements	414.72	296.20	35.84	675.08	341.29	102.03	32.11	411.21	263.87	73.43
Vehicles	275.98	237.33	83.93	429.38	88.53	70.83	57.28	102.08	327.30	187.45
<b>TOTAL</b>	<b>5,727.34</b>	<b>2,615.75</b>	<b>150.42</b>	<b>8,192.67</b>	<b>2,393.92</b>	<b>787.37</b>	<b>115.32</b>	<b>3,065.97</b>	<b>5,126.70</b>	<b>3,333.42</b>
<b>Intangible Asset</b>										
Computer Software	2,332.13	372.27	-	2,704.40	1,959.35	244.35	-	2,203.70	500.70	372.78
Stock Exchange Membership Card	170.75	-	-	170.75	142.26	6.57	-	148.83	21.92	28.49
<b>TOTAL</b>	<b>2,502.88</b>	<b>372.27</b>	<b>-</b>	<b>2,875.15</b>	<b>2,101.61</b>	<b>250.92</b>	<b>-</b>	<b>2,352.53</b>	<b>522.62</b>	<b>401.27</b>

9.1 Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars		As at 31.03.2013	As at 31.03.2012
<b>Note : 10 NON CURRENT INVESTMENTS</b> (valued at cost unless stated otherwise)			
<b>Non Trade Investments - Unquoted</b>			
<b>Investment in Equity shares</b>			
Amaravathi Sri Venkatesa Paper Mills Limited 293,272 Equity shares of ₹ 10 each fully paid up		129.04	129.04
Saraswat Co-operative Bank Limited 1,000 Equity shares of ₹ 10 each fully paid up		0.10	0.10
The Shamrao Vithal Co-operative Bank Limited 1,000 Equity shares of ₹ 25 each fully paid up		0.25	0.25
Bombay Stock Exchange Limited 130,000 Shares of ₹ 1 each fully paid up		138.04	138.04
Madras Stock Exchange Limited 265,000 Shares of ₹ 1 each fully paid up		0.15	0.15
Chola Insurance Services Limited 19,133 Shares of ₹ 10 each fully paid up		1.91	1.91
Samvit Educational Services Private Limited 36,000 Shares of ₹ 10 each fully paid up		1.10	-
Provision for Diminution in Value of Investment - Samvit Education Services Private Limited		(1.10)	-
<b>Investment in other shares</b>			
Abhishek Co-operative Housing Society 5 shares of ₹ 50 each : Cost ₹ 250 only		0	0
Chennai Willingdon Corporate Foundation 5 shares of ₹ 10 each : Cost ₹ 50 only		0	0
<b>Investment in Mutual Fund Units - Unquoted</b>		192.25	120.00
<b>Investment in Pass Through Certificates - Unquoted</b>	3,073.26		-
Amount disclosed under Current Investments (Refer Note 15)	(672.50)	2,400.76	-
		<b>2,862.50</b>	<b>389.49</b>
Aggregate Value of Unquoted Investments - At Cost		2,862.50	389.49
Aggregate provision for diminution in the value of investments		1.10	-

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at	
	31.03.2013	31.03.2012
<b>NOTE : 11 DEFERRED TAX ASSET (Net)</b>		
<b>Deferred Tax Asset</b>		
Provision for Standard Assets	1,412.75	1,099.05
Provision for Non-Performing Assets	5,319.00	2,617.24
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	281.49	304.62
Provision for Repossessed Stock	407.29	307.82
Provision for Contingent Service Tax	269.33	-
Income Derecognised on Non Performing Assets	750.63	1,963.83
Provision for diminution in value of investment	-	4.83
Provisions for mark to market losses on derivatives	-	472.45
Provision for compensated absences	356.12	243.22
Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.	200.33	72.27
Others	69.96	58.47
<b>(A)</b>	<b>9,066.90</b>	<b>7,143.80</b>
<b>Deferred Tax Liability</b>		
Unamortised Prepaid Finance Charges	2,180.85	2,030.83
<b>(B)</b>	<b>2,180.85</b>	<b>2,030.83</b>
<b>Net Deferred Tax Asset (A) - (B)</b>	<b>6,886.05</b>	<b>5,112.97</b>
<b>Movement in Net Deferred Tax Asset during the year - credited/ (charged)</b>	<b>1,773.08</b>	<b>(8,227.24)</b>

