



we're different

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SHRIRAM TRANSPORT FINANCE COMPANY LIMITED
Annual Report & Accounts 2005-06

we're different

We're far from being a run-of-the-mill company. At Shriram, we have stood out amongst a sea of players by creating an uncommon business model of financing pre-owned trucks that was challenging and not necessarily popular.

Despite all the obstacles that we faced in the early years, we have proved our mettle by demonstrating an unrelenting ability to surmount challenges. We achieved this feat through our unflinching focus to serve a much neglected segment of the transport financial marketplace.

In doing so, we have carved out a leadership position for ourselves in the Indian financial landscape and face a new reality in which our stature as an NBFC remains peerless.

Today, as we align ourselves with global standards of excellence, we face an inflection point for robust growth ahead of us. As we move forward to scale new heights, we continue to remember what has brought us here...

OUR CUSTOMERS



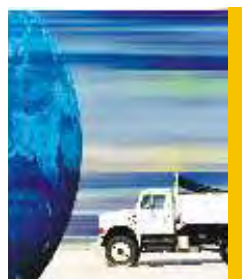
OUR MARKETS



OUR STRENGTHS



OUR EXCELLENCE



Forward-looking Statement

In this Annual Report we 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 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 'anticipate', 'estimate', '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 assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

Full year numbers of 2005-06 are not comparable on year on year basis due to the merger of Shriram Investments Ltd. and Shriram Overseas Finance Ltd. with Shriram Transport Finance Company Ltd.

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



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OUR PARTNERSHIPS



OUR ASPIRATIONS



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Corporate Information

CHAIRMAN Arun Duggal <i>(Independent Director)</i>		123, Angappa Naicken Street Chennai - 600 001 Tel: 044 2534 1431	REGISTERED OFFICE
MANAGING DIRECTOR R. Sridhar			
DIRECTORS Mukund Manohar Chitale <i>(Independent)</i> S. Venkatakrishnan Mayashankar Verma <i>(Independent)</i> Adit Jain <i>(Independent)</i> Ravindra Behl Puneet Bhatia Sanjay Kukreja Ranvir Dewan Sumatiprasad M. Bafna <i>(Independent)</i> Dr. T. S. Sethurathnam <i>(Nominee for IREDA Ltd; Independent Director)</i>	BOARD OF DIRECTORS	Wockhardt Towers West Wing, C-2, G-Block Bandra-Kurla Complex Bandra - (East) Mumbai - 400 051 Maharashtra Tel: 022 4095 9595 Fax: 022 4095 9596	HEAD OFFICE
	COMPANY SECRETARY		BANKERS
	AUDITORS		
M/s. G. D. Apte & Co. <i>Chartered Accountants</i>			
Integrated Enterprises (India) Ltd. 2 nd Floor, Kences Towers No. 1, Ramakrishna Street Off North Usman Road T. Nagar, Chennai - 600 017 Tel: 044 2814 0801 - 0803	SHARE TRANSFER AGENTS		

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.

Our Presence in India



ADONI
AGRA
AHMEDABAD
AHMEDNAGAR
AJMER
AKOLA
ALIGARH
ALLAHABAD
ALWAR
AMALAPURAM
AMBIKAPUR
AMRAVATI
AMRITSAR
ANAND
ANANTHPUR
ANGAMALY
ANGUL
ASANSOL
ATHUR
AURANGABAD
BAGALKOT
BANGALORE
BARAMATI
BAREILLY
BARMER
BARODA
BASAVAKALAYAN
BATHINDA
BEGUSARAI
BEHRAMPUR
BELGAUM
BELLARY
BHAGALPUR
BHARATPUR
BHARUCH
BHAVNAGAR
BHILAI
BHILWARA
BHIMAVARAM
BHOPAL
BHUWANESHWAR
BIDAR
BIJAPUR
BIKANER
BILASPUR
BOKARO
BURDWAN
BURHANPUR
CALICUT
CHADIKHOLE
CHAMARAJA NAGAR
CHANDIGARH
CHANDRAPUR
CHANNARAYAPATNA
CHENNAI
CHIKKODI
CHIKMAGALORE
CHINCHWAD

