

“Timeless leadership is not about growing the business, but about growing the people who grow the business.”

*Prof. Debashis Chatterjee, Director, IIM Kozhikode
(Shri V.C.Padmanabhan Memorial Annual Lecture, June 20, 2009, Thrissur)*

Eighteenth Annual Report 2009-10



MANAPPURAM

GENERAL FINANCE AND LEASING LIMITED

CONTENTS

1. Board of Directors	4
2. Profile of Directors	6
3. Chairman's Letter	7
4. CSR at Manappuram	9
5. Directors Report	11
6. Management Discussion and Analysis Report	20
7. Report on Corporate Governance	24
8. CEO/CFO Certification	33
9. Auditors Report on Corporate Governance	34
10. Auditors Report to Members	35
11. Auditors Report to Board of Directors	38
12. Audited Balance sheet & Profit and Loss Account	39
13. Schedules & Notes forming part of Balance sheet & Profit and Loss Account	42
14. Cash Flow Statement	71
15. Balance Sheet as per RBI Directions	72
16. Balance Sheet Abstract	75
17. Branch Network	76
18. Corporate Information	86



We stand for Manappuram because Manappuram stands for you...

We know what it takes to earn the trust of people. Its not easy. The years of hard work, planning, implementation, diversification, and a long, hard struggle for glory.

We have all been through it in our career graph, and now we are happy to be associated with another star performer-MANAPPURAM GOLD LOAN - Instant loan against gold and like a true performer, always offering the best to the people.

No wonder, Manappuram General Finance & Leasing Ltd., is the **Highest Credit-rated Gold Loan Company and the Country's Largest and only Listed entity** in this field. Serving you through a wide network of nearly 1200 branches in 15 States of the country. Need any more reassurances ? Come to us, for the best.

> Money Transfer > Gold Over Draft > Buying & Selling of Foreign Currencies >

MANAPPURAM GOLD LOAN
**MORE VALUE
LOW INTEREST**



BOARD OF DIRECTORS



Shri. V. P. NANDAKUMAR
Executive Chairman

BOARD OF DIRECTORS



Shri. I. Unnikrishnan
Managing Director



**Adv.
V. R. Ramachandran**
Director



**Shri.
A. R. Sankaranarayanan**
Director



Shri. B. N. Raveendra Babu
Jt. Managing Director



Shri. P. Manomohanan
Director



Dr. V.M. Manoharan
Director



Shri. Shailesh J. Mehta
Director



Shri. M. Anandan
Director



Shri. K. P. Balaraj
Director



Shri. T V Antony
Director



Shri. Ashvin C. Chadha
Director



Shri. Gautam Saigal
Director

PROFILE OF DIRECTORS

1. Mr. V. P. Nandakumar Executive Chairman	M.Sc., CAIIB (Part I). Chief Promoter of Manappuram Group of Companies. Served the Banking Industry in various capacities for a period of 7 years. Chairman of Equipment Leasing Association (India) and Chairman of KNBFC Association.
2. Adv. V. R. Ramachandran Independent & Non Executive	B.Sc., LLB. Advocate. Well known Civil Lawyer of the Dist Court, Thrissur.
3. Mr. A. R. Sankaranarayanan Independent & Non Executive.	M.Sc., IRS (Retd). Was the Managing Director of Steel Authority International Ltd and the Director, Prime Minister's Secretariat. Also held the Directorship of Federal Bank, Aluva.
4. Mr. P. Manomohanan Independent & Non Executive	B.Com. CAIIB. Was the General Manager of Reserve Bank of India. Long experience in the regulatory areas of NBFCs
5. Dr. V. M. Manoharan Independent & Non Executive	M.Com., Phd. Was the Dy Director of collegiate education and principal of various Government colleges in Kerala and syndicate member Calicut University. Was also the Dean of some reputed business schools in Kerala.
6. Mr Shailesh J Mehta Independent & Non Executive	IIT (Mumbai) Phd & MS. President of Granite Hill Capital Ventures. Former Chairman and CEO of Providian Financial Corporation and President and COO of Capital Holding.
7. Mr. M. Anandan Independent & Non Executive	B.Com, CA. Former Managing Director of Cholamandalam DBS Finance Limited and Cholamandalam MS General Insurance Limited. He is a veteran in financial services with more than 20 years of multi functional experience.
8 Mr. K. P. BalaraJ Independent & Non Executive	MBA (Harvard Business School) . He is the co-founder and Managing Director of Sequoia Capital in India. He was part of the Private equity team at Goldman Sachs in Asia.
9. Mr. T. V. Antony Independent & Non Executive	IAS(Retd). Former Chief Secretary of Government of Tamilnadu. He was awarded Padmabhushan by the President of India.
10. Mr. Ashvin C Chadha Nominee & Non Executive	BA Economics (Wesleyan University). He is currently a Vice President, at IEP Fund Advisors and was previously an investment professional with General Atlantic LLC. He has served as an observer on the Board of Dice Inc and Webloyalty Inc.
11. Mr. Gautam Saigal Nominee & Non Executive	M.Com. CA. He is the Managing Director of AA Indian Development Capital Advisors Private Limited. Earlier he was Vice President at AIG Global Investment Group Mumbai.
12. Mr. I. Unnikrishnan Managing Director	B.Com., FCA. Advisory expert in matters relating to NBFCs.
13. Mr. B.N.Raveendra Babu Joint Managing Director	M.Com, ICMA (Inter) , Expertise in Information Technology. Served 12 years In a senior position in the Finance and Accounts Department of M/s Blue Marine at UAE.