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 12 RECEIVABLES UNDER FINANCING ACTIVITY</b>				
<b>Secured</b> (Refer Note 12.1)				
Automobile Financing	741,411.85	543,592.65	435,785.94	327,479.99
Loans against Immovable Property	399,178.16	278,563.15	34,283.78	20,531.24
Loans against Securities	5,424.99	9,667.77	10,046.50	23,922.47
Loans against Gold	-	-	1,533.92	4,131.26
Other Loans	1,313.74	2,300.00	-	-
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.3)	-	-	23,660.82	12,108.55
<b>Total (a)</b>	<b>1,147,328.74</b>	<b>834,123.57</b>	<b>505,310.96</b>	<b>388,173.51</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Non - Current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 12 RECEIVABLES UNDER FINANCING ACTIVITY (Contd.)</b>				
<b>Unsecured</b>				
Consumer Loans	35.57	172.08	6,886.81	7,656.51
Other Loans	-	-	8,506.44	8,220.44
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.4)	-	-	1,308.08	1,544.49
<b>Total (b)</b>	<b>35.57</b>	<b>172.08</b>	<b>16,701.33</b>	<b>17,421.44</b>
<b>Total receivables under financing activity (a) + (b)</b>	<b>1,147,364.31</b>	<b>834,295.65</b>	<b>522,012.29</b>	<b>405,594.95</b>
12.1 Secured means exposures secured wholly or partly by hypothecation of automobile assets and / or, pledge of securities and / or, equitable mortgage of property and/ or, company guarantees or personal guarantees and/ or, undertaking to create a security.				
12.2 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment/ Securitisation of Receivables.			2,560.54	927.82
12.3 Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months			5,642.85	4,292.06
12.4 Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months			1,107.98	1,322.51
Of the above:				
Considered Good	1,140,247.27	829,646.05	509,088.85	391,628.66
Others - Non Performing Assets	7,117.04	4,649.60	12,923.44	13,966.29
	1,147,364.31	834,295.65	522,012.29	405,594.95

Refer Note 7 for Provision for Non performing assets



**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Long Term		Short term	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 13 LOANS AND ADVANCES</b>				
<b>Unsecured - considered good</b> (unless otherwise stated)				
Capital Advances	143.78	364.66	-	-
Security Deposits	774.54	842.03	530.68	353.04
Deposits with Stock Exchanges	142.30	145.50	32.00	47.18
Prepaid expenses	20.83	22.35	315.19	423.20
Service tax input credit	235.90	217.51	252.24	2,032.16
Less: Provision	(235.90)	(217.51)	-	-
	-	-	252.24	2,032.16
Advance tax (net of provision for tax)	4,689.46	3,622.61	3.73	5.17
MAT Credit entitlement (net)	198.96	161.17	-	-
Other advances	-	-	185.48	257.46
	<b>5,969.87</b>	<b>5,158.32</b>	<b>1,319.32</b>	<b>3,118.21</b>

₹ in lakhs

Particulars	Non current		Current	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 14 OTHER ASSETS</b>				
<b>Unsecured - considered good</b> (unless otherwise stated)				
Non current bank balances (Refer Note 17)	35,096.58	24,296.75	-	-
Excess Interest spread - Derecognised assets	5,113.28	5,791.00	675.99	1,679.73
Prepaid Finance Charges	4,948.84	4,829.29	1,467.30	1,430.00
Prepaid Discount on Commercial paper	-	-	2,648.05	496.50
Reposessed Automobile assets	-	-	627.65	194.62
Interest and Other Income Accrued but Not Due				
- on Loans to Borrowers	-	-	19,009.45	13,704.66
- on Deposits and Investments	-	-	529.58	3,699.86
Financial assets on derivative transactions	598.56	1,553.22	1,756.00	1,512.50
Unbilled revenue	-	-	16.45	21.51
Other Accruals and receivables	-	-	1,482.97	939.10
	<b>45,757.26</b>	<b>36,470.26</b>	<b>28,213.44</b>	<b>23,678.48</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at	As at
	31.03.2013	31.03.2012
<b>NOTE : 15 CURRENT INVESTMENTS</b> (valued at lower of cost and fair value, unless stated otherwise)		
Investment in Government Securities - <b>Quoted</b>		
Government of India Stock : 7.40% - 2012 (Face Value ₹ 400 lakhs)	-	460.36
Less: Amortisation of premium on acquisition	-	(59.69)
	-	400.67
Invsetments in Mutual Funds - <b>Unquoted</b>	13,660.00	226.70
Current Portion of Long term Investment in Pass Through Certificates - <b>Unquoted</b> (Refer Note 10)	672.50	-
	<b>14,332.50</b>	<b>627.37</b>
Aggregate Value of Quoted Investments - At Cost	-	460.36
- At Market Value	-	399.46
Aggregate Value of Unquoted Investments - At Cost	-	226.70
- At Market Value	-	-
Aggregate amount of investments in unquoted mutual funds		
- At Cost	13,660.00	-
- At Market Value	13,667.92	-
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds		

₹ in lakhs

Particulars	Long Term		Short term	
	As at	As at	As at	As at
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<b>NOTE : 16 TRADE RECEIVABLES</b>				
Secured - Considered Good	0.36	0.69	436.22	669.59
Unsecured - Considered Good	-	-	49.94	66.75
Unsecured - Considered Doubtful	145.80	191.15	51.02	31.36
Less:Provision for Doubtful Debts	(145.80)	(191.15)	(51.02)	(31.36)
	<b>0.36</b>	<b>0.69</b>	<b>486.16</b>	<b>736.34</b>
Trade Receivables outstanding for a period of more than 6 months				
Secured - Considered Good			12.88	2.19
Unsecured - Considered Doubtful			51.02	31.36

