



Shriram City Union Finance Limited
19th Annual Report 2004-05



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About us

WHO WE ARE

Shriram City Union Finance Limited (hereinafter referred to as 'The Company') was incorporated in 1986 as Shriram Hire Purchase Finance Pvt Limited. The Company is engaged in the business of financing commercial vehicles to small road transport operators, consumer durables and two-wheelers. The other Shriram companies are Shriram Transport Finance Company Limited, Shriram Investments Limited and Shriram Overseas Finance Limited.

WHERE WE ARE

The Company has its headquarters in Kolkata. To ensure our strategic presence our other companies are based in different parts of India – Shriram Investments Limited in Chennai, Shriram

Transport Finance Company Limited in Mumbai and Shriram Overseas Finance Limited in New Delhi.

WHAT WE DO

From its inception, the Company has been in the business of pre-owned truck financing for the benefit of small road transport operators along with its other companies. However, the Company has decided that from 1st April, 2005, it will exit the business of truck financing.

OUR FOCUS

The Company has decided to of the pre-owned truck financing segment and focus only on financing consumer durables and two-wheelers. This has been done to capitalise on India's burgeoning middle class and its high

level of disposable income. Consumer durable demand in India is set to grow by leaps and bounds. According to some estimates, middle-class Indians will spend an additional \$420 billion during the coming three to four years on consumer durables. (Source: ibef.org)

BUSINESS MODEL

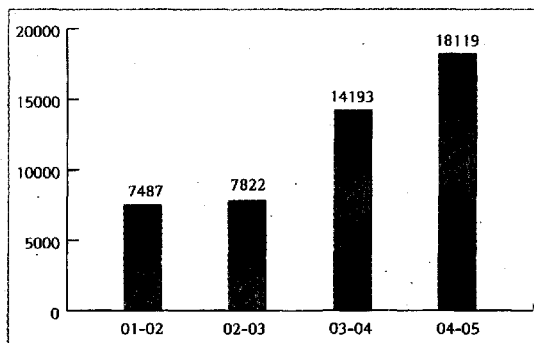
This segment is very competitive. It is difficult for a new player to set up a nationwide network because of the large number of players already in the segment. The Company plans to capitalise on its local knowledge, nationwide reach and experience gained in the leasing of consumer durable with ICICI Bank since 2002. It plans to make the most of its existing client base built over the years.

WHAT WE ACCOMPLISHED IN 2004-05

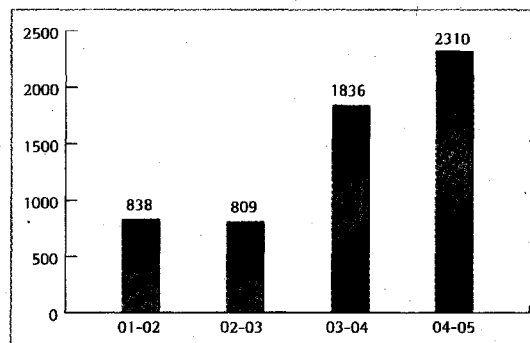
- Total income increased by 27.66 per cent from Rs. 14192.81 lacs in 2003-04 to Rs. 18119.06 lacs.
- PAT increased by 25.84 per cent from Rs. 1836 lacs in 2003-04 to Rs. 2310 lacs.
- Gross profit increased by 31.76 per cent from Rs. 2765.57 lacs in 2003-04 to Rs. 3643.79 lacs.
- Consumer durable leasing business (in tie-up with ICICI Bank) was at Rs. 26276 lacs.
- Commercial vehicle finance increased from Rs. 64538 lacs in 2003-04 to Rs. 71006 lacs.
- Book value increased from Rs. 21.14 per share in 2003-04 to Rs. 25.89 per share.
- Maintained a capital adequacy ratio of 15.58 per cent (previous year 12.72 per cent) against the statutory requirement of 12 per cent.
- Reported a 53 per cent increase in asset base from Rs. 3955.78 lacs in 2003-04 to Rs. 6048.82 lacs.