CHINDWARA
CHIPLUN
CHITRADURGA
CHITTORGARH
COIMBATORE
CUDDAPAH
CUTTAK
DAUSA
DAVANGERE
DHERADHUN
DELHI
DHANBAD
DHARAMPURI
DHARWAD
DHULIA
DINDIGUL
DURGAPUR
EARNAKULAM
ERODE
FAIZABAD
FARIDABAD
FARRUKHABAD
GADAG
GAJUWAKKA
GANDHIDHAM
GANGAVATHI
GAZIABAD
GANGANAGAR
GOA
GODHARA
GONDIA
GORAKHPUR
GUDIWADA
GUDUR
GULBARGA
GUNA
GUNTUR
GURGAON
GWALIOR
HALDWANI
HARANPPANHALI
HASSAN

HAVERI
HIMMATNAGAR
HINDUPUR
HISSAR
HOSADURGA
HOSPET
HOSUR
HUBLI
HUMNABAD
HUNSUR
IIKAL
INDIRA NAGAR
INDORE
J P NAGAR
JABALPUR
JAGDAMBIA
JAGDALPUR
JAIPUR
JAISALMER
JALANDHAR
JALGOAN
JAMNAGAR
JAMSHEDPUR
JHUNJHUN
JODHPUR
JUNAGADH
KAITHAL
KAKINADA
KANCHIPURAM
KANKAVLI
KANNUR
KANPUR
KARAIKUDI
KARIM NAGAR
KARNAL

KARUR
KASARGODE
KATNI
KHAMGOAN
KHAMMAM
KHARAGPUR
KHATEDHAN
KOLAR
KOLHAPUR
KOLKATA
KOPPAL
KORBA
KOTA
KOTPUTLI
KOTTAYAM
KUKATPALLY
KUMBAKONAM
KUMTA
KUNNAMKULAM
KURNOOL
L B NAGAR
LAKHIMPUR
LATUR
LINGSUR
LUCKNOW
LUDHIANA
MADANAPALLI
MADIKERI
MADIWALA
MADURAI
MALEGAON
MANCHERIAL
MANDAPETA
MANDYA
MANGALORE
MANJERI
MARGOA
MEHBOOB NAGAR
MEHSANA
METTUPALAYAM
MIRYALAGUDA
MOGA
MORADABAD
MUDABIDRI
MUMBAI
MUZZAFFARPUR
MYSORE
NAGOUR
NAGERCOIL
NAGPUR
NANDED

NANDYAL
NASHIK
NAVI MUMBAI
NAVSARI
NELLORE
NIZAMABAD
ONGALE
PALANPUR
PALGHAT
PANDARPUR
PARAMAKUDI
PARBHANI
PARVATHIPURAM
PATHANAMTHITTA
PATHANKOT
PATNA
POLLACHI
PONDICHERRY
PRODDATUR
PUDUKOTTAI
PUNE
PUTTUR
QUILON
RAIBAREILLY
RAICHUR
RAIGARH
RAIPUR
RAJAHMUNDARY
RAJKOT
RAJNANDGAON
RANCHI
RATLAM
RATNAGIRI
RENUKOT
REWA
ROHATAK
ROURKELA
SADULPUR
SAGAR
SAGARA
SAHIBABAD
SAKALESHPURA
SALEM
SAMBALPUR
SANDUR
SANGLI
SARAIPALI
SATARA
SATNA
SECUNDERABAD
SEDM
SHADOL
SHAHAPUR
SHIMALA
SHIMOGA
SHOLAPUR
SIKAR
SILLUGURI