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 17 CASH AND CASH EQUIVALENTS</b>		
Cash on hand	3,248.03	2,089.90
Cheques, Drafts on hand	2,027.17	778.86
Balances with banks		
- In Current Accounts (Refer Note 17.1)	16,839.33	10,791.41
- In Deposit Accounts - Original maturity 3 months or less	10,000.00	-
- In Deposit Accounts - Original maturity more than 3 months (Refer Note 17.2)	743.96	7,402.83
- In earmarked accounts		
- In Unpaid Dividend Accounts	33.35	33.79
- In Client and Exchange related Accounts	283.71	87.92
- In Deposit Accounts (Under Lien)	452.50	440.00
- Deposits as collateral towards assets derecognised	41,754.95	31,405.26
- Amount disclosed under Non current bank balances (Refer Note 14)	(35,071.59)	(24,296.75)
	6,683.36	7,108.51
- In Public deposit Escrow Account (Refer Note 8.3)	56.49	93.65
	<b>40,367.90</b>	<b>28,826.87</b>

Of the above, the balances that meet the definition of cash and cash equivalents as per AS3 cash flow statements is ₹ 32,114.53 lakhs (31 March, 2012- ₹ 13,660.17 lakhs )

17.1 Balances with Banks on Current Account include amounts collected in respect of assets de-recognised on account of Assignment of Receivables pending remittance to the assignees. Refer Note 8

17.2 Balance on Deposit Accounts - Free of lien includes deposits amounting to ₹ 43.52 lakhs (31 March, 2012 - ₹ 4,997.83 lakhs) which have an original maturity of more than 12 months.

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 18 REVENUE FROM OPERATIONS</b>		
(a) Income from Financing activity		
<b>i) Interest</b>		
-Automobile Financing	163,393.17	107,563.54
-Loans against Immovable Property	49,260.46	31,489.40
-Loans against Securities	2,978.12	8,738.03
-Loans against Gold	806.05	154.62
-Other Loans	1,193.93	800.73
-Interest spread on assignment/securitisation	5,655.26	2,880.37
<b>ii) Other Operating Revenue</b>		
-Automobile Financing	21,707.02	16,928.20
-Loans against Immovable Property	3,620.08	2,653.79
-Loans against Securities	65.84	198.04
-Loans against Gold	4.62	2.34
-Consumer Loans	121.00	113.50
-Other Loans	4.27	6.25
(b) Interest on deposits placed as collateral towards assets derecognised and pass through certificates	2,982.92	2,891.89
(c) Stock broking, Depository Operations and Allied Services	580.87	475.02
(d) Retail Distribution Operations - Commission	863.63	906.50
(e) Profit on sale of current investments	2,026.09	1,057.62
(f) Income from Non Financing activity	1,528.01	1,069.70
	<b>256,791.34</b>	<b>177,929.54</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 19 OTHER INCOME</b>		
Interest	211.65	429.31
Dividend	18.59	11.15
Rent	27.31	16.25
Profit on sale of Fixed assets	1.38	-
Miscellaneous Income	130.55	2,172.87
	<b>389.48</b>	<b>2,629.58</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
19.1) Miscellaneous Income includes		
<b>Gain on prepayment of commercial paper</b>		
Consideration paid for prepayment of commercial papers	1,691.00	-
Book Value (including interest accrued) on the date of prepayment of commercial papers	1,603.01	-
<b>Gain</b>	<b>87.99</b>	<b>-</b>
<b>Loss on prepayment of Debentures</b>		
Consideration paid for prepayment of Debentures	17,900.00	
Book Value (including interest accrued) on the date of prepayment of Debentures	17,976.03	
<b>Loss</b>	<b>(76.03)</b>	<b>-</b>
Reversal of provision for delinquency for derecognised assets	-	2,160.68

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 20 FINANCE COSTS</b>		
Interest Expense		
- Debentures	51,332.09	31,997.80
- Bank Loans	71,352.40	54,525.46
- Other Loans	14.74	-
Discount on Commercial Papers	14,868.79	8,714.36
Others		
- Amortisation of ancillary borrowing costs	2,638.20	3,182.03
- Amortisation of premium on Forward contracts	221.67	147.78
- Bank charges	572.03	434.66
	<b>140,999.92</b>	<b>99,002.09</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 21 EMPLOYEE BENEFIT EXPENSE</b>		
Salaries, Bonus and Commission	14,351.69	10,819.43
Contribution to Provident and Other Funds	702.36	514.84
Staff Welfare Expenses	1,026.73	584.93
	<b>16,080.78</b>	<b>11,919.20</b>

