



Shriram Transport Finance Company Limited

is the **largest financier** of
pre-owned commercial vehicles in India.

The Company enjoys a strong presence across
the country with branches in more than
20 states

Parentage

- Most prominent brand in the pre-owned truck financing segment of around Rs. 20,000 cr market serving the second largest road network in the world.
- Working in tandem with other Shriram companies like Shriram Investments Limited and Shriram Overseas Finance Limited.

- Commercial vehicles financing business is split along geographical lines and cover's the entire country.
- Proposed merger of the company with Shriram Investments Ltd. will enhance scale, clout and brand.

Presence and position

- Primary focus on the disbursement of loans to first-time users and small road transport operators (more than three-fourths of the total commercial vehicle space in India); growing presence in the disbursement of loans for the acquisition of new trucks through the PMS route on behalf of Citibank, UTI Bank and ICICI Bank.
- Dominates the niche of financing pre-owned trucks in India's commercial vehicle financing business.
- Presence all over India with control systems, strong

- disbursement and collection skills.
- Demonstrated expertise among 'small-operators'.
- Finances pre-owned trucks; also originates new CV loans for banks and institutions; largest channel partner of Citicorp India in originating CV loans in 2004-05.
- Significant equity infusion by Citicorp, UTI Bank, Uno Investments, a wholly owned subsidiary of Chrys Capital and Promoters during the last three years to the extent of Rs 7478.66 lacs, which includes a premium of Rs 5125.76 lacs.

Prudence

- Annual write-offs at a low 1% of loans, indicating sound portfolio quality.
- 17.53% capital adequacy ratio as against the minimum 12% required by the Reserve Bank of India.

- Upgradation of credit rating of fixed deposits to tAA- from tA+ by Fitch.
- Credit rating of F1+ for short term debt programmes by Fitch.

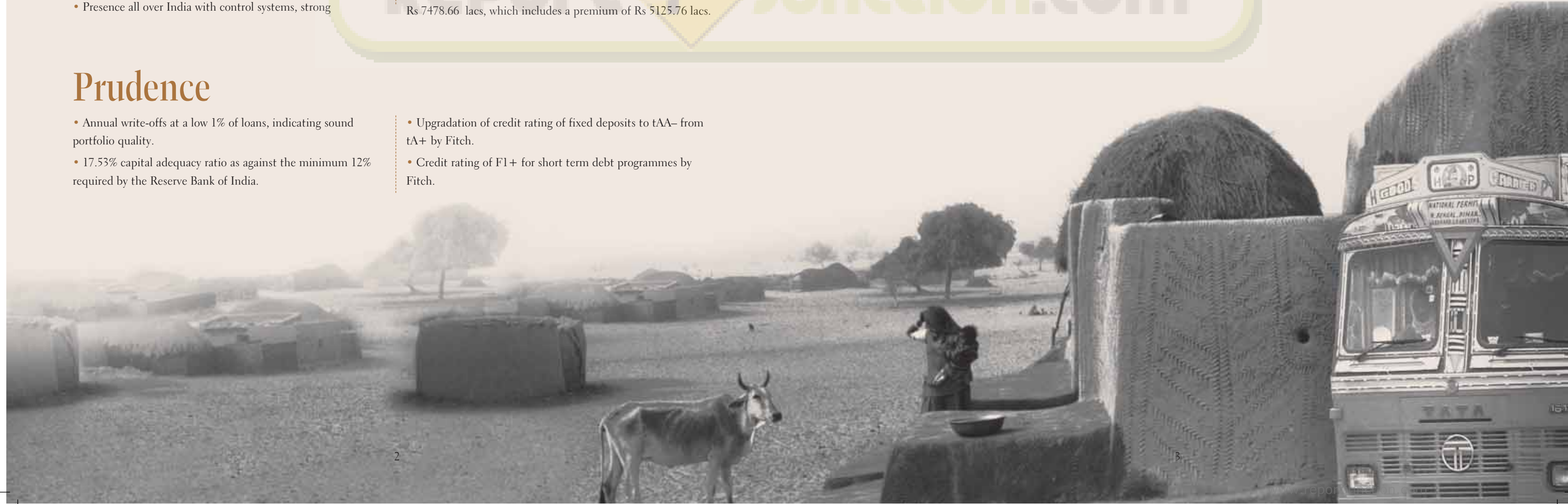
Capital Ratio

(in %)