SINDHANUR
SIROHI
SIRSI
SIVAKASHI
SRIKAKULAM
SULTHANBATHERY
SURAT
SURENDRANAGAR
SWAIMADHOPUR
TAMBARAM
TDASARAHALLI
THALASSERY
THANE
THANJAVUR
THENI
TIPTUR
TIRUNELVELI
TIRUPATI
TIRUVANNAMALAI
TIRUVARUR
TRICHUR
TRICHY
TRIVANDRUM
TUMKUR
TUTICORIN
UDAIPUR
UDUPI
VAPI
VARANASI
VELLORE
VIJAYANAGAR
VIJAYWADA
VILLUPURAM
VIZAG
VIZIANAGARAM
WADA
WAIDHAN
WARANGAL
WARDHAMAN NAGAR
YADGIR
YAMUNANAGAR
YESHWANTHPUR



Business and Financial Highlights

Largest Asset Financing NBFC

with Assets under Management (including off balance sheet) of Rs. 7,500 crores

161% Growth in Income

Income from operations rose from Rs. 343.35 crores to Rs. 898.43 crores

187% Increase in Net Profit

Net profit increased by Rs. 49.32 crores to Rs. 141.64 crores

296 Centres

present across India

3,710 Employees

19.52% Capital Adequacy ratio

compared to a regulatory minimum requirement of 12%

0.36% Non-Performing Assets

(as a proportion of net loan assets) compared to 0.56% in 2004-05

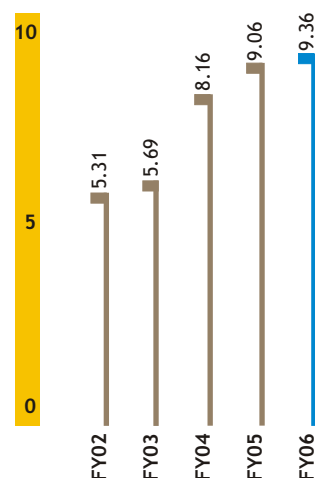
F1+

rating for the Company's short term debt from FITCH

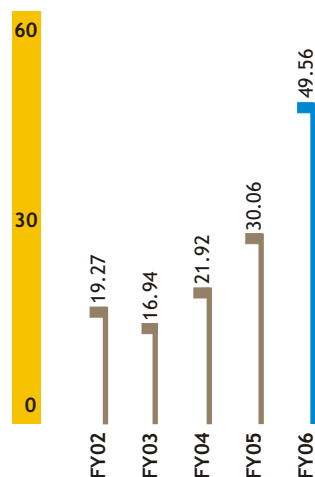
AA(-)

rating for the Company's term deposits from FITCH

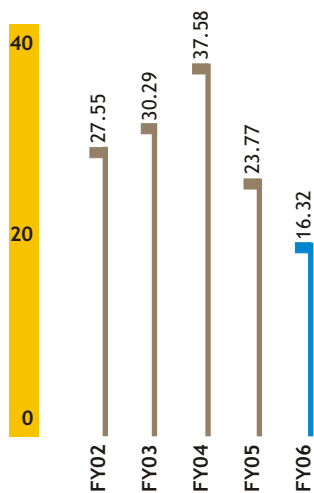
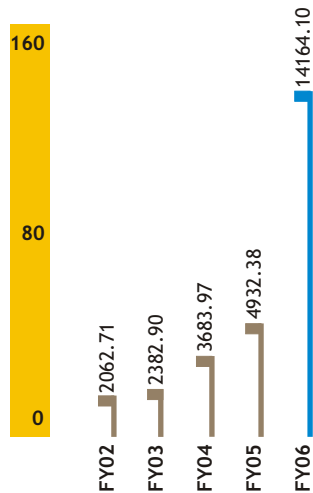
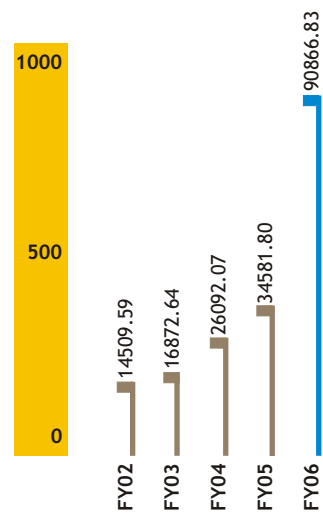
EARNING PER SHARE (EPS)



