

SHRIRAM TRANSPORT FINANCE COMPANY LIMITED



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SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

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COMPANY SECRETARY Sri K Prakash	SHARE TRANSFER AGENTS Integrated Enterprises (India) Ltd., 2nd Floor, Kences Towers No.1, Ramakrishna Street, Off : North Usman Road, T. Nagar, Chennai - 600 017. Ph : 28140801 - 0803	Auditors' Report	23
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BRANCHES include	: Adoni, Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Aligarh, Allahabad, Alwar, Amalpuram, Amaravathi, Amritsar, Anantapur, Angul, Aurangabad, Azadpur, Azamgarh, Bangalore, Barielly, Baroda, Belgaum, Bellary, Berhampur, Bharatpur, Bharaich, Bhatinda, Bhilai, Bhilwara, Bhimavaram, Bhiwari, Bhopal, Bhubaneshwar, Bijapur, Bikaner, Bilaspur, Borivali, Burdwan, Calicut, Chandigarh, Chandrapur, Chembur, Chennai, Chindwara, Chittorgarh, Coimbatore, Cuttak, Dausa, Davangere, Dehradun, Dhanbad, Dharwad, Dhulia, Durgapur, Ernakulam, Faizabad, Faridabad, Farookhabad, Ganganagar, Ghaziabad, Goa, Gorakhpur, Gulbarga, Gundiwada, Guntur, Gurgaon, Gwalior, Haldia, Haldwani, Habra, Hassan, Hissar, Hubli, Indore, Jabalpur, Jagathamba, Jagdalpur, Jaipur, Jalandher, Jalore, Jamshedpur, Jhunjhunu, Jodhpur, Kakinada, Kannur, Kanpur, Karnal, Karol Bagh, Kochi, Kolhapur, Kolkata, Kollam, Korba, Kota, Kotputli, Kukat Pally, Kumta, Kurnool, Lakhimpur-kheri, Lucknow, Ludhiana, Madurai, Mandapeta, Mandi, Mangalore, Masjid, Matunga, Meerut, Moga, Moradabad, Mundka, Mysore, Nagpur, Nagaur, Nanded, Nandyal, Nariman Point, Nasik, Nellore, New Delhi, Nizamabad, Ongole, Palakkad, Panipat, Pathankot, Patiala, Patna, Pimpri, Phusro, Pondicherry, Pune, Raipur, Rajahmundry, Rajkot, Ranchi, Ratnagiri, Renukoot, Rewa, Rohtak, Roorkee, Rourkela, Sadulpur, Sagar, Salem, Sangrur, Satna, Sawai Madhopur, Secunderabad, Shimla, Shimoga, Sikar, Siliguri, Solapur, Sonapat, Srikakulam, Surat, Tirunelveli, Tirupati, Tonk, Trichur, Trichy, Trivandrum, Udaipur, Udipi, Vapi, Varanasi, Vashi, Vellore, Vijayawada, Vile Parle, Vizianagaram, Vizag, Warangal, Yamuna Nagar, Yashwantpur,

Listed in the following Exchanges and the annual listing fees have been duly paid	
Madras Stock Exchange Ltd. , Exchange Building, P B No. 183, 11, Second Line Beach, Chennai - 600 001.	
The Stock Exchange, Mumbai , Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	
Bangalore Stock Exchange Ltd. , Stock Exchange Towers, No. 51, I Cross, J C Road, Bangalore - 560 027.	
The Stock Exchange, Ahmedabad , Kamadhenu Complex, Opp Sahajanand College, Panjara Pole, Ahmedabad - 380 015.	
National Stock Exchange of India Ltd. , Exchange Plaza, 5th Floor, Plot No.C/1, G-BLK, Bandra Kurla Complex, Bandra East, Mumbai 400051.	



DIRECTORS' REPORT

Your Directors have pleasure in submitting the Twenty fourth Annual Report of the Company with the audited accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	(Rs. in lakhs)
	For the Year ended 31.03.03
Profit before depreciation and taxation	4566.15
Less : Depreciation	798.72
Profit Before Taxation	3767.43
Less: Provision for Taxation (incl. Deferred tax provision)	1384.53
Profit after taxation	2382.90
Add: Balance brought forward from previous year	1616.50
Balance available for appropriation	3999.40
Appropriations :	
General Reserve	1630.00
Statutory Reserve	477.00
Dividend on Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up at the stipulated rates	232.94
Dividend (Interim 10% & Final 8%) on Equity Shares of Rs. 10/- each fully paid up	658.96
Tax on Dividend	38.72
Balance carried to Balance Sheet	961.78
	3999.40