Parameters	2001-02	2002-03	2003-04	2004-05
Tier-1	11.81	9.84	9.40	10.76
Tier-2	4.73	4.20	4.72	6.77
Total	16.54	14.04	14.12	17.53

Asset Quality

Parameters	2001-02	2002-03	2003-04	2004-05
Gross NPA (Rs / lacs)	190.4	210.7	233.2	320.9
As% of gross loans	3.69	3.20	2.32	1.87
Loan loss reserve (Rs / lacs)	142.6	131.4	177.5	226.1
Net NPA (Rs / lacs)	47.8	79.3	55.7	94.8
Net NPA's to Net loans (%)	0.95	1.23	0.56	0.56



Pioneering and profitable

Pioneering contributions comprising a pre-owned truck showroom in Nerul (Mumbai), an institutionalised facility for truck reconditioning and an intended offering of credit cards to truck owners.

In our track record

- 46.10% CAGR in income from operations over the last two years ending 2004-05.

- 43.86% CAGR in profit after tax over the last two years ending 2004-05.

In our numbers

- 37.81% increase in revenue from Rs 24977 lacs in 2003-04 to Rs 34422 lacs in 2004-05.
- 33.89% rise in our post tax profits from Rs. 3683.97 lacs in 2003-04 to Rs. 4932.38 lacs in 2004-05.

- 33.85% increase in our total income from Rs 25901.23 lacs in 2003-04 to Rs 34668.78 lacs in 2004-05.
- 71.56% increase in our commercial vehicle portfolio from Rs 90292.42 lacs in 2003-04 to Rs 154903.95 lacs in 2004-05.

In our balance sheet

- 45.76% increase in the business generated through PMS from

Rs 72095 lacs in 2003-04 to Rs 105091 lacs in 2004-05.

- Non-performing assets at 0.56% in 2004-05.

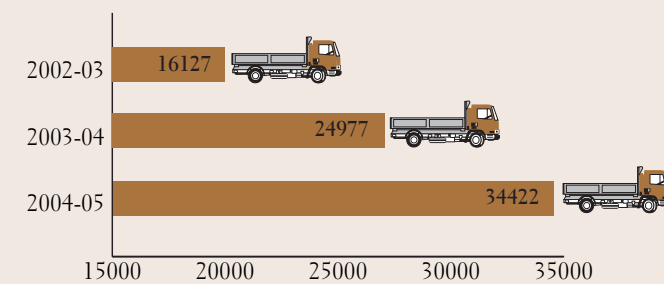
In the Board room

- Acquisition of a 20.6% stake by Uno Investments, a wholly owned subsidiary of Chrys Capital.

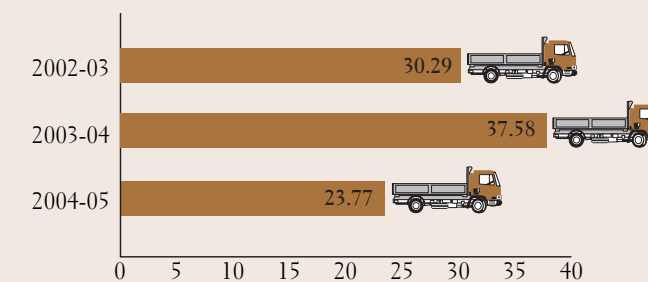


Financial snapshot

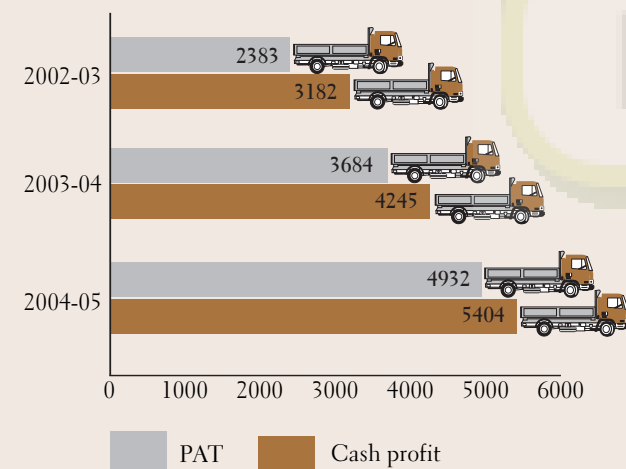
Revenue (Rs./lakhs)



