

Shriram City Union Finance Limited

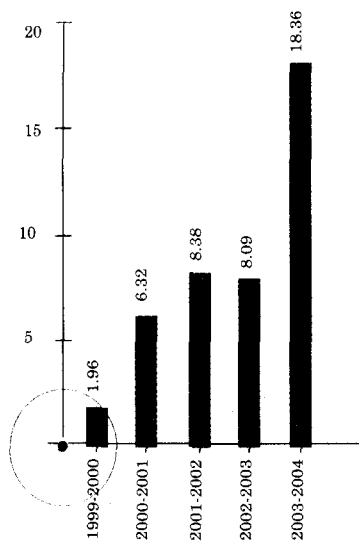
18th Annual Report, 2003-04



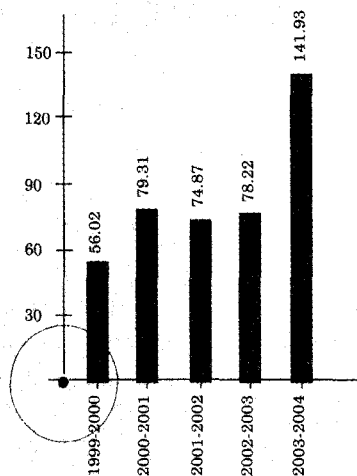
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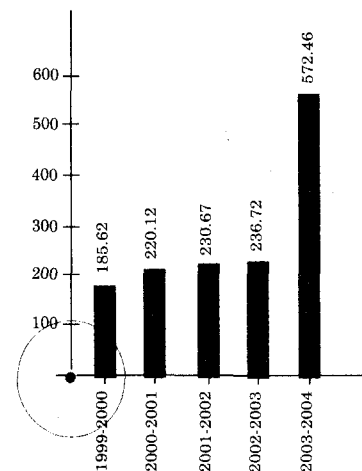
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Cash flow statement Balance sheet abstract



INCREASE IN PAT
(Rs. cr)



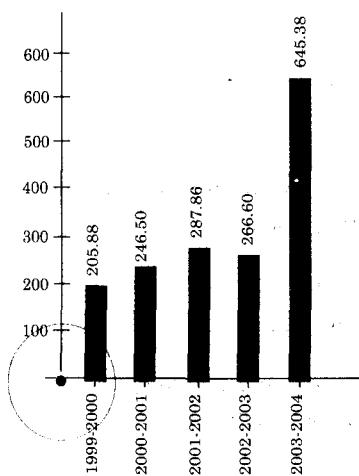
INCREASE IN TOTAL INCOME
(Rs. cr)



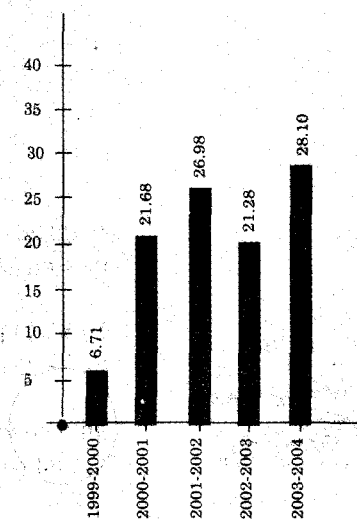
RETAIL RESOURCE PORTFOLIO
(Rs. cr)

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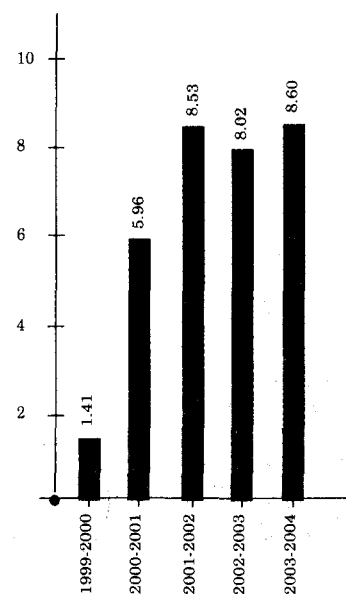
Financial highlights



COMMERCIAL VEHICLE FINANCE
(Rs. cr)



RETURN ON NET WORTH
(Percentage)



EARNING PER SHARE
(Rs.)

About us

BUSINESS

Shriram City Union Finance Limited is primarily engaged in financing commercial vehicles to Small Road Transport Operators. The other associate companies engaged in the business are Shriram Transport Finance Company Limited, Shriram Investments Limited and Shriram Overseas Finance Limited.