ROAD TRANSPORT SECTOR :

In the last 30 years, roads have grown in prominence as a mechanism for moving goods and people in the country. India has an extensive road network of more than 3.3 million km making it one of the largest in the world. National Highways are the prime arterial routes which span about 58,112 km throughout the country and cater to about 45 percent of the total road transport demand. A key innovation in recent years was the foundation of an important project, the National Highway Development Project (NHDP), which envisages expansion of the existing two-lane highways to four/six-lanes and strengthening of existing lanes on nearly 13,000 km. The 'Golden Quadrilateral' as it has been imaginatively named will be a modern system of highways linking the four major metropolitan cities of our Country, viz., Mumbai, Delhi, Kolkata and Chennai, touching several vibrant industrial and commercial towns en-route and it will be an infrastructural endowment of tremendous value to our economy. The project is scheduled for completion by end 2003. The progress in the road transport sector has a direct bearing on the automobile industry. This is evident from the production of 1,39,499 commercial vehicles during the period April to December 2002 (9 months period) when compared to 1,10,913 commercial vehicles produced during the year 2001-2002. This sector is thus a striking success story of a traditional Indian Industry which has grown out of its roots in a protectionist regime into competing and succeeding in a globalised environment.

Our Company feels optimistic about the growth potential available in this sector and are confident of achieving higher targets in the years to come.

RESOURCES :

Total public deposits outstanding as of March 2003, amounted to Rs. 1265.94 lakhs as against Rs. 747.69 lakhs in the previous year.

As at the year end, 1002 deposits amounting to Rs. 104.41 lakhs had matured for payment and were due to be claimed or renewed. After close follow-up of repayments/renewals, the figures are currently down to 449 deposits and Rs. 53.92 lakhs respectively. Steps are continuously being taken to arrange for repayment/renewal of these deposits. There were no deposits which were claimed but not paid by the Company.

Your Company continues to enjoy immense investor confidence. A sum of Rs. 48045.29 lakhs has been raised till 31st March 2003 through the private placement of Secured Non-Convertible Debentures.

Besides, Cumulative Redeemable Preference Shares issued by way of private placement as at March 2003 stood at Rs. 2530.65 lakhs.

RBI DIRECTIONS :

Your Company continues to comply with all the requirements prescribed by the regulatory agency.

WORKING RESULTS :

As on 31st March, 2003, Gross Stock on Hire and Assets given on Financial Lease stood at Rs. 71928.36 lakhs as against Rs. 46810.43 lakhs in the previous year. The profit before depreciation and tax for the year under review was Rs. 4566.15 lakhs as against Rs. 3375.25 lakhs for the year ended 31st March 2002. The turnover of the Company was Rs. 16872.64 lakhs as compared to Rs. 14509.59 lakhs in the previous year. The Gross Profit in the financial year 2002-2003 has shown an increase of 59% over the previous year.

DIVIDEND :

The Board at its meeting held on 28th November 2002 declared a Preference Dividend aggregating

Rs. 232.94 lakhs and an interim Equity dividend at 10% aggregating Rs. 356.74 lakhs, out of the profits of the Company, for the year 2002-2003, subject to deduction of tax at source.

Your Directors are happy to recommend a final equity dividend of 8%, out of the profits of the Company for the year ended 31st March 2003 involving an outflow of Rs. 340.94 lakhs, inclusive of dividend tax, making the total equity dividend for the year 18%. Thus, the shareholders, subject to approval at the ensuing Annual General Meeting, will be receiving the final equity dividend which will be free of tax.

EQUITY PARTICIPATION BY CITICORP FINANCE (INDIA) LIMITED :

In view of the amendments to SEBI (Substantial Acquisition of Shares & Takeovers), Regulations, 1997, there has been a change in the extent of participation by Citicorp Finance (India) Limited in the Equity capital of your Company. Citicorp Finance (India) Limited vide their letter dated 7th September 2002 signified their intention to invest in the equity capital of the Company upto 14.90% of the expanded capital. Accordingly, your Company got the approval of the Shareholders at the Extraordinary General Meeting held on 5th November 2002 for preferential allotment of 62,43,000 Equity Shares of Rs 10/- each at a premium of Rs. 2/- per share (price determined as per SEBI Guidelines) to Citicorp Finance (India) Limited. The Board, at its meeting held on 28th November 2002 allotted the said shares to Citicorp Finance (India) Limited. Sri S Ranganathan has been appointed a Nominee Director of Citicorp Finance (India) Limited at the Company's Board meeting held on 19th May 2003. Your Company is confident that the association with Citicorp Finance (India) Limited will continue to yield fruitful results .



