

TRUCKONOMICS

THE SCIENCE OF INCLUSIVE GROWTH



SHRIRAM TRANSPORT FINANCE COMPANY LIMITED
ANNUAL REPORT 2007-08

FORWARD LOOKING STATEMENTS

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take 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 realized, although we believe we have been prudent in our assumptions. The achievements 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 keep this in mind.

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



About Shriram Transport	2
Highlights 2007-08	3
A history of performance	4
Chairman's Statement	6
Managing Director's overview	8
Truckonomics	12
The canons of Truckonomics	14
We are available at...	28
Board of Directors	30
Management Discussion & Analysis	32
Directors' Report	40
Report on Corporate Governance	50
Certificate on Corporate Governance	63
Financial section	64

Report  Junction.com

***"YOU DON'T MAKE MONEY WITH INVENTIONS,
JUST WITH IMPROVEMENTS." - HENRY FORD***

commercial vehicle finance
to almost **6,00,000**
customers

ABOUT US



REPORT  junction.com

The flagship company of the Shriram Group, Shriram Transport Finance Company Limited is India's largest asset financing institution. Headquartered in Mumbai and with a pan-India presence, Shriram Transport provides accessible, affordable commercial vehicle finance to almost 6,00,000 customers.

Shriram Transport enjoys a track record of almost three decades (since 1979) in this business. Shriram Transport is helped in this endeavour by its team of more than 9,600 employees operating from 430 branches across the length and breadth of India.

Shriram Transport is a holistic finance provider for the commercial vehicle industry and seeks to partner small truck owners for every possible need related to their assets. Therefore, besides financing trucks (both new and pre-owned) Shriram Transport extends finance for tyres and engine replacement too. Shriram Transport also provides ancillary services such as freight exchange and bill discounting besides offering co-branded credit cards. Passenger vehicles, tractors and construction equipment have recently been added to the Shriram Transport portfolio,

making it a diversified, end to end provider of finance solutions to the domestic road logistics industry.

Shriram Transport had over Rs. 19,500 cr (USD 4.88 billion) of assets under management as on March 31, 2008. In 2007-08, Shriram Transport disbursed a total of 11,589.70 cr, and earned Rs. 2,494.14 cr as total income. Its net profit stood at a robust Rs. 389.83 cr. Shriram Transport's excellent track record and credit worthiness are reflected in its AA credit rating and its capital adequacy ratio exceeding the statutory 12 percent.

The principal stakeholders of Shriram Transport (besides the Shriram Group) are reputed institutions such as TPG-Newbridge, ChrysCapital, Citicorp, Axis Bank, etc., besides an overall family of 38,719 shareholders. Its shares are listed on the Bombay, Madras and the National Stock Exchanges. On March 31, 2008, Shriram Transport's market capitalisation stood at Rs. 6,856 cr.