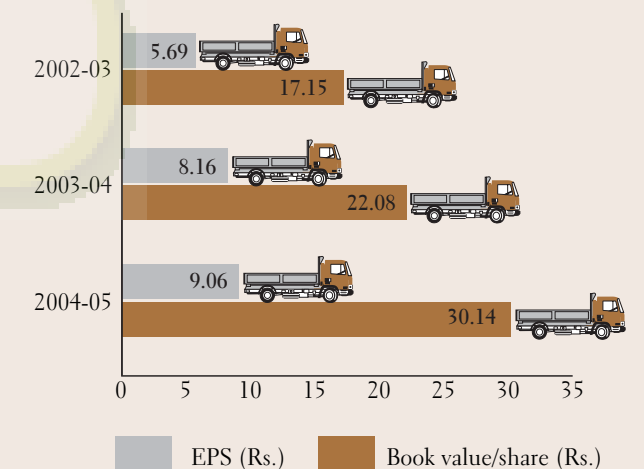
Return on Net Worth (%)



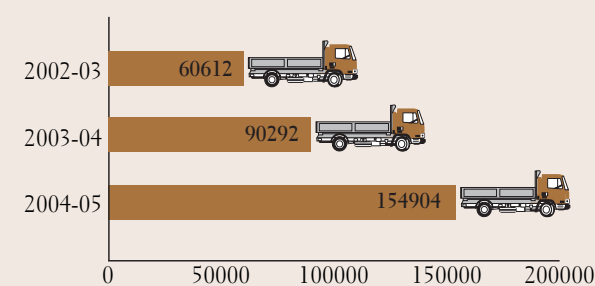
Cash profit and PAT (Rs./lakhs)



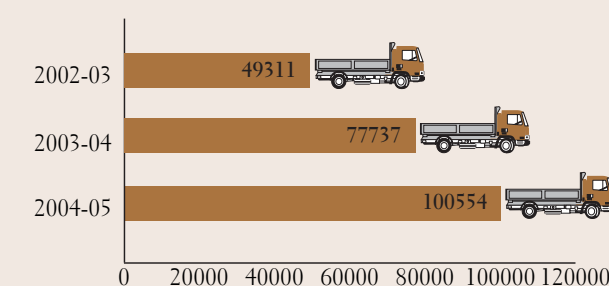
EPS and Book value per share (Rs.)



Commercial Vehicle Portfolio (Rs./lakhs)



Retail Resource Portfolio (Rs./lakhs)



Corporate information

BOARD OF DIRECTORS

MANAGING DIRECTOR

Sri R. Sridhar

DIRECTORS

Sri S. Venkatakrishnan

Sri Umesh G. Revankar

Sri K. R. C. Sekhar

Sri S. Ranganathan

(Nominee of Citicorp Finance (India) Ltd

Dr. T. S. Sethurathnam (Nominee of IREDA Ltd)

COMPANY SECRETARY

Sri K. Prakash

AUDITORS

M/s. G. D. Apte & Co., *Chartered Accountants*

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

Listed in the following Exchanges and the annual listing fees have been duly paid.

- Madras Stock Exchange Ltd., Exchange Building, P.B.No.183, No.30 (Old No.11) Second Line Beach, Chennai 600 001.
- The Stock Exchange, Mumbai., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
- National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G-Blk, Bandra Kurla Complex, Bandra East, Mumbai 400 051.

REGISTERED OFFICE

123, Angappa Naicken Street,

Chennai 600 001 Phone :25341431

SECRETARIAL OFFICE

4th Floor, Mookambika Complex,

4, Lady Desika Road, Mylapore, Chennai 600 004.

Phone:24990356, 24990960, Fax : 24993272

ADMINISTRATIVE OFFICE

101-105, Shiv Chambers, 1st Floor,

“B” Wing, Sector - 11, C.B.D. Belapur,

Navi Mumbai 400 614.