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 22 OTHER OPERATING EXPENSES</b>		
Rent (Refer Note 22.1)	2,665.17	2,061.70
Electricity Charges	654.79	396.73
Rates and Taxes (Refer Note 22.2)	2,082.05	2,091.87
Communication Cost	1,108.27	745.16
Traveling and Conveyance	2,070.61	1,283.98
Advertisement Expenses	551.21	748.11
Business Development Expenses	7.38	13.02
Insurance	534.54	389.94
Repairs and Maintenance		
- Buildings	3.24	6.34
- Others	46.37	67.17
Printing and Stationery	747.26	499.23
Information Technology Expenses (Refer Note 22.1)	1,042.56	752.52
Auditors' Remuneration (including for other Auditors)	56.47	43.44
Professional Charges	2,794.02	2,382.81
Lease Rental Expense	601.44	619.73
Loss on Sale of Fixed Assets (Net)	-	1.40
Commission to Directors	32.27	35.10
Sitting Fees to Directors	8.22	7.95
Foreign Exchange Loss (net)	627.10	1,506.33
Recovery Charges (Refer Note 22.4)	6,497.21	5,754.58
Miscellaneous Expenses (Refer Note 22.3)	442.30	170.31
	22,572.48	19,577.42
Less : Expenses Recovered	(30.97)	(89.72)
	<b>22,541.51</b>	<b>19,487.70</b>
22.1 Lease equalisation charge included in:		
- Rent	25.61	68.07
- Information technology expense	-	(1.42)
22.2 Service Tax charge included in Rates and Taxes	1,781.96	1,963.35
22.3 Donation included in Miscellaneous expenses	218.88	145.00
22.4 Net of reversal of provision for servicing costs on assets derecognised	39.75	77.34

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 23 PROVISIONS, LOAN LOSSES AND OTHER CHARGES</b>		
Loss Assets Written Off	1,153.37	17,222.96
Loss on Repossessed Assets(Net)	2,995.36	1,617.15
Provision for Non Performing Assets	10,757.05	9,654.96
Provision Released for Non Performing Assets on recovery/write off (Refer Note 23.1)	(3,363.96)	(19,887.91)
	11,541.82	8,607.16
Provision for Standard Assets (Net)	768.92	1,290.40
Provision for other doubtful debts and advances	20.97	53.84
Loss on sale of shares held as stock in trade (Net)	0.21	1.74
Loss on redemption of Government securities	60.36	-
Less: Reversal of provision	(59.69)	-
	0.67	-
Provision for Diminution in value of Investment	1.10	7.46
	<b>12,333.69</b>	<b>9,960.60</b>
23.1 Includes reversal of provision for credit enhancements on assets derecognised	70.99	350.01

₹ in lakhs

Particulars	Year ended 31.03.2013 Gain/(Loss)	Year ended 31.03.2012 Gain/ (Loss)
<b>NOTE : 24 EXCEPTIONAL ITEMS</b>		
Reversal of Provision for Standard Assets made in March 2009 as per capital reduction scheme	-	3,000.00
<b>Exceptional Items (Net)</b>	-	<b>3,000.00</b>

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 25 EARNINGS PER SHARE</b>		
<b>Profit After Tax</b>	<b>30,791.02</b>	<b>16,899.03</b>
Weighted Average Number of Equity Shares (Basic)	133,919,347	119,871,902
Add: Dilutive effect relating to ESOP	3,45,778	14,309
<b>Earnings per Share - Basic (₹)</b>	<b>22.99</b>	<b>14.10</b>
Weighted Average Number of Equity Shares (Diluted)	134,265,125	119,886,211
<b>Earnings per Share - Diluted (₹)</b>	<b>22.93</b>	<b>14.10</b>
Face Value Per Share (₹)	10.00	10.00

**Note:**

Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share".

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 26 ASSETS DE-RECOGNISED</b>		
<b>a) On Securitisation</b>		
No. of Special Purpose Vehicle (SPV) sponsored for Securitisation transactions	8	1
Outstanding securitised Assets in books of SPV	221,819.82	33,220.25
Less: Collections not yet due to be remitted to SPV * (Refer Note 8)	11,938.60	1,882.33
Outstanding securitised Assets as per books	209,881.22	31,337.92
Total amount of exposure to comply with Minimum Retention Ratio		
a) Off Balance Sheet Exposure		
• First Loss		
• Others		
b) On Balance Sheet Exposure		
• First Loss - Cash collateral	20,342.63	1,618.20
• Others		
i) Second Loss - Cash Collateral	2,225.00	2,225.00
ii) Investment in PTC	3,073.26	-
Amount of Exposures to Securitisation transactions Other than MRR	Nil	Nil
Book value of Asset sold	259,229.50	40,454.27

\* Excludes interest collected from customers on securitised assets.