Financial highlights

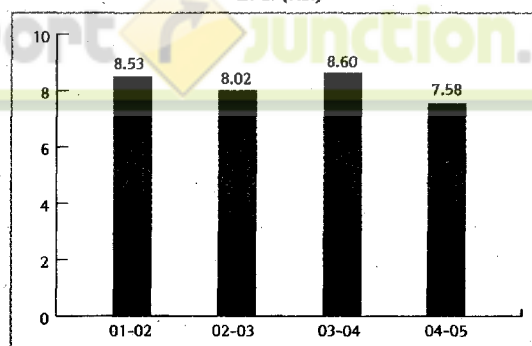
TOTAL INCOME (Rs./lacs)



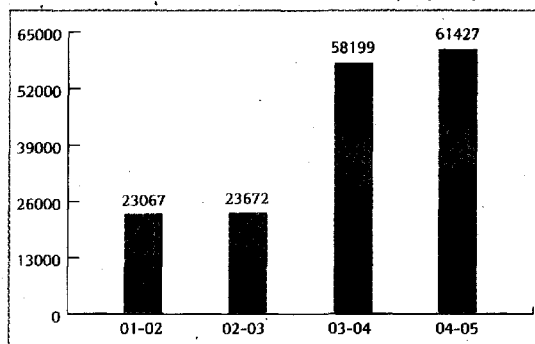
PAT (Rs./lacs)



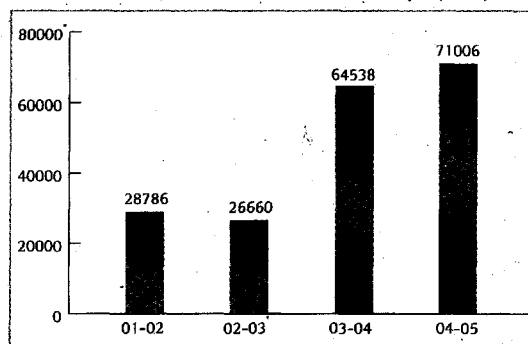
EPS (Rs.)



RETAIL RESOURCE PORTFOLIO (Rs./lacs)



COMMERCIAL VEHICLE FINANCE (Rs./lacs)



Corporate information

BOARD OF DIRECTORS
MANAGING DIRECTOR
 Sri Akhilesh Kumar Singh

DIRECTORS

Sri Sumati Prasad M. Bafna
 Sri S. Venkatakrishnan
 Sri S. Krishnamurthy

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 60 004. 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 • UCO Bank

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, Jhunjhunu, 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.

Listed on the following exchanges where 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.

Directors' report

Dear Shareholders

The Directors hereby present their Nineteenth Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2005.

FINANCIAL REVIEW

Rs. in lacs

	Year ended 31st March	
	2005	2004
Profit before depreciation, impairment loss and taxation	4138.92	3372.42
Less: Depreciation and impairment loss	495.13	606.85
Profit before tax	3643.79	2765.57
Less: Provision for taxation (including provision for deferred tax)	1333.35	969.17
Add: Excess tax provision written back	--	39.66
Profit after tax	2310.44	1836.06
Appropriations		
General reserve	231.13	183.61
Statutory reserve	462.79	367.21
Dividend on cumulative redeemable preference shares of Rs. 100 each fully paid up at the stipulated rates	227.56	228.35
Dividend (Interim 10 per cent and final 15 per cent) on equity shares of Rs. 10 each fully paid up	677.50	385.29
Tax on dividend	118.28	78.62
Balance carried to balance sheet	593.18	592.98

PERFORMANCE REVIEW

During the year under review, your Company registered a total turnover of Rs. 18119.06 lacs. The receivables under stock on hire stood at Rs. 16621.79 lacs; under hypothecation loan agreements stood at Rs. 45509.46 lacs and under financial lease stood at Rs. 8725.89 lacs. The Company earned a gross profit of

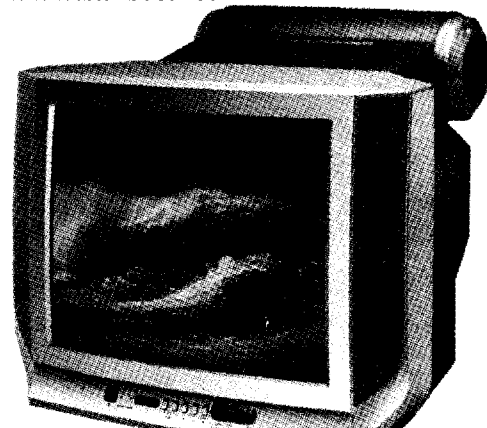
Rs. 3643.79 lacs when compared to Rs. 2765.57 lacs for the year ended 31st March, 2004.