GEOGRAPHIC FOCUS

To ensure a strong nation wide presence and sustained all-India growth, these four Companies are strategically headquartered: Shriram Investments Limited in Chennai, Shriram Transport Finance Company Limited in Mumbai, Shriram City Union Finance Limited in Kolkata and Shriram Overseas Finance Limited in New Delhi.

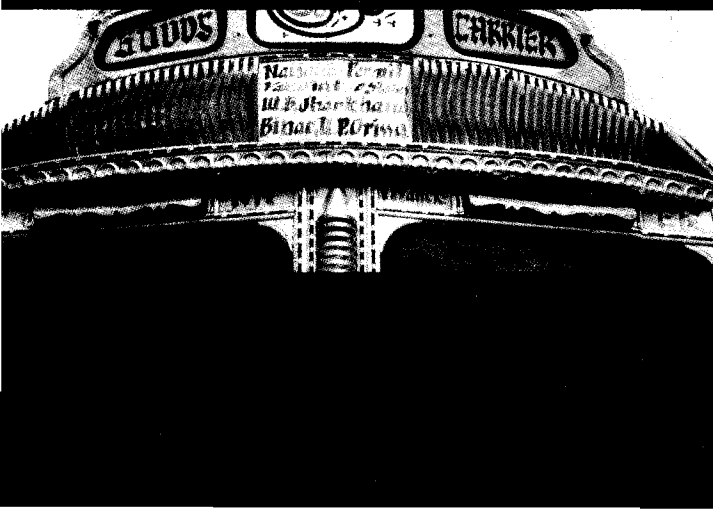
THE COMPANY

Incorporated in 1990, Shriram City Union Finance Limited was known as Shriram Hire Purchase Pvt Limited until 1980.

RATIONALE

The Company's decision to finance Small Road Transport Operators was inspired for a strategic reason: since the Small Road Transport Operator's truck represented his only means of livelihood, he would focus singlemindedly on maximizing its utilisation and generate a surplus adequate to pay his forthcoming installments. Small Road Transport Operators were better placed to do so: their operations were entirely based on the cash-and-carry system and it was in the interest of the Small Road Transport Operators' business to ensure a clean

Achievements, 2003-04



- A 126.86 per cent increase in profit after tax from Rs 8.09 cr in 2002-03 to Rs 18.36 cr.
- An 81.45 per cent increase in turnover from Rs 78.22 cr in 2002-03 to Rs 141.92.
- An increase in the retail resource portfolio by 141.83 per cent in 2003-04 to Rs.572.46 cr.

repayment record, establish creditworthiness and create a foundation for obtaining the finance for more trucks to meet growing business demands.

This faith in the integrity and creditworthiness of the Small Road Transport Operators helped Shriram emerge as one of the top financiers of commercial vehicles in India.

MARKETING

The commercial vehicles finance business of the Company is divided across four regions. For functional ease, these regions are sub-divided into 53 divisions and supported by a network of 179 branches. These branches represent the customer interface: they are engaged in the identification and evaluation of borrowers, execution

of loan documents, release of funds, collection from borrowers and the monitoring of accounts, among other functions.

PERFORMANCE

The Company's income from operations increased 77.55 per cent from Rs 75.53 cr in 2002-03 to Rs 134.12 cr in 2003-04. Profit after tax strengthened 126.86 per cent from Rs 8.09 cr in 2002-03 to Rs 18.36 cr in 2003-04.

As on 31st March 2004 the Company had a paid-up capital of Rs 50.39 cr and reserves of Rs 30.20 cr. The Company's capital adequacy ratio of 12.72 per cent (on 31st March, 2004) was well above the norm of 12 per cent prescribed by the Reserve Bank of India.

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Achievements, 2003-04

- A 142.08 per cent increase in the commercial vehicle finance from Rs. 266.60 cr in 2002-03 to Rs. 645.38 cr.
- An increase in the return on net worth from 21.28 per cent in 2002-03 to 28.10 per cent.
- A 7.23 per cent increase in the earning per share, from Rs.8.02 in 2002-03 to Rs.8.60.