Phone: 27580171, 27580172 Fax: 27580176

BANKERS

- Allahabad Bank • Bank of Maharashtra
- City Union Bank Ltd • Dena bank
- State Bank of Hyderabad • Punjab National Bank
- Punjab and Sind Bank • UCO Bank
- Union Bank of India

BRANCHES

Adoni, Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Aligarh, Allahabad, Alwar, Amalapuram, Amaravathi, Amritsar, Anand, Anantapur, Angul, Aurangabad, Azadpur, Azamgarh, Bangalore, Barielly, Baroda, Begusarai, Belapur, Belgaum,Bellary, Berhampur, Bharatpur, Bhagalpur, Bharaich, Bhatinda, Bhilai, Bhilwara, Bhimavaram, Bhiwari, Bhopal, Bhubaneshwar, Bijapur, Bikaner, Bilaspur, Bodeli, Bokaro, Borivli, Burdwan, Calicut, Chandigarh, Chandrapur, Chembur, Chennai, Chindwara, Chittorgarh, Chandikhole, Coimbatore, Cuttak, Dausa, Davangere, Dehradun, Dhanbad, Dharwad, Dhulia, Durgapur, Ernakulam, Faizabad, Faridabad, Farookhabad, Gandhidham, Ganganagar, Ghaziabad, Goa, Gorakhpur, Gulbarga, Gudiwada, Guntur, Gurgaon, Gwalior, Haldia, Haldwani, Hassan, Hissar, Hubli, Indore, Jabalpur, Jagathamba, Jagdalpur, Jaipur, Jalagon, Jalandher, Jalore, Jamshedpur, Jhunjhun, Jodhpur, Kaithal, Kakinada, Kannur, Kanpur, Karnal, Karol Bagh, Kochi, Kolhapur, Kolkata, Kollam, Korba, Kota, Kotputli, Kukat Pally, Kumta, Kurnool, Lakhimpur-kheri, Latur, Lucknow, Ludhiana, Madurai, Mandapeta, Mandi, Mangalore, Masjid, Matunga, Meerut, Moga, Moradabad, Mundka, Muzaffarpur, Mysore, Nagpur, Nagaur, Nanded, Nandyal, Nariman Point, Nasik, Nellore, New Delhi, Nizamabad, Ongole, Palakkad, Pandharpur, Panipat, Pathankot, Patiala, Patna, Pimpri, Phusro, Pondicherry, Pune, Raipur, Rajahmundry, Rajkot, Ranchi, Ratnagiri, Renukoot, Rewa, Rohtak, Roorkee, Rourkela, Sadalpur, Sagar, Salem, Sambalpur, Sangli, Sangrur, Satna, Sawai Madhopur, Sirohi, Secunderabad, Shimla, Shimoga, Sikar, Siliguri, Solapur, Sonapat, Srikakulam, Surat, Tirunelveli, Tirupati, Tonk, Trichur, Trichy, Trivandrum, Udaipur, Udipi, Vapi, Varanasi, Vashi, Vidisha, Vellore, Vijayawada, Vile Parle, Vizag, Vizianagaram, Warangal, Yamuna Nagar, Yashwantpur.

Directors' report

The members,

Your Directors have have pleasure in presenting this 26th Annual Report together with the audited accounts for the year ended 31st March, 2005



Financial results

	Rs in lacs	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
Profit before depreciation, impairment loss and taxation	8258.55	6133.27
<i>Less: Depreciation and impairment loss</i>	471.66	560.76
Profit before taxation	7786.89	5572.51
<i>Less: Provision for taxation</i>	2854.51	1888.54
Profit after taxation	4932.38	3683.97
<i>Add: Balance brought forward from previous year</i>	1914.29	961.78
Provision for dividend no longer required	4.76	-
Balance available for appropriation	6851.43	4645.75
Appropriations		
General reserve	500.00	370.00
Statutory reserve	1000.00	740.00
Dividend on cumulative redeemable preference shares of Rs 100 each fully paid-up at the stipulated rates	228.21	233.07
Dividend (Interim 10 per cent and final 15 per cent) on equity shares of Rs 10 each	1500.93	1204.24
Tax on dividend	225.97	184.15
Balance carried to balance sheet	3396.32	1914.29

Dividends

At the Board meeting on 30th November 2004, your Directors declared a dividend on cumulative redeemable preference shares for financial year 2004-05 at the agreed rates. At the same meeting your Directors also declared an interim equity dividend of 10% for financial year 2004-05. The preference dividend and the interim equity dividend were duly paid in December 2004. The preference dividend involved an outflow of Rs 228.19 lacs, the interim equity dividend an outflow of Rs 519.50 lacs, while tax on dividends amounted to Rs 97.71 lacs.