CORPORATE GOVERNANCE :

Your Company has always striven to incorporate standards for good corporate governance. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with.

Certificate dated 27th June 2003 of the Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the stock exchanges is annexed as part of the Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS :

In accordance with the listing agreement, the Management's discussion and analysis forms part of this report.

DIRECTORS :

The Shareholders' attention is invited to the decision taken by the Company, whereby the experience and expertise of the Directors of the Company will not be restricted to the Company in which he is a Director but will be made available to the other HP Companies and manufacturing Companies in Shriram. Towards this objective, Sri G V Raman resigned from the position of Chairman and Director of the Company at the meeting of the Board of Directors held on 7th October 2002.

Sri R Nagarajan, Director retires by rotation at the ensuing Annual General Meeting and has expressed his intention not to seek re-election, owing to personal reasons.

Your Directors place on record their appreciation for the valuable advice and support provided by the

Directors to the Company during their tenure as Chairman and Director respectively.

Sri K R C Sekhar has been appointed as an Additional Director of the Company at the Board Meeting held on 28th November 2002. As per the provisions of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. The Company has received notice from a member proposing his name as Director of the Company.

Necessary resolutions in regard to the above are placed before the members for approval.

SICOM Limited vide letter dated 8th April 2003 have withdrawn their Nominee Sri M T Chiddarwar, from the Board of the Company. The same was taken on record by the Board at its meeting held on 19th May 2003.

DIRECTORS' RESPONSIBILITY STATEMENT :

- (i) In the preparation of the annual accounts for the year ended March 31, 2003, the applicable accounting standards have been followed by the Company.
- (ii) The Directors have selected such accounting principles and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2003 and of the profits of the Company for the year ended on that date.
- (iii) The Directors have taken proper and sufficient care 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
- (iv) The accounts of the Company have been prepared on a going concern basis.

AUDITORS :

The Auditors, M/s. G D Apte & Co., Chartered Accountants, Mumbai, retire at the conclusion of the Twenty fourth Annual General Meeting and are eligible for re-appointment. The Company has received a Certificate from them to the effect that the appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Resolution is also being proposed authorising the Board to appoint Branch Auditors.

**CONSERVATION OF ENERGY, TECHNOLOGY
ABSORPTION AND FOREIGN EXCHANGE
EARNINGS / OUTGO :**

Your Company has no activities relating to conservation of energy or technology absorption. Your Company did not have any foreign exchange earnings or outgo during the year under consideration.

PARTICULARS OF EMPLOYEES :

None of the employees received remuneration during the year in excess of limits set out under Section 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT :

Your Directors acknowledge with gratitude the co-operation and assistance received from Bankers, Financial Institutions and Corporations. Your Directors thank the shareholders, depositors and debentureholders for their continued support. Your Directors also place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board

R Sridhar

Managing Director

S Venkatakrishnan

Director

Chennai
27th June, 2003



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST MARCH 2003

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company's philosophy on Corporate Governance is aimed at

(a) enhancing the shareholder value through

- assisting the top management in taking sound business decisions
- prudent financial management

(b) achieving transparency and professionalism in all decisions and activities of the Company

(c) achieving excellence in Corporate Governance by

- conforming to, and excelling wherever possible, the prevalent guidelines on Corporate Governance.
- Reviewing periodically the existing systems for further improvement.

2. BOARD OF DIRECTORS :

Composition :

The Board of the Company as on 31st March 2003 consisted of 6 Directors from varied disciplines. The Company has a Managing Director. The Managing Director manages the affairs of the Company under the guidance of the Board of Directors. The Board meets at regular intervals to discuss and analyse matters like policy formulation, setting up of goals, appraisal of performance with the goals and control functions. The powers of the Board have also been sub-delegated to the Committee of Directors who monitor the day-to-day operations. This has helped the Board to have close control over the functioning of the Company and to enhance the shareholder value.

Attendance at Board Meetings and last AGM and number of memberships of Directors in other Boards and Board Committees.

10 meetings of the Board were held during the financial year – on 14.5.2002, 10.6.2002, 27.6.2002, 30.7.2002, 8.8.2002, 9.9.2002, 24.9.2002, 7.10.2002, 28.11.2002 and 20.1.2003.

The last Annual General Meeting was held on 24th September 2002.