Corporate information

BOARD OF DIRECTORS

Managing Director

Sri Akhilesh Kumar Singh

Directors

Sri Sumati Prasad M Bafna

Sri S Venkatakrishnan

Sri E V Balasubramanian

Dr T S Sethurathnam

(Nominee of IREDA Ltd)

Company Secretary

Smt Brinda Kesavan

Auditors

Pijush Gupta & 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

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 : CK 15, Sector II, Salt Lake City, Kolkata 700 091. Phone : 23587188

BANKERS

Abu Dhabi Commercial Bank Ltd • City Union Bank Ltd • Federal Bank Ltd • The Catholic Syrian Bank Ltd • UCO Bank

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, Bhagalpur, Bodeli, Begusarai, Bokaro, Calicut, Chandigarh, Chandrapur, Chembur, Chennai, Chindwara, Chittorgarh, Coimbatore, Cuttack, Chandikhole, Dausa, Davangere, Dehradun, Dhanbad, Dharwad, Dhulia, Durgapur, Ernakulam, Faizabad, Faridabad, Farookhabad, Ganganagar, Ghaziabad, Goa, Gorakhpur, Gulbarga, Gundiwada, Guntur, Gurgaon, Gwalior, Haldia, Haldwani, 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, Kaithal, Lakhimpur-kheri, Lucknow, Ludhiana, Madurai, Mandapeta, Mandi, Mangalore, Masjid, Matunga, Meerut, Moga, Moradabad, Mundka, Mysore, Muzaffarpur, Nagpur, Nagaur, Nanded, Nandyal, Nariman Point, Nasik, Nellore, New Delhi, Nizamabad, Ongole, Palakkad, Panipat, Pathankot, Patiala, Patna, Pimpri, Phusro, Pondicherry, Pune, Pandharpur, Raipur, Rajahmundry, Rajkot, Ranchi, Ratnagiri, Renukoot, Rewa, Rohtak, Roorkee, Rourkela, Sadalpur, Sagar, Salem, Sangrur, Satna, Sawai Madhopur, Secunderabad, Shimla, Shimoga, Sikar, Siliguri, Solapur, Sonapat, Sriakulam, Surat, Sirohi, Sambalpur, Tirunelveli, Tirupati, Tonk, Trichur, Trichy, Trivandrum, Udaipur, Udipi, Vapi, Varanasi, Vashi, Vellore, Vijayawada, Vile Parle, Vizag, Vizianagaram, Vidisha, 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, No.30 (Old No.11) Second Line Beach, Chennai 600 001.

The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

Coimbatore Stock Exchange Ltd., CSX Towers, 683-686, Trichy Road, Singanallur, Coimbatore – 641 005.

Directors' report

Dear Shareholders

Your Directors are pleased to present the Eighteenth Annual Report along with the audited accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

(Rupees in Lakhs)

Profit before depreciation and taxation	3372.42	1772.57
Less: Depreciation	606.85	607.41
Profit before tax	2765.57	1165.16
Less: Provision for taxation (incl. Provision for Deferred tax)	969.17	470.23
Add: Prior period adjustment / Excess tax Provision	39.66	114.39
Profit after tax	1836.06	809.32
Add: Balance brought forward from previous year	--	638.78
Profit available for appropriation		
APPROPRIATIONS		
General Reserve	183.61	61.00
Statutory Reserve	367.21	162.00
Dividend on Cumulative Redeemable Preference Shares of Rs 100/- each fully paid up at the stipulated rates	228.35	207.61
Dividend (Interim 10% and Final 11%) on Equity Shares of Rs 10/- each fully paid up	385.29	142.50
Tax on Dividend	78.62	8.65
Balance carried to Balance Sheet	592.98	866.34

DIVIDEND

The Directors at the meeting held on 28 November 2003 declared and paid the dividend on Cumulative Redeemable Preference Shares. The Directors also declared an interim equity dividend of 10 per cent at the said meeting and the same was paid to the shareholders whose names appeared on the Register of Members as on 23 December 2003.

Your Directors are pleased to recommend a final equity dividend of 11 per cent on the paid up equity share capital of the Company, subject to the approval by members at the forthcoming Annual General Meeting of the Company. In the hands of the shareholders the preference, interim and final equity dividends for the year are tax-free.

PERFORMANCE OF THE AUTOMOBILE INDUSTRY DURING 2003-04

During 2003-04, the automobile industry registered a growth of around 16.5 per cent in sales and 24 per cent in value.

The automotive industry's performance is closely linked to industrial growth, which was around 7 per cent while agriculture output increased by over 10 per cent during 2003-04.

COMMERCIAL VEHICLES

The commercial vehicle segment has grown by over 30 per cent in consecutive years. In 2003-04, it clocked a growth of 36.5 per cent. The medium and heavy commercial vehicles segment grew by 39.5 per cent whereas light commercial vehicles segment grew by 32 per cent.

The improved economic performance, especially in the agricultural sector, the expansion of national highways and expressways, led to fleet rationalisation and an increased penetration of multi-axle vehicles.