Company Secretary **Mr C. Radhakrishnan**, M,Com, FCS, MBA.

Chief Financial Officer **Mrs. Bindhu AL**, B,Com, ACA.

Auditors **M/s S.R. Batliboi & Associates**
Chartered Accountants
TPL House, Second Floor, 3
Cenotaph Road, Teynampet
Chennai - 600 018.

Registrars & Share Transfer Agents **M/s SKDC Consultants Limited**
Kanapathy Towers, 3rd Floor
1391/A-1, Sathy Road, Ganapathy
Coimbatore 641 006.
Phone: 0422 6549995, 2539835-836
Fax : 0422 2539837

CHAIRMAN'S LETTER

Dear Shareholder,

I am honoured to place before you, your Company's Annual Report for the financial year ended 31 March 2010.

We have had a long and rewarding association, going back over 18 years now. During these years, your Company has recorded phenomenal growth in income and profits, and the past year has been no exception. I am pleased to report that we have had an extraordinarily successful year, which would not have been possible but for the contributions from all our stakeholders.

Economic Outlook

The year 2009-10 was marked by recovery and revival. After plunging into the steepest economic contraction since the Great Depression, the global economy witnessed significant improvement. Contrary to expectations of a prolonged turmoil, the turnaround was much quicker than what was expected.

At the heart of this recovery was the coordinated fiscal action by the leading world powers including India to stimulate their economies. And in a sign of shifting economic might, China and India were at the forefront of this recovery, aided by their relatively stable domestic demand and the thrust on the infrastructure sector driving demand in key sectors. The US economy, where recovery was led by a massive \$787 billion fiscal stimulus, is expected to grow by a healthy 3.10 percent in 2010. However, concerns remain about US unemployment levels persisting at close to ten percent of the workforce and the slow pace of recovery in the other large western economies.

During the crisis, a major challenge faced by the Emerging Market Economies (EMEs) was the flight of capital to the perceived safety of the developed markets. Since then, China and India have shown surprising resilience and are now leading the recovery. Buoyed by the performance of the EMEs, the latest World Economic Outlook report of the International Monetary Fund (IMF) estimates that global economic growth will recover from the negative 0.6 percent recorded in 2009 to 4.2 percent in 2010, and then to 4.3 percent in 2011.

Outlook for India

In fiscal 2009-10, India's economy has exceeded expectations to record an impressive 7.4 percent GDP growth rate. It came about on the back of a strong last quarter performance. The manufacturing sector, hardest hit by the slowdown, grew by over 10 percent, a clear indication that the slowdown is over. Equally heartening was the fact that the agriculture sector, despite deficient monsoon rains, could post a positive growth of 0.7 percent during the year.

Prospects for the current year are, on balance, quite positive. Barring unexpected fallout from the eurozone debt crisis, growth is expected to strengthen in the coming years as the country continues to invest in infrastructure and open up its economy. The impending national rollout of the Goods & Services Tax (GST) also augurs well. Besides, with record low interest rates and continuing slow growth in the mature economies, India should benefit from increasing inflows of foreign development and foreign institutional investments.

Concerns about the magnitude of India's fiscal deficit have eased for the time being, with the government reaping a

bonanza through the auction of 3G spectrum. But given the government's ambitious spending agenda, this issue is unlikely to go away anytime soon. The financial crisis arising from the excessive borrowings of the Greek government and the larger eurozone debt crisis holds an important cautionary lesson for India. No government can live beyond its means indefinitely, therefore fiscal consolidation in the medium to long term is a must. Also, the uncertainty about the adequacy of the monsoon rains with its implications for food prices is another cause for concern. However, I am optimistic that the resilience and dynamism shown by India's private sector will continue to lead India on the growth track, even as the government's stimulus measures are gradually wound down.

The NBFC Sector

In India, NBFCs as a whole, make up nine percent of the assets of the total financial system. During the year, the NBFC sector continued to face stresses on account of asset quality, tighter liquidity and higher funding costs. These were mostly the after-effects of the economic slowdown. In the latter half of the year, the sector showed signs of a healthy turnaround, but the segments dealing with unsecured loans continued to be depressed.

The crisis has also set off a process of consolidation in the sector with the weaker NBFCs gradually exiting to make way for a stronger NBFC sector. This is a healthy development. On the other hand, regulation of non-banking entities is being progressively strengthened. For instance, any takeover or merger with a deposit taking NBFC would now require prior approval from the Reserve Bank of India (RBI). Experience tells us that the dividing line between regulations that seek to minimise risk and regulations that stifle innovation and efficiency is often thin, therefore striking the right balance is of the essence. However, the fact that the RBI had stepped in during the crisis with a host of measures specifically in support of the NBFC sector, suggests a belated but welcome recognition of the systemic importance of this sector.