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM	Memberships as on 31.03.2003 in	
			Other Boards (excluding the Company)	Other Board Committees (excluding the Company) Membership/ Chairmanship
Sri G V Raman **** Chairman Non-Executive, Independent	7	Yes	4	
Sri R Sridhar Managing Director Executive	8	Yes	7	3

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM	Memberships as on 31.03.2003 in	
			Other Boards (excluding the Company)	Other Board Committees (excluding the Company) Membership/ Chairmanship
Sri G Rajaretnam *** Non-Executive, Independent	6	NA	2	NIL
Sri R Nagarajan Non-Executive	9	Yes	-	-
Sri V Sriram * Non-Executive, Independent	-	NA	10	NIL
Sri S Ramasubramaniam * Non-Executive, Independent	2	NA	NIL	NIL
Sri L P Mehta * Non-Executive, Independent	2	NA	8	-
Sri S Rajaratnam * Non-Executive Independent	2	NA	11	-
Smt B Kamala ** Non-Executive, Independent	2	NA	1	NIL
Sri S Venkatakrishnan Non-Executive, Independent	10	Yes	13	6
Sri Ravi C Talwar* Non-Executive, Independent	1	NA	NIL	NIL
Sri M T Chiddarwar Nominee Director of SICOM as lender	7	Yes	NIL	NIL
Sri Umesh G Revankar# Non-Executive, Independent	8	Yes	6	-
Sri K R C Sekhar ## Non-Executive, Independent	2	NA	NIL	-

* Resigned from the Board on 27.6.2002

** Resigned from the Board on 30.7.2002

*** Resigned with effect from 24.9.2002

Co-opted as an Additional Director on 10.6.2002 and appointed as Director at the AGM held on 24.9.2002

**** Resigned from the Board on 7.10.2002

Co-opted as an Additional Director on 28.11.2002

The Board has constituted the following committees to monitor the performance of the Company in various fields and to help the Board of Directors in its efficient performance.

Business Development committee, Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievance Committee.



3. BUSINESS DEVELOPMENT COMMITTEE :

Terms of Reference :

The Business Development Committee has been formed to ensure efficient and timely decisions on the matters relating to the general business of the Company. The committee meets periodically to discharge its functions.

Composition :

The Committee met 26 times during the year ended 31.3.2003.

Names of Members
Sri G V Raman **
Sri S Venkatakrishnan
Sri G Rajaretnam *
Sri Umesh G Revankar #

appointed as a member of the committee on 10.

* Resigned with effect from 24.9.2002

** Resigned on 7.10.2002

4. AUDIT COMMITTEE :

Terms of Reference :

The role of audit committee includes

- Overseeing the financial reporting process.
- To ensure proper disclosure in the quarterly, half yearly and audited financial statements.
- To recommend appointment of auditors and their remuneration.
- Reviewing the financial statements before submission to the Board
- Reviewing the adequacy of internal control systems

Composition :

3 meetings have been held during the year ended 31.3.2003 on 26.6.2002, 27.11.2002 and 19.3.2003

Names of Members	No. of Meetings Attended
Sri G V Raman ***	1
Sri S Venkatakrishnan	3
Sri Umesh G Revankar #	3
Sri R Nagarajan @ - Chairman	2
Smt. B Kamala **	-
Sri S Rajaratnam *	-

appointed as a member of the committee on 10.06.2002

* Resigned on 27.06.2002

** Resigned on 30.07.2002

*** Resigned from the position of Chairman & Member with effect from 7.10.2002.

@ appointed as a member of the committee on 7.10.2002

5. REMUNERATION COMMITTEE :

Terms of Reference :

The Remuneration Committee is constituted to determine the quantum of commission payable to Managing Director based on the profits of the Company.

Composition :

The committee meet on 26.6.2002 during the period under consideration.

Names of Members
Sri G V Raman ***
Sri S Venkatakrishnan
Sri Umesh G Revankar #
Sri R Nagarajan @ - Chairman
Smt. B Kamala **
Sri S Rajaratnam *

- # appointed as a member of the committee on 10.06.2002
 * Resigned from the position of Chairman & Member with effect from 27.06.2002
 ** Resigned on 30.07.2002
 *** Resigned on 7.10.2002
 @ appointed as a member of the committee on 7.10.2002

Remuneration policy of the Company is :

Managing Director:

The Managing Director is paid a fixed quantum of Salary and perquisites and such percentage of commission as recommended by the Remuneration Committee based on the financial results and over all performance of the Company, within the overall limits permissible under the Companies Act and as approved by the Shareholders.

Non Executive - Independent Directors:

Sitting fees of Rs. 2500/- per meeting of the Board or any Committee or General Meeting plus reimbursement of actual travel expenses and out of pocket expenses incurred, wherever applicable, for attending such meetings. The details of sitting fees/remuneration paid to the Directors/Managing Director are disclosed in Schedule O and Schedule R (B) in the notes on accounts forming part of the annual accounts vide note No. 9 (xi).