The outlook for 2004-05 is promising since the current growth rates of GDP and industrial output appear sustainable. This will ensure a robust growth in the automotive sector.

The future of your Company therefore appears bright.

BUSINESS

Total industry volume of commercial vehicles grew significantly during the year. NBFCs continue to play a critical link in the overall financial system catering to a large market of niche customers. Your Company registered a total turnover of Rs 14192.81 lakhs during the year under consideration. The profit before tax went up by 137.36 per cent when compared to the previous year.

PREFERENTIAL ISSUE OF EQUITY SHARES

To reinforce the net worth of the Company, the Board at its meeting held on 29 July 2003 approved the issue of equity shares to Shriram Chit & Investments Pvt. Limited on a preferential basis. Accordingly, the said issue was approved by the members at the Annual General Meeting of the Company held on 4 September 2003. The Board at its meeting held on 12 September 2003 allotted 1,96,00,000 equity shares to Shriram Chit & Investments Pvt. Limited at a SEBI-determined price of Rs 15.35 per share. Consequent to the allotment, as Shriram Chit & Investments Pvt. Limited held 72.47 per cent of the paid-up capital of Shriram City Union Finance Limited, your Company on and from 12 September 2003, became a subsidiary of Shriram Chit & Investments Pvt. Limited.

As the percentage of shares allotted and that already held, taken together, exceeded 15 per cent of the voting rights of Shriram Chit & Investments Pvt. Limited, it triggered an open offer as per the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1977.

As per the said regulations, the offer to the shareholders of the Company opened on 29 January 2004 and closed on 27 February 2004. Shareholders holding 2,02,030 shares (2.69 per cent of the pre-preferential issue capital) participated in the open offer. Necessary formalities with regard to the open offer having been completed, the Company is awaiting the listing of the additional share capital allotted on a preferential basis

in The Madras Stock Exchange Limited, The Stock Exchange Mumbai and Coimbatore Stock Exchange Limited.

The paid-up capital of the Company as on the date of this report is Rs 2710 lakhs. The present holding of Shriram Chit & Investments Pvt. Limited in the paid-up capital of the Company on account of the preferential issue and the open offer is 73.22 per cent.

RESOURCES

The deposit portfolio as on 31 March 2004 stood at Rs 720.30 lakhs as against Rs 718.15 lakhs as on 31 March 2003.

Deposits matured but unclaimed as at the end of the year amounted to Rs 33.15 lakhs consisting of 268 deposits. 116 deposits totalling Rs 15.91 lakhs have since been repaid/ renewed. Steps are being continuously taken for the repayment/ renewal of deposits. There were, however, no deposits which were claimed but not paid by the Company.

Secured Non Convertible Debentures and Cumulative Redeemable Preference shares stood at Rs 56526.03 lakhs and Rs 2328.98 lakhs as on 31 March 2004.

RBI DIRECTIONS

Your Company continues to comply with all the requirements prescribed by Reserve Bank of India.

CORPORATE GOVERNANCE

Your Company has complied with the SEBI Guidelines on Corporate Governance as contained in Clause 49 of

the Listing Agreement with the Stock Exchanges.

A detailed report on this subject forms part of the Annual Report. The Auditors of the Company have examined the compliance and have certified the same as required under the SEBI Guidelines. Further, a separate Management Discussion and Analysis Report is also given as an annexure to this report.

BOARD OF DIRECTORS

Sri S M Bafna Director, retires by rotation and being eligible offers himself for re-election. Necessary resolution in this regard is placed before the members for approval.

DIRECTORS' RESPONSIBILITY STATEMENT

- a) In the preparation of the annual accounts for the year ended 31st March 2004, the applicable accounting standards have been followed by the Company.
- b) The Directors have selected such accounting policies 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 2004 and of the profit of the Company for the year ended on that date
- c) 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.
- d) The accounts of the Company have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

None of the employees fall under the purview of the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

There has been no Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo during the year under review.

AUDITORS

M/S Pijush Gupta & Co., Chartered Accountants, Kolkata, Auditors of the Company retire at the ensuing 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 authorising the Board to appoint Branch Auditors is also being submitted to the shareholders for approval.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation for the whole-hearted and sincere co-operation your Company has received from all its bankers, financial institutions and corporations. Your Directors also wish to extend their sincere thanks to all the debenture-holders, depositors and shareholders for their continued support. Your Directors also wish to place on record their appreciation of the unstinted co-operation and support extended by all the employees in achieving the performance of your Company.

For and on behalf of the Board

Chennai
29th June 2004

A K Singh
Managing Director

S Venkatakrishnan
Director