HIGHLIGHTS 2007-08

62%

INCREASE IN ASSETS UNDER
MANAGEMENT

75%

INCREASE IN
DISBURSEMENTS

76%

INCREASE IN TOTAL
INCOME

105%

INCREASE IN PROFIT
AFTER TAX

84%

INCREASE IN EARNINGS
PER SHARE

4742

EMPLOYEES ADDED

72

BRANCHES OPENED

1.57%

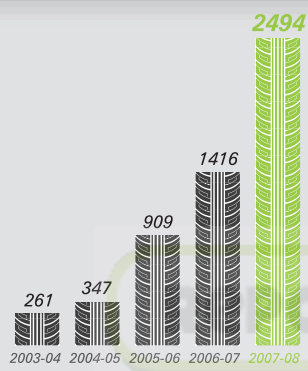
GROSS NPA

0.90%

NET NPA

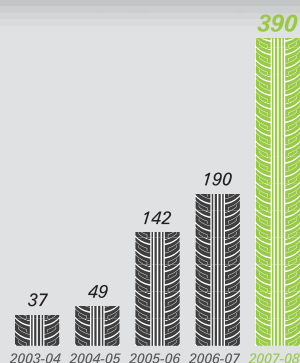
A HISTORY OF PERFORMANCE

◀◀ TOTAL INCOME



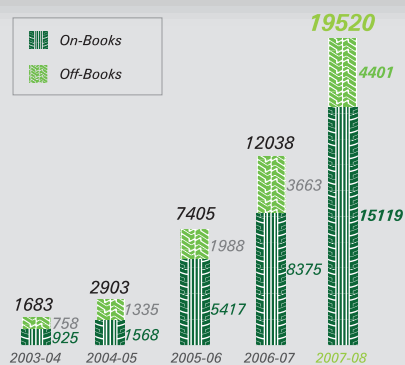
(Rs. in cr)

◀◀ PROFIT AFTER TAX



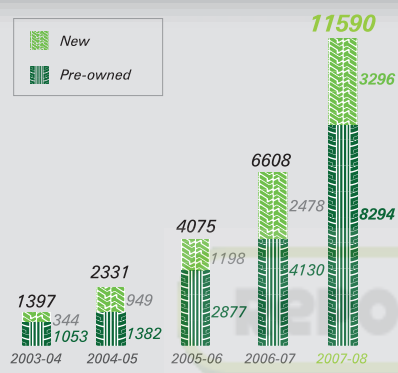
(Rs. in cr)

ASSETS UNDER MANAGEMENT ▶▶

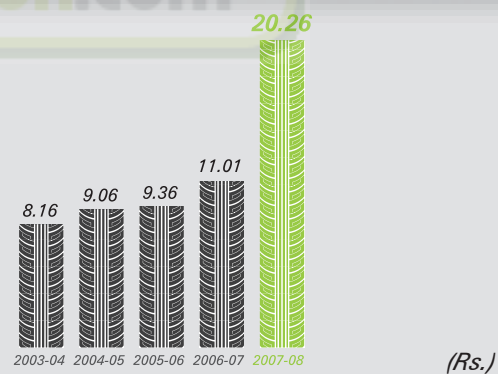


(Rs. in cr)