Performance of the Company

Capitalising on the opportunities presented by the strong economic revival, your company has achieved working results that are truly spectacular. The company posted a net profit of Rs.1,197.21 million during the financial year as against Rs.302.97 million the year before. This represents a breathtaking growth of 295 percent. Your Company's profitability was driven by the surge in its gold loan book which went up from Rs.3,975 million in 2009 to Rs.18,456 million this year. Profit before tax for the year stood at 1,818.25 million as against Rs.462.83 million the previous year, a growth rate of 289 percent. Gross income of the company rose to Rs.4,782.01 million from Rs.1,661.11 million. There was also good increase in the fee based income from 20.44 million to 24.67 million during the year.

Not surprisingly, your company continued to find favour with savvy foreign Private Equity (PE) investors and was able to raise additional equity capital of Rs.2,450 million by way of the QIP route.

In keeping with an immaculate track record of uninterrupted and steadily increasing payouts, your Board of Directors has recommended a dividend of 25 percent on the equity capital enhanced by the issue of 1:1 bonus shares in April/May 2010. I am sure you will be delighted at this news.

CHAIRMAN'S LETTER

The Manappuram Foundation

An organisation draws its sustenance from the wider community around it and therefore must reciprocate in equal measure. You will be encouraged to know that as part of our quest to become a model corporate citizen and a commitment to Corporate Social Responsibility (CSR), the Manappuram group has established the Manappuram Foundation on October 24, 2009 at Valapad.

The very first initiative of the Foundation was to launch an original scheme that envisages providing health insurance to 20,000 Below Poverty Line (BPL) households in the seven panchayats of the Nattika constituency. They are now eligible for free medical care up to Rs.60,000 per year along with the generous benefit of cashless treatment at some of the leading hospitals in Thrissur District.

Gold Loans - the unrecognised social welfare aspect

Our borrowers belong largely to the lower or lower-middle classes. The typical loan amount is between Rs.18,000 to Rs.25,000, taken for a period of no more than three months. Not surprisingly, this category has never been of interest to our commercial banks. And to this segment, long ignored by the established players and preyed upon by unscrupulous pawnbrokers and moneylenders, we have brought the highest standards of integrity, transparency and professionalism. For them, our presence represents a way out of the clutches of pawnbrokers and moneylenders. And I am convinced our efforts in reaching out to this section with what are essentially micro-finance products promote financial inclusion in the real sense.

Truly, even as we celebrate the pace at which we have grown, we can be proud that we also contribute to society by helping out some of its most vulnerable members.

Future Plans

Your Company has drawn up elaborate plans to maintain its growth momentum. Our enduring vision is to impart liquidity to the vast stock of privately held gold in India. This necessarily implies taking gold loan products to the masses in India, a process we believe can only make their lives a little more secure

and free of worries. And with this objective in mind, your company proposes to open as many as 400 additional outlets during the current financial year. We also intend to improve our reach in northern India where our presence has been limited so far. We expect that the continuing firmness in gold prices and expectations of further rise on account of long term dollar weakness will provide further impetus to our efforts.

In conclusion

In fiscal 2008-09, in the face of tremendous odds, your company grew its net profit by 44 percent. This year, under circumstances much brighter, your company has almost quadrupled its net profit. I believe it is a pointer to the fundamental strength of the business model of your company that it does well when the times are troubled, and performs brilliantly when the times are good.

Here, then, is a thought I must share with you. The real story behind our growth is not just opening more branches or raising more funds. I believe the momentum comes from something far more basic offering a value proposition to customers so compelling, they cannot even think of going anywhere else! We take pride in the fact that a customer who walks into our branch for a gold loan can walk out with the money in as little as twenty minutes. The kind of service that banks and other financial institutions extend to their privileged customers, we give to everyone of our customers without exception. I believe this is the real story behind our, no doubt, impressive numbers.

Finally, I express my heartfelt gratitude to all the distinguished shareholders, to the executives and employees for the hard work they have put in, and to all the stakeholders of the Company. I must also make a special mention of the foreign and domestic investors who have made our recent QIP a success. With support from all of you, this Company is sure to scale ever greater heights in the coming years. I also thank each member for the trust and confidence reposed in the Management.

With best wishes,



V.P. Nandakumar
Executive Chairman

CSR at Manappuram TURNING A NEW PAGE

"We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world's major challenges including poverty, climate change, resource depletion, globalization, and demographic shifts."

Niall Fitzgerald, former CEO & Chairman, Unilever

THE BACKGROUND

Why Corporate Social Responsibility?

Businesses are an integral part of the communities in which they operate. And no business can prosper over the long term in societies that are failing, whether due to social factors or governance problems. Corporate Social Responsibility (CSR) is increasingly an important activity for businesses in India and abroad. CSR recognises that shareholders are not the only stakeholders and therefore, the traditional emphasis on delivering shareholder value alone is not sufficient. A strong CSR program has become essential for effective leadership and for building sustainable businesses that create market value as well as social value.

THE IMPETUS

A vision and a visionary

An outcome of the phenomenal success of the Company has been the meteoric rise in its shareholder wealth. An investor buying one equity share of Rs.10 at the time of the company's first public issue would today find his investment worth about Rs.1,400, a staggering hundred and forty fold increase, delivered in a space of just 15 years and not counting the flow of dividends!

With shareholders reaping spectacular rewards, somewhere along the way, the Chairman Mr.V.P.Nandakumar felt a yearning to look beyond the day-to-day preoccupations of the business, to the out-of-the-ordinary ways to share the group's success and reach out to a wider community around us. The idea was to intervene with our resources and commitment in ways that would not only enrich their lives, but also make a meaningful difference to their future and to the future of their children.