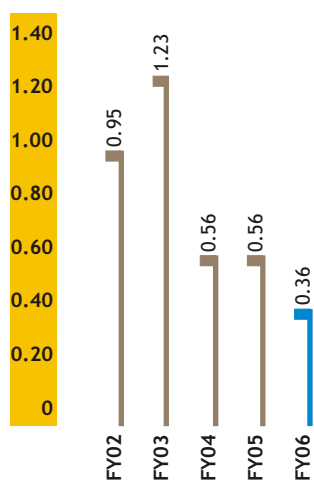
BOOK VALUE / SHARE (RS.)



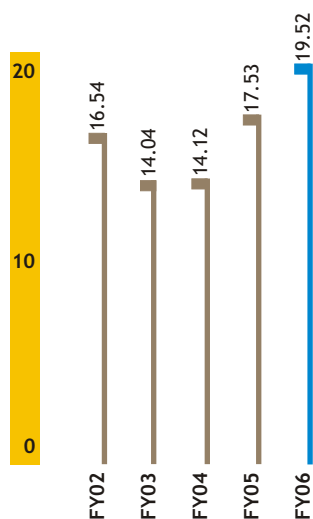
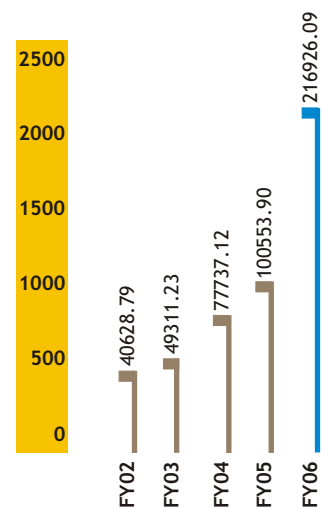
RETURN ON NET WORTH (%)

PROFIT AFTER TAX
(RS. IN LAKHS)TOTAL INCOME
(RS. IN LAKHS)

NET NPAs TO NET LOANS (%)



CAPITAL RATIO (%)

RETAIL PORTFOLIO
(RS. IN LAKHS)

Board of Directors



Arun Duggal
Chairman

Arun Duggal is an International Business Advisor. He was with Bank of America for 26 years from various locations including New York, San Francisco, Tokyo, Hong Kong, London, Manila and New Delhi. He is on the Board of Directors of Jubilant Energy Ltd. Canada, Patni Computers, Fidelity Fund Management, LNG Petronet, Matrix Laboratories, Manipal AcuNova, Naukri.com, Hertz (India), Shriram Properties Ltd and Arun was also on the Board of Governors of the National Institute of Bank Management and erstwhile Chairman of the American Chamber of Commerce, India. He is the Founder Director of Bellwether Microfinance Fund and the Vice Chairman of Transparency International India.



R Sridhar
Managing Director

R. Sridhar is a fellow member of the Institute of Chartered Accountants of India. He joined Shriram in 1985 and was later promoted as President of the Company in 1994. He was co-opted as an Additional Director and appointed as the Managing Director of the Company in September 2000. Sridhar has over two decades of experience in the financial service sector, especially in commercial vehicle financing. He also holds the directorship of 'Shriram Holding (Madras) Pvt. Ltd, Shriram Asset Management Company Ltd, Ceylico Shriram Capital Management Services Company Pvt. Ltd, Shriram Chits (Maharashtra) Ltd. and Integrated Enterprises (India) Ltd.



Adit Jain
Director

Adit Jain is the Managing Director of IMA India, a Company he established in 1994. He chairs the Company's CEO and CFO programmes, which are retainer based forums and have over 700 clients from across the country. He speaks regularly at conferences and has been called upon to depose as an Expert Witness in Parliamentary Committee Proceedings. Adit is a Non-Executive Director on the Board of Sanmar Group, International Asset Reconstruction Company, and PR Pundit. Previously, Adit worked as Vice President and Head of M&A at Lazard, India; and Strategy Director with Stag Holdings Plc, UK. He has degrees in Mechanical Engineering and Business Administration.