<b>b) On Bilateral assignment</b>		
No. of Assignment Transactions	7	9
Outstanding Assignment Assets as per books	42,996.20	100,853.02
Total amount of exposure		
a) Off Balance Sheet Exposure		
• First Loss		
• Others		
b) On Balance Sheet Exposure		
• First Loss - Cash Collateral	19,188.45	27,562.06
• Others		
Book value of Asset sold	137,286.40	170,513.77



**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE : 27 DETAILS OF OUTSTANDING DERIVATIVES</b>		
(i) Outstanding Derivatives:		
<b>Contracted Value</b>		
- Interest rate derivatives	-	-
- Currency derivatives	13,560.00	58,046.00
(ii) Foreign currency exposure not hedged by derivative instrument or otherwise	-	-

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 28 AUDITORS' REMUNERATION</b> (Net of Service Tax Input Credit)		
Statutory Audit	29.35	25.83
Other Services	24.19	15.67
Reimbursement of Expenses	2.93	1.94
<b>TOTAL</b>	<b>56.47*</b>	<b>43.44</b>

(\*) Excludes ₹ 23.00 lakhs (31 March, 2012 - ₹ Nil) paid for Preferential Issue related certification services, debited to Share Premium account.

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 29 GRATUITY</b>		
<b>DETAILS OF ACTUARIAL VALUATION:</b>		
Projected Benefit Obligation at the Beginning of the Year	390.78	264.49
Current Service Cost	85.61	62.97
Interest Cost	32.80	21.12
Actuarial Losses	77.25	51.57
Adjustments	(0.43)	-
Benefits Paid	(14.92)	(9.37)
<b>Projected Benefit Obligation at the End of the Year</b>	<b>571.09</b>	<b>390.78</b>
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets at the Beginning of the Year	395.88	280.96
Expected Returns on Plan Assets	37.65	25.50
Employer's Contribution	155.61	98.89
Inward Transfer of Equitable Interest	15.01	-
Benefits Paid	(14.72)	(9.37)
Adjustments	(3.65)	(0.10)

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

₹ in lakhs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>NOTE : 29 GRATUITY (Contd.)</b>		
<b>Amount Recognised in the Balance Sheet</b>		
Fair Value of Plan Assets at the End of the Year	585.78	395.88
Liability at the End of the Year	571.09	390.78
<b>Amount Recognised in the Balance Sheet under Other Loans and advances- Current</b>	<b>14.69</b>	<b>5.10</b>
<b>Cost of the Defined Benefit Plan for the Year</b>		
Current Service Cost	85.61	62.97
Interest on Obligation	32.80	21.12
Expected Return on Plan Assets	(37.65)	(25.50)
Inward Transfer of Equitable Interest	(15.01)	-
Net Actuarial Losses Recognised in the Year	77.25	51.67
<b>Net Cost Recognised in the Profit and Loss Account</b>	<b>143.00</b>	<b>110.26</b>
<b>Assumptions</b>		
Discount Rate	8.00% p.a.	8.00% p.a.
Future Salary Increase	5.00% p.a.	5.00% p.a.
Attrition Rate		
- Senior Management	1% p.a.	1% p.a.
- Middle Management	2% p.a.	2% p.a.
- Others	3% p.a.	3% p.a.
Expected Rate of Return on Plan Assets	9.40% p.a.	9.00% - 9.25%

### Other Disclosures:

Benefit	2012-13	2011-12	2010-11	2009-10	2008-09
Projected Benefit Obligation	571.09	390.78	264.49	166.90	153.47
Fair Value of Plan Assets	585.78	395.88	280.96	180.48	103.18
<b>Surplus/(Deficit)</b>	<b>14.69</b>	<b>5.10</b>	<b>16.47</b>	<b>13.58</b>	<b>(50.29)</b>

### Notes:

- The expected return on plan assets for the year ended 31 March, 2013 is as furnished by LIC.
- The entire plan assets are managed by LIC. The data on plan assets and experience adjustment has not been furnished by LIC and hence there are no disclosures in this regard.
- The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)**NOTE : 30. SEGMENTAL REPORTING**  
**The Management has identified the following reportable segments:**