A RED LETTER DAY

October 24, 2009

The Manappuram Group establishes the Manappuram Foundation at Valapad, to give concrete shape to its commitment to CSR.

The Foundation's goals reflect the vision of the group's local-born Chairman to give back substantially to the community where he has spent the better part of his life and where, to this day, all the Manappuram group companies are firmly anchored. From its humble beginnings 60 years ago as a single branch outfit dealing in gold loans, to its present status as a corporate giant with nine group companies spanning diversified interests like Gold Loan, Jewellery, Asset Financing, Money Transfer, Insurance, Foreign Exchange etc., the group stands firmly rooted in Valapad. And this loyalty has been repaid over the years by the people of the area bestowing their deepest trust on the "Manappuram" name.

Today, it is fair to say that but for this trust as its foundation, Manappuram group would not be what it is.

THE FIRST STEP

Health insurance for BPL families

The first mission taken up by the Foundation is an original plan to bring health care to the needy in the seven Panchayats constituting the Nattika Assembly constituency in Thrissur District. Though the government promotes the Rashtriya Swasthya Bima Yojana (RSBY) and Universal Health Insurance (UHI) for below poverty line (BPL) families, they go largely unutilised because people at the margins are unable to pay their share of the policy premiums. Accordingly, the Manappuram Foundation worked in tandem with the local MLA Mr.T.N. Pratapan to give shape to an original plan: "Janaraksha - Manappuram Soujanya Arogya Insurance Scheme." Here is an outline of what the scheme is all about.

The plan envisages free health insurance for all the 20,000 identified BPL families in the Nattika Assembly constituency. The policy covers their medical expenses under RSBY and UHI up to an annual limit of Rs.60,000, with "cashless" treatment made available at some of the leading hospitals in Thrissur District. The policy covers almost all the common diseases including heart ailments and cancer, in addition to maternity

CSR at Manappuram TURNING A NEW PAGE

care. In-patients in hospitals will be reimbursed for the services of a helper, at Rs.50 per day. The heads of the beneficiary families will be additionally insured for a sum of Rs.75,000 against death due to accident. And in the event of death from cancer, the dependents will be eligible for cash compensation of Rs.25,000 directly paid by the Foundation.

Needless to add, the premiums payable by the beneficiaries (Rs.200 per family) will be funded entirely by the Manappuram Foundation, at a recurring annual cost of about Rs.4 million.

Finally, to ensure vigorous and unflagging implementation, the Foundation has already set up a fully equipped office at the group's Corporate Headquarters at Valapad. It is manned by trained social workers and psychiatric social workers taken on board specially for the purpose. Moreover, help-desks serving as accessible contact points have started functioning in all the seven Panchayats.

MORE TO COME

South India on our radar


In the years ahead, the Foundation has plans to open an orphanage, a couple of day care centres, and several vocational training centres, to help the economically deprived sections in the area. Later on, the Foundation will expand these services throughout the district of Thrissur and the state of Kerala, ultimately covering the four southern states.

What about the Foundation extending its reach to the rest of India as well? At the moment, this is not certain. What is certain for now is the Manappuram group's enduring commitment to responsible Corporate Citizenship.



KARTHIYANI, 65,
Engandiyoor

She ekes out a meagre living doing odd jobs. Her daughter recently suffered from fever and urinary infection and was hospitalised. The treatment cost of Rs.2,160/- is fully covered under the Janaraksha Manappuram Free Health Insurance Scheme.



VASU, 50,
Vatanappally.

Both Vasu and his wife work as labourers on daily wages. They have two children who are at school. Recently, Vasu suffered an illness which led to a loss of control over bodily functions. He was treated at the Karuna Hospital at a cost of Rs.9,970/-, a substantial part of which is covered under the Janaraksha Manappuram Free Health Insurance Scheme.

DIRECTORS' REPORT

To,
The Members of Manappuram General Finance and Leasing Limited.

Your Directors are pleased to present the 18th Annual Report on the working of the Company with the Audited Accounts and the Report of the Auditors for the financial year ended March 31, 2010.