S Venkatakrishnan
Director

S. Venkatkrishnan is an IA & AS retired. He has served at senior positions in the Finance Audit & Accounts department of the government and other public undertakings. He has been serving in the Company as an advisor for over a decade. He is also on the Board of Shriram Industrial Holding Pvt. Ltd, Shriram Exports Pvt. Ltd, Hymvathi Enterprises Pvt. Ltd, Bhilahari Enterprises Pvt. Ltd, Charukeshi Investments Pvt. Ltd, Galda Finance Ltd, RKP Investments Pvt. Ltd, Rambal Properties Pvt. Ltd, Shriram City Union Finance Ltd, Road Safety Club Pvt. Ltd, and Ranjani Enterprises Pvt. Ltd.



Mayashankar Verma
Director

Mayashanker Verma, former chairman State Bank of India, is a career banker with nearly five decades of experience in the Indian financial sector. During this period he has held some of the most critical positions in its operating as well as regulatory regimes, important amongst which were Advisor to the Reserve Bank of India, Chairman I.D.B.I Bank, and Chairman Telecom Regulatory Authority Of India. Presently, he serves as the Director on the Board of several Public and Private sector companies and is also the Vice-President of the governing body of the National Council of Applied Economic Research.



Mukund Manohar Chitale
Director

Mukund Manohar Chitale is a practicing Chartered Accountant. He was President of the Institute of Chartered Accountants of India during 1997-98 and a member of "International Auditing Practices Committee" of the International Federation of Accountants from January 1998 to June 2000. He was nominated by Securities and Exchange Board of India as a Public Representative Director on the Stock Exchange, Mumbai from October 1998 to July 2000. Mukund has also been a lecturer in the Accountancy Department at some renowned colleges, and has written articles and presented papers at various seminars and conferences.



Puneet Bhatia
Director

Puneet Bhatia is the Managing Director of TPG Newbridge. Prior to joining Newbridge in April 2002, he was the Chief Executive of the Private Equity Group for GE Capital India. As Chief Executive, he created and handled a portfolio of almost a dozen companies aggregating investments of over \$100 million. Prior to this, Puneet was with ICICI Ltd. from 1990 to 1995 in the Project and Corporate Finance group and worked as Senior Analyst with Crosby Securities from 1995 to 1996. He currently serves on the Board of Directors of Matrix Laboratories and Shriram Transport Finance. Puneet holds a degree in Commerce and an M.B.A. from the Indian Institute of Management, Kolkata.



Ravindra Behl
Director

Ravindra Behl has 30 years of experience primarily in financial services, where he spent most of his career working with Citibank. He was the Country Manager for Retail Banking in India and Indonesia and a member of the bank's Global Corporate Property Group that constituted the top 250 Citibank leaders around the globe. After leaving Citibank in 1997, he built and managed the Indian operations of eFunds, a transaction processing company. Ravindra holds a Bachelors degree in English Literature and an M.B.A. from the Indian Institute of Management, Kolkata.



Ranvir Dewan
Director

Ranvir Dewan is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Canadian Institute of Chartered Accountants. Ranvir joined TPG-Newbridge Capital in July 2006 as Senior Principal and Advisor, and is based in Singapore. From April 2000 to July 2006 he was Executive Vice President and Chief Financial Officer of Standard Chartered First Bank in Seoul, Korea. Prior to that he spent 13 years with Citibank and held various senior positions in its international businesses. In his previous assignment, he was Vice President and Regional Financial Controller of Citibank's consumer bank with responsibilities covering 11 countries in the Asia Pacific region.