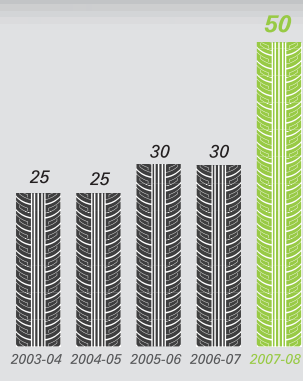
DISBURSEMENTS



EARNINGS PER SHARE

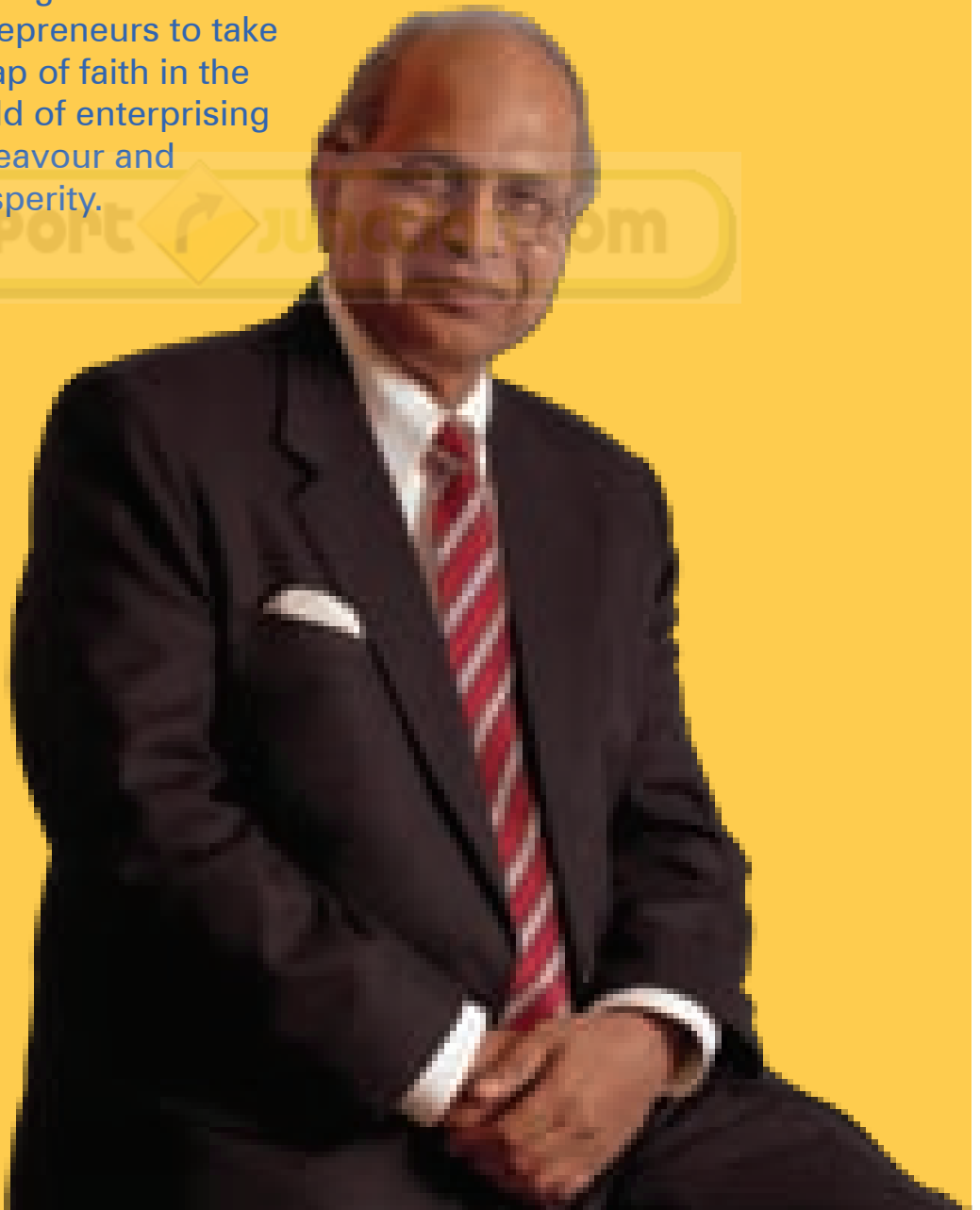


DIVIDEND PAYOUT



CHAIRMAN'S STATEMENT

Even before the concepts of 'discovering the fortune at the bottom of the pyramid' and 'reaching at the grassroots' came in vogue, we were working towards supporting an entire generation of entrepreneurs to take a leap of faith in the world of enterprising endeavour and prosperity.



Since our inception, we have worked hard to build a sustainable and scalable business. We will continue to remain on the path of being a catalyst for the growth of India.

Dear Shareholders,

The rapid, linear growth path of the Indian economic landscape is an uncontested fact.

Growth, however, is achieved in the true sense only when it is for everyone. Only when the lowest common denominator of the society benefits from the dividends of growth does it reach its true objectives. Only when development reduces the divide between the various strata that exist in society is it considered beneficial. A country progresses only when its constituents are upwardly mobile.

In short, true growth includes one and all.

However, it is not the sole responsibility of the government or policy makers to drive the engine of growth. Industry needs to be an equal participant in creating an atmosphere of opportunity and economic self dependence for all. It is imperative that an increase in prosperity levels be facilitated through the creation of industrial infrastructure, service opportunities and a broad based entrepreneurial culture that spurs further growth.

At Shriram Transport, we have modelled our business around this concept of inclusive growth, by focusing not on the target group being already pursued by financial institutions but that which are outside the influence of economic resurgence. Therefore, even before the concepts of 'discovering the fortune at the bottom of the pyramid' and 'reaching at the grassroots' came in vogue, we were working towards supporting an entire generation of entrepreneurs to take a leap of faith in the world of enterprising endeavour and prosperity. We positioned ourselves in the world of helping the national road logistics industry by financing pre-owned trucks across the country.