Results of the Combined Entity

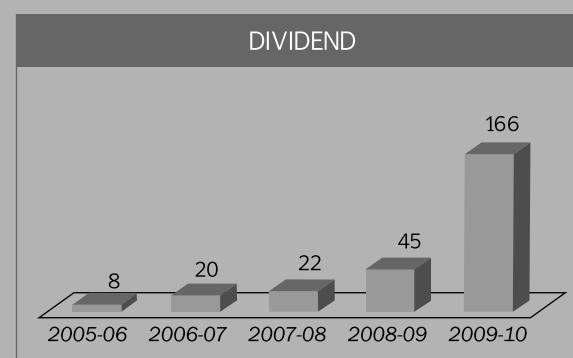
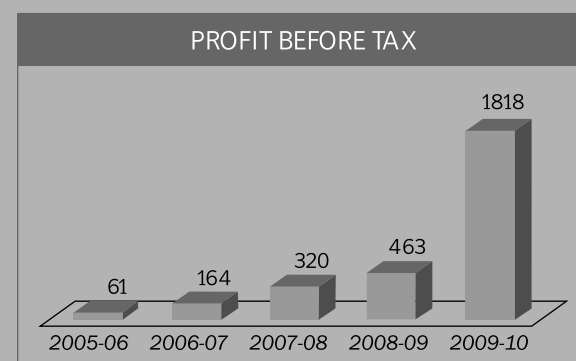
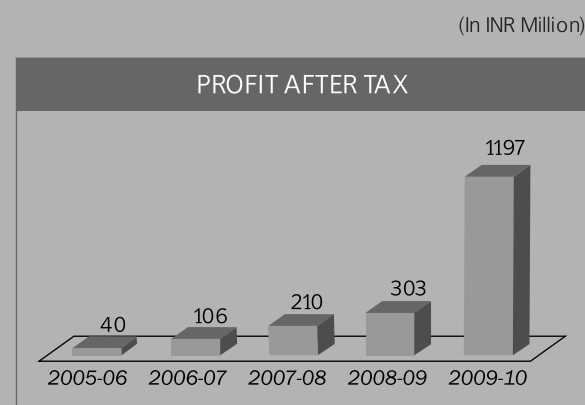
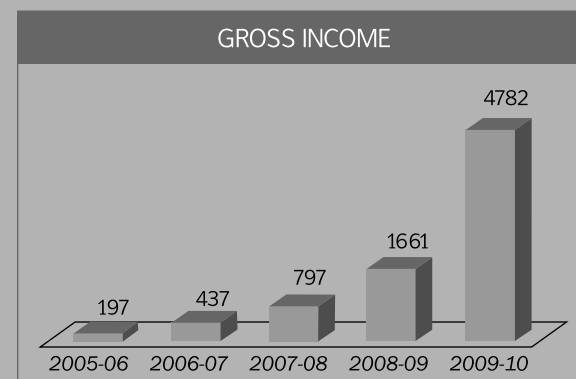
At the outset your directors wish to inform you that the scheme of amalgamation entered into by the Company with Manappuram Finance Tamilnadu Limited (MAFIT) was approved by the Hon'ble High Court of Judicature at Madras on December 8, 2009, and Hon'ble High Court of Judicature at Kerala on December 23, 2009. Further, the Company has acquired all the assets and liabilities of Manappuram Printers, a sole proprietorship which was engaged in the business of trading stationery items with effect from April 1, 2009. This being the first result of the combined entity, is not fairly comparable with figures of the previous year 2008-09.

1.Financial Results

Description	(In INR Million)	
	2009-10	2008-09
Gross Income	4782.01	1661.11
Total Expenditure	2963.76	1198.28
Profit before Tax	1818.25	462.83
Provision for Taxes/Deferred tax	621.04	159.86
Net Profit	1197.21	302.97
Profitb/ffrompreviousyear	188.74	39.00
Amounts adjusted on amalgamation of MAFIT Profit after tax and appropriation for the financial year 2008-09	88.12	-
Amount available for appropriations	1474.07	341.97
Appropriations:		
Transfer to Statutory Reserve	239.45	60.60
Transfer to General Reserve	119.72	31.00
Transfer to Capital Redemption Reserve	17.15	5.72
Dividend on Preference shares	-	3.00
Interim Dividend on Equity Shares	-	1.64
Proposed Equity Dividend	165.89	43.14
Tax on dividend	27.21	8.13
Balance carried forward to next year	904.65	188.74

DIRECTORS' REPORT

FINANCIAL HIGHLIGHTS OVER THE YEARS



DIRECTORS' REPORT

2. DIVIDEND

Encouraged by the improved performance of your Company during the year, the Board is pleased to recommend a dividend of 25% (i.e., Rs 0.50 per equity share of Rs 2 each) on the paid up equity capital of the Company. On approval by the Members at the ensuing Annual General Meeting, the said dividend would be paid to those Members whose names appear on the Register of Members as on the date of Book Closure.

Your Directors are delighted to inform that the Members will get dual gain this year because of the dividend on the 1:1 bonus shares issued as approved by the Members at the meeting held on 22.04.2010.

The total cash outflow exclusive of tax on account of equity dividend would be Rs 165.89 million as compared to Rs 44.78 million during the previous year.

It may be noted that the said dividend is tax free in the hands of the shareholders.

3. RAISING OF ADDITIONAL CAPITAL

As per the approval given by the members at the Extraordinary General Meeting of the Company held on 20.01.2010, your directors had allotted 3,540,420 Equity shares of Rs 10 each to Qualified Institutional Buyers on 04.03.2010 by way of a private placement at a premium of Rs 681 per share. The amount of Rs 2,446.43 million raised from this issue would be utilized for the purposes of augmenting the funding needs of the Company and to meet capital adequacy norms.

As per the terms of agreement entered into, Share Warrants issued on 05.11.2008 to promoters were converted in to 1,564,892 Equity shares of Rs 10 each on 18.03.2010. With the aforesaid allotments, the paid up share capital of the Company has increased to Rs 340,385,220.

4. CAPITAL AND RESERVES

Capital and Reserves of the Company as on 31.03.2010 stood at Rs 6105.6 million. During the year under review the Company transferred Rs 239.45 million to Statutory Reserve, Rs 119.72

million to General Reserve and 17.15 million to Capital Redemption Reserve.