Your Directors are pleased to recommend a dividend of Rs 0.02 lacs on cumulative redeemable preference shares, further allotted and a final equity dividend of Rs 1.5 per share (of a face value of Rs 10 per share) for the financial year ended 31st March, 2005.

The dividends, if approved by the members at the ensuing Annual General Meeting, will be paid to those members whose names appear in the register of members on the date of the ensuing Annual General Meeting. The outflow on final equity dividend on approval by members will be Rs 981.43 lacs. The tax on distributable profits, payable by the Company, will amount to Rs 128.26 lacs.

Under the Income Tax Act, 1961, the receipt of dividends is tax free in the hands of the shareholders.

Indian economy

With real GDP growth at 6.9% in 2004-05, India's macroeconomic performance turned out stronger than anticipated. Despite unfavourable monsoons,

agricultural and allied activity strengthened by 1.1% with foodgrain production at over 210 million tonnes. Industrial recovery strengthened, driven mainly by manufacturing and buoyant exports. India's services sector retained its position as the primary growth engine.

Automobile industry

All segments of the automobile industry reported encouraging results in 2004-05. The industry registered a growth of around 16% in numbers over 2003-04. Despite the speculation of slower growth from different quarters because of an unprecedented rise in input prices, passenger vehicles posted a growth of 18% in 2004-05 over 2003-04.

Within the passenger vehicle segment,

- Passenger cars and utility vehicles grew by 18% and 20% respectively

- Multi-purpose vehicles grew at over 9%

- Commercial vehicles grew by 22%

- Medium and heavy commercial vehicle segment grew by 23%

- Light commercial vehicles grew by over 21%

- Two-wheeler segment grew by over 15%

Preferential issue of equity shares to Uno Investments

In view of the likelihood of this growth sustaining, your Company expects a significant growth in its traditional business of truck financing. To capitalise on the opportunities, your Directors, at their meeting on 5th January, 2005, decided to offer, issue and allot equity shares on a preferential basis to Uno

Investments, a wholly owned subsidiary of Chrys Capital III LLC.

Your Company offered:

a) Up to 1,34,79,000 equity shares of Rs 10 each for cash and

b) Up to 29,66,000 warrants, convertible at the option of the holder into equity shares of Rs 10 each, for cash at the rate of 1 equity share for every warrant at Rs 35 per share (including a premium of Rs 25 per share), which is in excess of the price determined in accordance with SEBI (Disclosure and Investor Protection) guidelines on preferential issue

Your Company received the necessary approval from the members at a duly convened Extraordinary General Meeting on 3rd February 2005 for the issue of these shares and warrants to Uno Investments. Accordingly, the Board of Directors at their meeting held on 16th February 2005 allotted 1,34,79,000 equity shares and 29,66,000 warrants to Uno Investments.

The allotment of equity shares to Uno Investments by way of this preferential issue entitles it to exercise more than 15% of the shares / voting rights. As such, the allotment triggered an open offer under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended.

The offer to the shareholders of the Company opened on 17th May, 2005 and closed on 6th June, 2005. Shareholders holding 180429 shares (0.35% of the pre-preferential issue capital) participated in the open offer. Necessary formalities with regard to the open offer are being completed, after

which the Company will have the additional share capital allotted on a preferential basis listed at the Madras Stock Exchange Limited, The National Stock Exchange of India Limited and The Stock Exchange, Mumbai.

The paid-up capital of the Company as on the date of this report is Rs 6542.85 lacs. The holding of Uno Investments in the paid-up capital of the Company following the preferential issue and open offer will be 20.88%.

Merger

The Board of Directors, at their meeting held on 16th February, 2005 gave an in-principle approval for the merger / demerger / amalgamation of Shriram Investments Limited, Shriram Transport Finance Company Limited and Shriram Overseas Finance Limited. At the said meeting the Directors desired that the companies should examine all aspects of law and arrive at a decision in this regard. The Company will be approaching the shareholders for their approval of the scheme of merger / demerger / amalgamation at the appropriate time.

Review of operations

Income from operations rose from Rs 24977.03 lacs for the year ended 31st March, 2004 to Rs 34422.11 lacs for the year ended 31st March, 2005. Your Company registered an increase of 40% in gross profit for the year ended 31st March, 2005. The profit after tax for the year ended 31st March, 2005 was Rs 4932.38 lacs.