Sanjay Kukreja
Director

Sanjay Kukreja currently represents ChrysCapital on the board of STFC. He has been with ChrysCapital since its inception, and along with Ravi Behl, has been instrumental in deploying in excess of \$200 million across the financial services sector in Companies such as Shriram, UTI bank, Centurion Bank, Yes Bank, Mahindra & Mahindra Financial Services Company Ltd. and Bajaj Auto Finance Company Limited. Besides STFC, Sanjay is also on the board of directors of Titagarh Wagons Ltd. India's leading railway wagon manufacturing Company where ChrysCapital has a 11% stake. He holds a degree in Economics from Shriram College of Commerce, Delhi and an M.B.A. from the Indian Institute of Management, Bangalore.



Dr. T. S. Sethurathnam
Director

T.S. Sethurathnam served for 35 years in the M.P. Electricity Board and held senior positions before being promoted as the Chairman. He had the longest tenure as Member / Chairman for over 15 years. He has also been Chairman of the Western Regional Electricity Board; Chief Consultant to Power Finance Corporation; Consultant to Houston Industries, Smith Cogeneration (India) Pvt. Unltd, Ahmedabad Electricity Company Ltd, Arthur Andersen for power utilities distribution reforms and GMR Vasavi for construction of the first barge mounted power plant in the country. He has also worked as Member of the All India Council for Technical Education.



Sumatiprasad M. Bafna
Director

Sumatiprasad M. Bafna is a science graduate and started his career in the year 1984 under the guidance of his late father Mishrilal C. Bafna. He thereafter started an independent dealership of Tata Motors at Ratnagiri, Maharashtra in the year 1995, and a Mumbai Dealership in the year 2001. His company has been the No. 1 dealer for Tata Motors in the year 2003-2004 and 2004-2005. Sumatiprasad is on the Board of more than 10 companies and also holds dealerships of Honda, Hyundai and Maruti. He has extensive experience and a firm base in the transportation business.

Chairman's Statement



Arun Duggal - Chairman

As we go forward, we will continue to be guided by our organisational ethos of innovation with stability.

Dear Shareholders,

I am delighted to inform you that for the FY2005-06, Shriram has turned out a robust performance with excellent results. The Company has delivered on all fronts. We have increased our asset base, expanded our branch network, improved our balance-sheet through consolidation and increased our capital base through Equity infusion by way of preferential allotment. From the sound performance we have delivered over the year in review, we are now witnessing an even stronger and more confident Shriram, ready to serve an even wider customer base and deliver solid shareholder value.

OUR BUSINESS MODEL

Our business model, to finance the credit-starved segment of transporters and build longstanding relationships with them, continues to be compelling for us. We have been quite successful in achieving this objective in several selected regional markets. However, the need is still very vast and we are eager to address the remaining markets. We are placing a sharp focus on the needs of our customers, and designing products to meet those needs through effective distribution channels. I believe that this approach is the key to the Company's operational efficiency, integrity and development of cost-effective products and services. We have also built ourselves into an organization in which we have harnessed the strengths of our employees to serve our clients. As a result, we're fashioning enormous social impact that is raising the living standards of our customers. We have accomplished this on a commercial basis that has made good business sense, and not as charity or as handouts. We are showing the world that one can achieve excellent returns for investors from a business that is all about transforming lives and social uplifting.

GROWING WITH A RAPIDLY EXPANDING MARKET

Right since our inception, we recognised the need for getting prepared to make the most of the opportunities that lied ahead of us. As my first letter to you, I would like to express my desire to continue our Company's strong growth track-record, in a new unshackled India.

We operate in demanding and dynamic regional markets within India, and are well placed to take advantage of the opportunities that these and new markets offer. We are expanding our reach, adding new products and getting closer to our customers for enduring relationships. We have entered 2006-07 with confidence for good reasons. We are winning significant new business across all markets, of which the highest value segment of pre-owned vehicles, is increasingly taking centre stage of our sales mix. Our marketing and sales efforts have penetrated the grass root level in many regional markets, producing solid customer alliances and making our Company's presence felt in the entire commercial transport vehicle community.

CONSOLIDATING THROUGH MERGER

I'm pleased to inform you that our merger with Shriram Investments Ltd. and Shriram Overseas Finance is complete,