Redemption of Preference shares

The Company had allotted 400,000 75% redeemable preference shares of Rs. 100 each fully paid up in September, 2004 redeemable after seven years. The shareholders had a right for early redemption but not earlier than 2 years from the date of allotment. During the year, the shareholders have exercised their right of early redemption and redeemed the shares on March 18, 2010 and the outflow was met from the Capital Redemption Reserve of the Company.

5. WORKING RESULTS

The year 2009-10 was a year with excellent financial results as far as your Company is concerned. The Gross Income for this period was Rs 4782.01 million as against Rs 1661.11 million in the year 2008-09. The Total Expenditure for the period was 2963.76 million.

The Company has posted a record profit after tax of Rs 1197.21 million for the period under consideration, signifying an increase of Rs 894.24 million (295.16%) over the previous year.

6. BUSINESS OUTLOOK

Your Company is predominantly engaged in the business of gold loans and would like to be positioned as such in future even at the cost of exiting from other fund-based business areas. Encouraged by your Company's success in weathering the aftermath of global financial crisis, we have given shape to our business plan for the financial year 2009-10 as part of realization of our long term strategy to 'energize' at least 10% of the vast privately held gold reserves in the country. Your Company is de-facto a micro credit institution inasmuch as nearly 85% of its loans pertain to a ticket size of below Rs 50,000 except for the fact that we accept gold as security. Given the nature of our operations as also the fact that your Company's vision is to "make life easy" for our customers, it is essential that we have to be close to them. A pan India presence therefore becomes inevitable. We have therefore

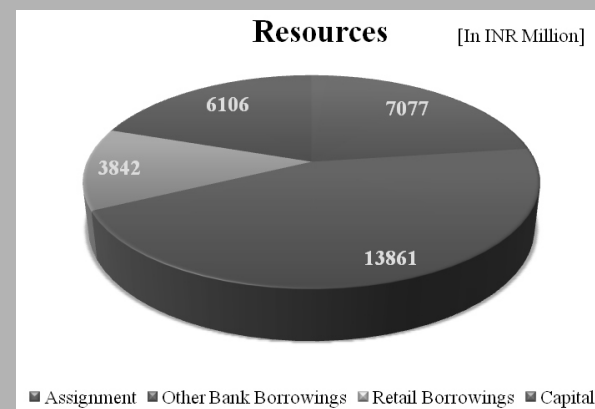
DIRECTORS' REPORT

decided to penetrate aggressively into areas hitherto underserved by us. Innovative products, improved relationship management, brand building, efficient customer service, better use of technology and reduced operational costs will become the hallmark of successful NBFCs in future. Your Company's business strategy is in recognition of these facts.

7. RESOURCES

As part of the efforts to identify cheaper source of funds, your Directors had discussions with reputed concerns at national and international levels. As a result of the negotiations and discussions, your Company could mobilize funds to the tune of Rs 2,446.43 million in the form of Qualified Institutional Placement. Your Company was also successful in raising resources from products such as Commercial Papers and rated Non-Convertible Debentures during the period under consideration.

Details of resources during the year under review are shown in the chart below:



a) Deposits

Your Directors have decided at the Board meeting held on 15.01.2007 to phase out the public deposits held by the Company. Accordingly, the Company stopped accepting fresh public deposits. The existing deposits will not be renewed and the Company is sending notice to the matured and unclaimed deposit holders.

Details required as per para 5(1) of special provisions

applicable to NBFCs are given below:

Total number of accounts of public deposits of the Company, as at March 31 2010, which have not been claimed by the depositors or not paid by the Company after the due date: 551 No's

Total amount due under such accounts remaining unclaimed or unpaid beyond the dates referred to in (i) above as on 31.03.2010: Rs. 4.59 Million

As on the date of this report, there were no deposits which are due for transfer to the IEPF Account of the Central Government on the expiry of seven years after maturity. There is a regular follow up on the part of the Company to redeem unclaimed deposits. The Company continues to enjoy MA+ rating awarded by ICRA for its public deposit programme.

b) Secured Redeemable Non-Convertible Debentures

Your Company continues to issue fully secured redeemable non convertible debentures of Rs 1000/- each on private placement basis. The outstanding balance of Debentures including interest accrued and due as on 31.03.2010 amounts to Rs 2639.36 million. The debentures are issued on private placement basis and are secured by a floating charge created on the receivables and other current assets of the Company. The Company has appointed trustees to see that the interests of debenture holders are well protected. Any amount remaining unclaimed is transferred to debenture trustees' account after the expiry of sixty days from the date of maturity.

During the period under consideration, your Company came out with a Non-Convertible Debenture Programme to the tune of Rs 1 billion and ICRA has assigned 'LA+/stable' rating for the same indicating average credit risk. Under this programme your Company mobilized Rs 250 million by way of Institutional Placement.

c) Unsecured Bonds

The Company issued unsecured Subordinated Bonds in the nature of Promissory Notes on private placement basis. These Bonds will be treated as Tier II Capital as per RBI norms. The outstanding figure of these bonds as on 31.03.2010 amounted to Rs 1165.14 million.