As on 31st March, 2005, the stock under hire purchase agreements (net) was Rs 28692.89 lacs; hypothecation loans was at Rs 100579.11 lacs and assets given on financial lease was nearly Rs 25425.18 lacs.

Resources

As at 31st March, 2005, the Company's deposit portfolio stood at Rs 1267.66 lacs, secured non-convertible debentures stood at Rs 88169.45 lacs, subordinated debts stood at Rs.12425.78 lacs and cumulative redeemable preference shares at Rs 2530.65 lacs.

As of 31st March, 2005, 700 deposits aggregating Rs 92.51 lacs remained unclaimed. Out of this 326 deposits, aggregating to Rs 44.04 lacs have since been claimed / renewed. Steps are continuously being taken by the Company for the renewal / repayment of deposits. There were, however, no deposits, which remained claimed but not paid by the Company.

Directors

The tenure of Sri R. Sridhar as Managing Director expires on 14.9.2005. Necessary resolution appointing him for a further five years from 15.09.2005 will be placed before the shareholders at the ensuing Annual General Meeting for approval.

Sri Umesh G. Revankar and Sri K.R.C. Sekhar, Directors, retire by rotation at the ensuing Annual General Meeting of your Company and, being eligible, offer

themselves for re-election.

Directors' responsibility statement

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having:

- a) Followed in the preparation of the annual accounts, applicable accounting standards and that there are no material departures
- b) 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 your Company at the end of the financial year and of the profit of your Company for that period
- c) 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 your Company and for preventing and detecting fraud and other irregularities; and
- d) Prepared the annual accounts on a going concern basis

RBI directions

Your Company continues to comply with the Reserve Bank of India (RBI) requirements.

Corporate governance

Your Company has taken requisite steps to comply with the recommendations

concerning Corporate Governance. A certificate from the auditors of the Company regarding compliance to Corporate Governance norms, as stipulated under Clause 49 of the Listing Agreement, forms part of this report.

A separate report on Corporate Governance forms part of this Annual Report.

Management's discussion and analysis

Management's discussion and analysis, in compliance with Clause 49 of the Listing Agreement, is attached and forms part of this report.

Auditors

The auditors M/S G.D. Apte & Co, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have consented to continue to act as auditors of the Company for the current year if re-appointed.

Resolution is also being proposed authorising the Board to appoint branch auditors.

Auditors' report

With respect to para (xi) of the annexure to the Auditors' Report, the Directors wish to state the following:

- a) The dues to one of the financial institutions referred to is Gujarat State Financial Corporation, wherein the Company had availed of certain financial assistance in the earlier years through a term loan. The Company has cleared all

its dues, except the final installment, which is being withheld. The Company has, however, paid an amount of Rs.1.97 lacs under the one-time settlement scheme offered by the institution, which is pending to be approved by the Board of the Institution.

- b) The dues to the other financial Institution referred to is Karnataka State Industrial Development Corporation, wherein the Company had availed of certain financial assistance in the earlier years through a term loan. The Company is negotiating with the Corporation for a reduction in the interest rate. The Company expects to conclude the transaction shortly.

With respect to paragraph (xxi) of the annexure to the Auditors' Report, the Company has a fidelity insurance to cover the said amount and necessary checks have been introduced to prevent recurrence. The Company is also taking adequate steps for the recovery of the amount.

Particulars, as required under Section 217 (1) (e) of the Companies Act, 1956

Your Company does not engage in any activity relating to conservation of energy, technology absorption and foreign exchange earnings. However, during the year, your Company incurred expenditure in foreign currency to the extent of Rs 5.31 lacs on travel (Rs 55.51 lacs in the previous year).

Particulars of employees

The information required under Section

217 (2A) of the Companies Act, 1956 read with the rules framed thereunder - —.

Acknowledgements

Your Directors would like to place on record their sincere gratitude for the assistance extended by the banks, deposit holders and debenture holders. Your Directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its management.

Conclusion

Your Company's strategy is directed to enhance value over the short, medium and long term. Your Company is continuously engaged in strengthening its competitive capability to effectively address challenges arising out of growth in a rapidly globalising market. An effective management is committed to enhance your Company's adaptive capability to manage business risks.

It is the endeavour of your Board and of employees at all levels to position your Company as one of India's most valuable, creating wealth for its stakeholders and society.

For and on behalf of the Board
R. Sridhar S. Venkatakrishnan
Managing Director Director

Place: Chennai
Date: 28th June, 2005