Particulars	Financing		Distribution		Stock Broking		Eliminations		Consolidated Total	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<b>REVENUE</b>										
External Revenue	255,331.91	176,538.03	875.05	909.81	584.38	481.70	-	-	2,56,791.34	1,77,929.54
Inter-segment Revenue	5.17	-	-	0.14	63.35	75.60	(68.52)	(75.74)	-	-
<b>Total Revenue</b>	<b>255,337.08</b>	<b>176,538.03</b>	<b>875.05</b>	<b>909.95</b>	<b>647.73</b>	<b>557.30</b>	<b>(68.52)</b>	<b>(75.74)</b>	<b>256,791.34</b>	<b>177,929.54</b>
<b>RESULT</b>										
Segment Result	45,223.51	22,881.61	199.81	(37.06)	(96.45)	(258.43)	-	-	45,326.87	22,586.11
Other Income	-	-	-	-	-	-	-	-	(107.00)	6,346.00
Net Profit Before Tax	-	-	-	-	-	-	-	-	45,219.87	28,932.11
Other Information										
Segment Assets	1,808,005.06	1,335,360.46	1,216.37	2,503.90	1,718.72	1,875.77	-	-	18,10,940.15	1,339,740.13
Unallocated	-	-	-	-	-	-	-	-	11,907.59	9,918.78
Corporate Assets										
<b>Total Assets</b>	<b>1,808,005.06</b>	<b>1,335,360.46</b>	<b>1,216.37</b>	<b>2,503.90</b>	<b>1,718.72</b>	<b>1,875.77</b>	<b>-</b>	<b>-</b>	<b>1,822,847.74</b>	<b>1,349,658.92</b>
Segment Liabilities	1,626,742.84	1,208,168.08	93.70	131.47	755.06	986.60	-	-	16,27,591.60	12,09,286.16
Unallocated	-	-	-	-	-	-	-	-	-	-
Corporate Liabilities										
<b>Total Liabilities</b>	<b>1,626,742.84</b>	<b>1,208,168.08</b>	<b>93.70</b>	<b>131.47</b>	<b>755.06</b>	<b>986.60</b>	<b>-</b>	<b>-</b>	<b>1,627,591.60</b>	<b>1,209,286.16</b>
Capital Expenditure	3,564.23	3,093.17	33.55	47.53	0.50	28.80	-	-	3,598.28	3,169.50
Depreciation	2,031.22	890.25	31.88	42.75	94.14	105.29	-	-	2,157.24	1,038.29

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

**NOTE : 31 RELATED PARTY DISCLOSURES (AS PER AS-18 "RELATED PARTY DISCLOSURES")**

**List of Related Parties:**

Holding Company	: Tube Investments of India Limited
Associate of Holding Company	: Murugappa Holdings Limited
Joint venture of Holding Company	: Cholamandalam MS Risk Services Limited
Fellow Subsidiary	: Cholamandalam MS General Insurance Company Limited
Key Management Person	: Mr. Vellayan Subbiah, Managing Director

**Note:**

Related party relationships are as identified by the Management and relied upon by the Auditors.

₹ in lakhs

Transaction	Related Party	Year ended 31.03.2013	Year ended 31.03.2012
Dividend Payments - Equity Shares	Tube Investments of India Limited	2,528.15	1,083.49
	Murugappa Holdings Limited ₹ 616.00 (31 March, 2012 - ₹ 264.00)	0.00	0.00
Interest Payments	Cholamandalam MS General Insurance Company Limited	428.51	257.25
Rent Payments	Cholamandalam MS General Insurance Company Limited	29.73	34.82
Rent (including hiring) Receipts	Tube Investments of India Limited	13.55	33.35
	Cholamandalam MS General Insurance Company Limited	73.29	77.53
	Cholamandalam MS Risk Services Limited	3.90	3.16
Payments for Services Availed	Cholamandalam MS General Insurance Company Limited	478.68	524.55
Advance Premium Deposit Given	Cholamandalam MS General Insurance Company Limited	6,845.21	4,839.63
Receipts for Services Rendered	Cholamandalam MS General Insurance Company Limited	2,003.98	1,490.10
Receipts on settlement of insurance claim	Cholamandalam MS General Insurance Company Limited	102.28	76.82
Expenses - Reimbursed	Cholamandalam MS General Insurance Company Limited	16.03	14.12
	Tube Investments of India Limited	0.05	-
	Cholamandalam MS Risk Services Limited	12.06	0.68
Amounts Received towards Reimbursements of Expenses	Cholamandalam MS General Insurance Company Limited	48.19	35.02
	Cholamandalam MS Risk Services Limited	0.85	0.34
Purchase of Fixed Assets	Tube Investments of India Limited	3.00	-
Remuneration	Key Management Person (Mr. Vellayan Subbiah)	193.21	146.09

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

**NOTE : 31 RELATED PARTY DISCLOSURES (Contd.)**

₹ in lakhs

Transaction	Related Party	Year ended 31.03.2013	Year ended 31.03.2012
Net Amounts Receivable/ (Due) as at Year end	Tube Investments of India Limited	-	3.43
	Cholamandalam MS General Insurance Company Limited	244.00	182.88
	Cholamandalam MS General Insurance Company Limited	(4,169.11)	(1,994.14)
	Cholamandalam MS Risk Services Limited	0.14	-

**NOTE : 32 CONTINGENT LIABILITIES AND COMMITMENTS**

- (a) Counter Guarantees provided to Banks - ₹ 970.65 lakhs (31 March, 2012- ₹ 968.49 lakhs)  
(b) Contested Claims Not Provided for:

₹ in lakhs

Particulars	As at 31.03.2013	As at 31.03.2012
Income tax and Interest Tax issues where the Company is in appeal	3,574.91	2,324.18
Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax	98.36	204.37
Service Tax issues pending in respect of which the Company is under appeal	68.46	22.90
Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Service Tax	-	50.76
Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal	65.28	384.15
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	1,512.52	1,082.66

The Company is of the opinion that the above demands are not sustainable and expects to succeed in its appeals / defence.