There is, however, a long way to go. The Indian economy is expected to continue to grow at a rapid pace in the coming years. This growth to sustain would need large-scale development of infrastructure. The Government of India has already realised the need and has increased the total allocation for infrastructure development to Rs. 19,60,000 cr in its eleventh five year plan 2007-12. This is expected to create additional demand for new commercial vehicles, at the same time would increase demand for pre-owned commercial vehicles in wake of better logistics, increased production and large-scale infrastructure creation. We expect

the market for pre-owned commercial vehicles to increase faster than new vehicles as increased demand for vehicles would result in increased freight rate and better earnings of drivers, leading to a surge in the first time users and small truck owners. The impact of this growth is also going to create higher demand for various other commercial vehicles – passenger commercial vehicles, tractors and construction equipment.

Our consistent performance and growth is testimony to the strengths we have infused our business with. However, in order that we remain sustainable and harness the opportunity landscape, we have invested our organisation with people, systems and processes. These initiatives will surely help us in countering any adversity in our external operating environment. We view with concern the rising interest rate scenario that prevails across the world today, but are confident that we will continue to remain competitive.

The year 2007-08 was important for Shriram Transport. We produced good results, in a year when the Indian auto sector performed unevenly. We made excellent progress increasing our customer base, enhancing our asset base and introducing new verticals and products in making the growth sustainable for future years. And most significantly, we continued to execute well in all of our markets, creating value for our customers, our communities, our employees – and you, our shareholders.

Since our inception, we have worked hard to build a sustainable and scalable business. We will continue to remain on the path of being a catalyst for the growth of India. We are equally committed to growing shareholder value and being a responsible corporate citizen. I seek your support and encouragement in this journey.

Best regards,



Arun Duggal, Chairman



MD'S OVERVIEW

MR. R. SRIVIDHAR,

Managing Director, discusses the performance of the Company in 2007-08.

How would you rate your performance in 2007-08?

It was quite satisfying. We have succeeded in growing our business and margins in a challenging industry scenario. Thus our total income appreciated by 76.2 percent to Rs. 2,494.14 cr and net profit rose 104.74 percent to Rs. 389.83 cr. All this on a higher base of Assets Under Management (AUM) which stood at Rs. 19,519.70 cr up by 62.15 percent from Rs. 12,038.40 cr in the previous year. This performance is a testimony to our broad based scale up initiatives, which ensured that the growth happened through good quality assets. Our gross NPAs remained under 2 percent this year, demonstrating an unrelenting emphasis on a sound credit discipline.

What, therefore, would you count amongst the key contributors to this performance?

Essentially the 4Ps as we call them. Product. People. Presence and Processes.

We are focusing on a continually expanding product portfolio, which now encompasses passenger commercial vehicles, three-wheelers, tractors, multi-utility vehicles and construction equipment besides the regular commercial vehicles. This enables us to

grow our offering to existing customers and tap into newer customers. At the same time, there is a neat strategic fit between the commercial vehicles finance and some of the downstream products we have introduced - such as tyre loans, engine loans, credit cards and freight discounting. Our products are thus with the customer for a longer period of time, across a variety of needs.

A high-quality and sustainable growth can be achieved by creating a strong team of excellent people. At Shriram Transport, the year saw us significantly enhancing our workforce – doubling in strength to about 9,700 employees. We created a centralised human resources department and strengthened it further to allow us to effectively recruit, train and retain talent.

Our presence is pan Indian and we are expanding it rapidly. In 2007-08, we opened 72 new branches. In a business where personal relationships are the key to growing operations, we are intensifying our partnership programmes to induct more and more private financiers into our fold, allowing us access to a ready customer base. This increased presence allows us to penetrate deep into the market and reach customers.