DIRECTORS' REPORT

d) Assignment of Receivables

The Company has procured funds through assignment of receivables to Banks and Financial Institutions during the year. The aggregate amount assigned as at 31.03.2010 is Rs 7,077 million.

e) Commercial Paper

Your Company enjoys a limit of Rs 3 billion for Commercial Paper (CP) / Short Term Debt programme having a 'A1+' rating from ICRA, which indicates lowest credit risk in the short term. During the year, the Company made several issues of the CP and the outstanding figure of these CP's as on 31.03.2010 amounted to Rs 650.73 million.

8. NEW RECOGNITIONS

Your directors are pleased to inform that the then existing LA rating of the Company has been upgraded to 'LA+' by ICRA, for the working capital limit of Rs 30075 million under Basel II norms. The outlook on this rating is stable. The Company has also been awarded 'A1+' rating by ICRA for its short term borrowings in enhancement of the then existing A1 rating. Further, the Company continues to enjoy 'MA+' rating from ICRA for its Public Deposit programme.

9. COMPLIANCE WITH NBFC REGULATIONS

Your Company has complied with all the regulatory provisions framed by Reserve Bank of India for Non-Banking Financial Companies. The Capital Adequacy Ratio of the Company as on 31.03.2010 is 28.73% as against the statutory requirement of 15%.

10. DIRECTORS

Retirement by Rotation

Following Directors are liable to retire by rotation at the ensuing Annual General Meeting:

- 1) Adv. V.R. Ramachandran, Director retires by rotation and being eligible offers himself for re-appointment. He was appointed as an additional director on 13.09.2002..
- 2) Mr. Shailesh J Mehta, Director retires by rotation and being eligible offers himself for re-appointment. He was

appointed as an additional director on 06.11.2008..

- 3) Mr. Gautam Saigal, Director retires by rotation and being eligible offers himself for re-appointment. He was appointed as an additional director on 06.11.2008.

Resignation

Mr. Juguna G Panikkamparambil, Director stepped down from the Board on his own, effective from 27.02.2010. Your Board accepted his resignation and places on record appreciations for his remarkable service and support offered to the Company during his tenure.

Appointment

Mr. B.N. Raveendra Babu was appointed to the Board of your Company as an Additional Director on 17.08.2009 and he was elevated to the office of Joint Managing Director of the Company effective from 11.01.2010.

Mr. T.V. Antony and Mr. K.P.Balaraj were appointed to the Board of your Company as Additional Directors on 11.05.2010.

Mr.T.V.Antony was retired from Indian Administrative Service (IAS) after serving top administrative positions in Government of Tamilnadu for quite a long period.

Mr. K.P.Balaraj was the nominee of Sequoia Capital and consequent to the sale of its entire holding in the Company, he resigned from the directorship and offered himself to be appointed as an independent director.

11. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo - Information as per Section 217 (1) (e) of the Companies Act, 1956

The Company does not have any activity relating to conservation of energy or technology absorption.

The Company holds AD Category II licence from the Reserve Bank of India for its foreign exchange operations. There were no foreign exchange earnings or outgo during the period covered by this report.

:

12. PARTICULARS OF EMPLOYEES

Particulars of the employees covered by the provisions of section 217 (2A) of the Companies Act, 1956 read with Company's (Particulars of Employees) Rules, 1975 is as under:

DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANY'S (PARTICULARS OF EMPLOYEES) RULES, 1975

NAME	AGE	DESIGNATION	REMUNERATION RECEIVED	DATE OF JOINING	EXPERIENCE IN YEARS
MR. V.P.NANDAKUMAR	56	Executive Chairman	1,60,80,000.00	15.07.1992	30
MR. I. UNNIKRISHNAN	46	Managing Director	51,60,000.00	01.10.2006	20
MR. B.N. RAVEENDRA BABU	58	Joint Managing Director	48,24,000.00	1708.2009	32

13. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby declares that:

- a) In the preparation of Annual Accounts for the financial year ended 31.03.2010, applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2009-10 and of the profit of the Company for that period.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors have prepared the Annual Accounts for the year 2009-10 on a going concern basis.

14. AUDITORS

The statutory Auditors M/s S.R. Batliboi & Associates, Chartered Accountants, Firm Registration Number- 101049W, TPL House, Second Floor, 3, Cenotaph Road, Teynampet, Chennai- 600 018, retire at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

15. REPORT ON CORPORATE GOVERNANCE

Your Company has been practising principle of good Corporate Governance over the years. The endeavor of the Company is not only to comply with the regulatory requirements but also practice good Corporate Governance that lays strong emphasis on integrity, transparency and overall accountability. A separate

section on Corporate Governance along with a certificate from the Statutory Auditors confirming compliance is annexed and forms part of this report.

16. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report is attached and forms an integral part of the Report of the Board of Directors.

17. ESOP 2009

With a view to attract and retain talent and for ensuring commitment, your Company has launched an Employees Stock Option Scheme 2009 (ESOP 2009), under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as approved by the shareholders on 1708.2009.

The ESOP 2009 provides for 1 million Stock Options of Rs 10 each, out of which your Company granted 8,29,500 Options to the employees during the period. The disclosures in terms of Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this report.

18. ACKNOWLEDGEMENT

Your Directors acknowledge the dedicated service rendered by the Employees of the Company at all levels. The Directors also acknowledge the support and co-operation received especially from Shareholders, Investors, Customers and Well-wishers, Reserve Bank of India, Government Departments, Investment Bankers, Rating Agencies, Banks and other Financial Institutions.