- (c) Commitments  
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) - ₹ 839.65 lakhs (31 March, 2012 - ₹ 572.74 lakhs)

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

### NOTE : 33 CHANGES IN PROVISIONS

₹ in lakhs

Particulars	As at 31.03.2012	Additional Provision	Utilisation/ Reversal	As at 31.03.2013
Provision for Standard Assets	3,387.43	768.92	-	4,156.35
Provision for Non-Performing Assets	14,967.19	10,757.05	(3,292.97)*	22,431.27
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	938.87	-	(110.73)*	828.14
Contingent Service Tax claims	735.61	56.76	-	792.37
Provision for Claw back	-	2.58	-	2.58

\*Refer Note 22.4 and 23.1

### NOTE : 34 LEASES

Assets taken on Non-cancellable operating lease consists of Plant and Machinery, Furniture and Fixtures and Office Equipments.

The details of Maturity profile of Non-cancellable Future Operating Lease Payments are given below.

₹ in lakhs

Period	As at 31.03.2013	As at 31.03.2012
Not later than one year	540.13	561.38
Later than one year and not later than five years	135.03	701.72
Later than five years	-	-
<b>TOTAL</b>	<b>675.16</b>	<b>1,263.10</b>

### NOTE : 35 EMPLOYEE STOCK OPTION PLAN

The Board at its meeting held on 22 June, 2007, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Capital of the Company (before Rights Issue) aggregating to 1,904,162 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on 30 July, 2007 approved the aforesaid issue of 1,904,162 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation and Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Stock Option Scheme -2007:

**Notes** forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

Particulars	Date of Grant	Exercise Price (₹)	Vesting Commences on	Options Granted	Options Exercised	Options Forfeited / Lapsed	Options Outstanding at the end of the Year	Vested	Yet to vest
<b>Grant No.</b>									
<b>1</b>	Original* CAA *	30-07-07 25-01-08	193.40 178.70	30-07-08 -	7,65,900 54,433	12,040 546	6,35,732 44,337	1,18,128 9,550	- -
<b>2</b>	Original	24-10-07	149.90	24-10-08	70,400	-	70,400	-	-
<b>3</b>	Original	25-01-08	262.20	25-01-09	1,62,800	-	1,33,638	29,162	-
<b>4</b>	Original	25-04-08	191.80	25-04-09	4,68,740	3,484	3,10,955	1,54,301	-
<b>5</b>	Original	30-07-08	105.00	30-07-09	10,070	3,445	1,491	5,134	-
<b>6</b>	Original	24-10-08	37.70	24-10-09	65,600	17,384	38,786	9,430	-
<b>7</b>									
<b>- Tr I</b>	Original	27-01-11	187.60	27-01-12	2,94,600	3,192	29,672	93,196	1,68,540
<b>- Tr II</b>	Original	27-01-11	187.60	27-01-12	2,09,700	2,000	27,123	1,21,387	59,190
<b>8</b>	Original	30-04-11	162.55	30-04-12	1,13,400	-	36,414	13,466	63,520
<b>9</b>	Original	28-07-11	175.35	28-07-12	61,800	-	2,208	10,152	49,440
<b>10</b>	Original	27-10-11	154.55	27-10-12	1,95,680	-	6,478	32,658	1,56,544

\* CAA- Corporate Action Adjustment

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an independent Consultant.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Date of Grant	Variables					
	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share in the Market at the time of the Option Grant (₹)	Fair Value of the Option (₹)
<b>30-Jul-07</b>	7.10% - 7.56%	3-6 years	40.64% - 43.16%	5.65%	193.40	61.42
<b>24-Oct-07</b>	7.87% - 7.98%	3-6 years	41.24% - 43.84%	5.65%	149.90	44.25
<b>25-Jan-08</b>	6.14% - 7.10%	3-6 years	44.58% - 47.63%	5.65%	262.20	78.15
<b>25-Apr-08</b>	7.79% - 8.00%	2.5-5.5 years	45.78% - 53.39%	3.97%	191.80	76.74
<b>30-Jul-08</b>	9.14% - 9.27%	2.5-5.5 years	46.52% - 53.14%	3.97%	105.00	39.22
<b>24-Oct-08</b>	7.54% - 7.68%	2.5-5.5 years	48.2% - 55.48%	3.97%	37.70	14.01
<b>27-Jan-11</b>						
<b>-Tranche I</b>	8%	4 years	59.50%	10%	187.60	94.82
<b>-Tranche II</b>	8%	3.4 years	61.63%	10%	187.60	90.62
<b>30-Apr-11</b>	8%	4 years	59.40%	25%	162.55	73.07
<b>28-Jul-11</b>	8%	4 years	58.64%	25%	175.35	79.17
<b>27-Oct-11</b>	8%	4 years	57.52%	25%	154.55	76.26

## Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2013 (contd.)