For and on behalf of the Board of Directors

V.P.Nandakumar
Executive Chairman

Place: Valapad
Date: 11.05.2010

ADDENDUM TO DIRECTORS' REPORT

Board's reply to the observation made in clause (xxi) of the Annexure to Para 3 of the Report of Statutory Auditors to the members of the Company.

The company has already initiated legal action against the employees who are involved in fraud. As required in the RBI Guidelines, intimation has also been made to the Reserve Bank of India in the prescribed format. Further, insurance claims were made for all employee frauds. The amount has been fully provided in the accounts.

For and on behalf of the Board of Directors

Place: Valapad
Date: 11.05.2010

V.P. Nandakumar
Executive Chairman

ANNEXURE TO THE DIRECTORS REPORT

Disclosures in terms of Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

SL No.	Particulars	Disclosures- ESOP 2009
a	Options granted during the year	8,29,500
b	Pricing Formula	The exercise price may be decided by the Nomination, Compensation and Corporate Governance Committee of the Board in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and any amendments thereto
c	Options Vested	50% of the above Options would vest on 16th August 2010 and the balance on 16th August 2011
d	Options Exercised	Not Applicable now
e	Total no. of shares arising as a result of exercise of Options	Not Applicable now
f	Options lapsed	44,500
g	Variation in terms of Options	The criterion for expiry of Exercise Period has been amended as 'Not later than 4 years from the date of vesting of Options for continuing Employees' at the Extra-Ordinary General Meeting held on 22.04.2010 and the number of Options have been proportionately increased in view of the Subdivision and Bonus issue.
h	Money realised by exercise of Options	Not Applicable now
i	Total number of Options in force	7,85,000

ANNEXURE TO THE DIRECTORS REPORT

j	Employee wise details of Options granted to:			
	(i)	Senior Management	Name	No. of Options
			Mr. I.Unnikrishnan	120000
			Mr. B.N.Raveendra Babu	100000
			Mr. P.Manomohanan	30000
			Dr. V.M.Manoharan	30000
			Mr. A.R.Sankaranarayanan	30000
			Adv. V.R.Ramachandran	30000
			Mr. M.Anandan	30000
			Mr. Shailesh J Mehta	30000
	(ii)	Any other employee who receives a grant in any one year of Option amounting to 5 per cent or more of Option granted during that year	Nil	
	(iii)	Employees who were granted Option, during any one year, equal to or exceeding 1 per cent of the issued capital (excluding warrants and conversions) of the Company at the time of grant	Nil	
k	Diluted earnings per share pursuant to issue of shares on exercise of Options calculated in accordance with AS 20 'earnings per share'		Dilutive EPS prior to stock split Rs.20.33. Dilutive EPS subsequent to stock split Rs.4.07	
i	Where the company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.		The difference between the employee compensation cost computed in accordance with intrinsic value adopted by the Company and fair value is Rs 54.04 million. Had the Company adopted the fair value model, the net profit after tax would have been Rs. 1,143.19 million as against the reported amount of Rs 1,197.21. The Basic EPS (prior to split) would have been Rs 19.53 and Basic EPS (subsequent to split) would have been Rs 3.91 as against the reported figures of Rs 20.46 and Rs 3.91 respectively. The Diluted EPS (prior to split) would have been Rs 19.41 and Diluted EPS (subsequent to split) would have been Rs 3.88 as against the reported figures of Rs 20.33 and Rs 4.07 respectively.	
m	Weighted-average exercise prices and weighted-average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date.		The exercise price is Rs 331.15.	

ANNEXURE TO THE DIRECTORS REPORT

n	Description of method and significant assumptions used to estimate the fair value of Options	<div>The fair value of options was estimated at the date of grant using the Black-Scholes method with the following assumptions</div> <table><tr><th rowspan="3">Particulars</th><th>Vesting I</th><th>Vesting II</th></tr><tr><th>August 16, 2010</th><th>August 16, 2011</th></tr><tr><td>50%</td><td>50%</td></tr><tr><td>Risk-free interest rate</td><td>6.15%</td><td>6.53%</td></tr><tr><td>Expected life</td><td>3 years</td><td>4 years</td></tr><tr><td>Expected volatility</td><td>67.11%</td><td>66.62%</td></tr><tr><td>Expected dividend yield</td><td>2.76%</td><td>2.76%</td></tr><tr><td>Share price on the date of grant</td><td>Rs. 331.15 /-</td><td>Rs. 331.15 /-</td></tr></table>	Particulars	Vesting I	Vesting II	August 16, 2010	August 16, 2011	50%	50%	Risk-free interest rate	6.15%	6.53%	Expected life	3 years	4 years	Expected volatility	67.11%	66.62%	Expected dividend yield	2.76%	2.76%	Share price on the date of grant	Rs. 331.15 /-	Rs. 331.15 /-
Particulars	Vesting I	Vesting II																						
	August 16, 2010	August 16, 2011																						
	50%	50%																						
Risk-free interest rate	6.15%	6.53%																						
Expected life	3 years	4 years																						
Expected volatility	67.11%	66.62%																						
Expected dividend yield	2.76%	2.76%																						
Share price on the date of grant	Rs. 331.15 /-	Rs. 331.15 /-																						