The shareholders of the Company, at the 34<sup>th</sup> Annual General Meeting held on 30 July, 2012, authorised extension of exercise period from 3 years from the date of vesting to 6 years from the date of vesting. Accordingly, the Company has measured the fair value of the options using the Black Scholes model immediately before and after the date of modification to arrive at the incremental fair value arising due to the extension of the exercise period. The incremental fair value so calculated is recognised from the modification date over the vesting period in addition to the amount based on the grant date fair value of the stock options.

The incremental cost due to modification of the exercise period from 3 years to 6 years from the date of vesting for the year ended 31 March, 2013 is ₹ 189.52 lacs

The fair value of the options has been calculated using the Black Scholes model on the date of modification.

The assumptions considered for the calculation of the fair value (on the date of modification) are as follows:

Variables	Post Modification
Risk Free Interest Rate	7.92% - 8.12%
Expected Life	0.12 years - 6.25 years
Expected Volatility	28.28% - 63%
Dividend Yield	1.18%
Price of the underlying share in market at the time of the option grant. (₹)	212.05

### NOTE : 36 SHARING OF COSTS

The Company shares certain costs / service charges with other companies in the Group. These costs have been allocated between the Companies on a basis mutually agreed to between the Companies, which has been relied upon by the Auditors.

### NOTE : 37 MAT CREDIT RECOGNITION

In one of the Subsidiary Company (CDSL), the Subsidiary has recognised MAT Credit considering the future profit projections, the management believes that there is convincing evidence with regard to the earning of future taxable income and payment of tax under normal tax within the specified period. Accordingly, MAT Credit Entitlement of ₹ 43.66 lakhs has been recognised during the year.

### NOTE : 38 PREVIOUS YEAR'S FIGURES

Previous year's figures have been reclassified to conform with the current year's classification / presentation, wherever applicable.

For and on behalf of the **Board of Directors**

**M.B.N.Rao**

*Chairman*

Place : Chennai

Date : 26 April, 2013

**P.Sujatha**

*Secretary*

**D.Arul Selvan**

*Chief Financial Officer*

**Vellayan Subbiah**

*Managing Director*



**Disclosure** of Information Relating to Subsidiaries

The Ministry of Corporate Affairs, Government of India, vide general circular No. 2 and 3 dated 8 February, 2011 and 21 February, 2011 respectively has granted a general exemption from compliance with Section 212 of the Companies Act, 1956, subject to fulfilment of certain conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular including the disclosure of information of subsidiaries in the consolidated balance sheet of the Company

₹ in lakhs

Particulars	Cholamandalam Distribution Services Limited		Cholamandalam Factoring Limited		Cholamandalam Securities Limited	
	2012 - 13	2011 - 12	2012 - 13	2011 - 12	2012 - 13	2011 - 12
1. Share Capital						
- Equity	4,240.00	4,240.00	8,036.48	8,036.48	2,050.00	2,050.00
- Preference	-	-	-	-	-	-
2. Reserves and Surplus	(1,177.72)	(1,377.53)	(7,624.87)	(7,765.00)	(996.13)	(899.68)
<b>TOTAL</b>	<b>3,062.28</b>	<b>2,862.47</b>	<b>411.61</b>	<b>271.48</b>	<b>1,053.87</b>	<b>1,150.32</b>
3. Total Liabilities *	93.70	131.47	6,792.75	6,911.09	755.06	985.87
4. Total Assets (Including investments)+	3,155.98	2,993.94	7,204.36	7,182.57	1,808.93	2,136.19
5. Investments:						
Current Investments	160.00	-	-	226.70	-	-
Non Current investments						
- Quoted	-	-	-	-	-	-
- Unquoted	192.25	120.00	1.91	1.91	138.19	138.19
6. Gross Income	1,155.87	1,176.50	145.98	2.45	720.56	631.57
7. Profit/(Loss) before Tax	199.81	(37.06)	143.47	(6,129.07)	(96.45)	(258.43)
8. Provision for taxation						
Current	-	(0.64)	3.33	-	-	(3.01)
Deferred	-	-	-	-	-	280.32
9. Profit/(Loss) after Tax	199.81	(36.42)	140.14	(6,129.07)	(96.45)	(535.74)
10. Dividend / Proposed Dividend including dividend tax	-	-	-	-	-	-

\* Total Liabilities include: Borrowing, Trade Payables, Other Liabilities and Provisions

+ Total Assets include: Net fixed Assets, Investments, Deferred Tax Asset, Loans and Advances, Cash and Bank balances, Trade Receivable and Other Current Assets



# Values and beliefs

## **Murugappa Group**

The Spirit of Murugappa Group comprises 'The Five Lights', each light representing one value of the Group.

## **Integrity**

We value professional and personal integrity above all else. We achieve our goals by being honest and straight forward with all our stakeholders. We earn trust with every action, every minute of every day.

## **Passion**

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

## **Quality**

We take ownership of our work. We unfailingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

## **Respect**

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

## **Responsibility**

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.



**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

**Registered Office**

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