CONSUMER DURABLE BUSINESS

The Company entered the business of consumer durables financing through a tie-up with ICICI Bank in 2002. Since then the business has been growing and

the Company made a disbursement of Rs. 26276 lacs for the year ending 31st March, 2005.

With a view to efficiently and effectively develop the consumer durable business, ensure optimum returns for the investments made in this regard, protect the value, goodwill and potential for



expansion of the business, your Directors, at the meeting held on 16th February 2005, decided to focus on the consumer durable business and invest substantial resources for developing it. It was also decided that on and from 1st April 2005, your Company would exit from the truck financing business.

DIVIDEND

At the Board meeting of the Company held on 29th November, 2004, your Directors declared a dividend on cumulative redeemable preference shares for the year 2004-05 at the stipulated rates, involving an outflow of Rs. 227.44 lacs. At the said meeting, the Directors also declared an interim equity dividend of 10 per cent, involving an outflow of Rs. 271 lacs. The said dividends were duly paid in December 2004. The Company paid tax on preference and interim equity dividend to the tune of Rs. 65.14 lacs.

The Board now recommends, subject to the approval of shareholders at the ensuing Annual General Meeting, a dividend of Rs. 0.12 lacs on cumulative redeemable preference shares further allotted and a final equity dividend for the year 2004-05 at 15 per cent. The said dividends would be free of tax in the hands of shareholders as in the instance of the preference and interim

equity dividend declared in November 2004. However, the Company would be paying a tax on dividends to the tune of Rs. 53.14 lacs. The proposed equity dividend will involve an outflow of Rs. 406.50 lacs.

RESOURCES

The deposit portfolio as on 31st March 2005 stood at Rs. 624.67 lacs against Rs. 720.30 lacs in 2003-04.

The privately placed secured non-convertible debentures stood at Rs. 55614.05 lacs as on 31st March, 2005. Subordinated debts as on 31st March, 2005 was at Rs. 5319.85 lacs.

The cumulative redeemable preference shares privately placed stood at Rs. 2328.98 lacs as on 31st March, 2005.

Deposits matured but unclaimed as at the end of the year amounted to Rs. 37.09 lacs (374 deposits). Nearly 167 deposits, totalling Rs. 17.36 lacs, have since been repaid / renewed. However, there are no deposits, which were claimed but not paid by the Company. Steps are being taken continuously for the repayment / renewal of unclaimed deposits.

COMMERCIAL VEHICLES SECTOR

The growth in the Indian auto ancillary sector has been healthy, between 15-16

per cent for the fiscal year ended March 2005. Availability of skilled labour at a low cost has spurred the growth of India's auto component industry. The overall domestic market, including domestic light passenger vehicles, commercial vehicles and two-wheeler markets are expected to grow at a modest rate of 10 per cent per annum over the next decade. Since the passenger cars and the utility vehicle segments are likely to expand by 10-12 per cent, commercial vehicles and two-wheelers are likely to grow by 12-15 per cent and 10 per cent respectively.

ROAD INDUSTRY

Indian roads carry 85 per cent of the country's passenger and 70 per cent of freight traffic. The core of India's road network will revolve around the Golden Quadrilateral, a 5,846 km highway that will link the major metropolitan cities of New Delhi, Mumbai, Chennai and Kolkata. The Indian government had announced that the National Highway Development Program Phase III to upgrade 10,000 km by 2012 would be undertaken on a BOT basis. Better roads could fuel a 20-35 per cent growth in the transport industry, importing all-round growth. Better roads will be the fundamental need for India's targeted economic growth of 7-8 per cent in the next few years.

RBI DIRECTIONS

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

DIRECTORS

Sri S. Krishnamurthy has been appointed an Additional Director of the Company at the Board meeting held on 28th April, 2005. As per the provisions of the Companies Act, 1956, he holds office up to the date of the ensuing Annual General Meeting. The Company has received notice from a member proposing his name as Director of the Company.

Sri E.V. Balasubramanian, Director, resigns from the Board with effect from 30th April, 2005. The Board wishes to place on record his meritorious services to the Company during his tenure as Director.

Sri S. Venkatakrishnan, Director, retires by rotation and being eligible offers himself for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the annual accounts, applicable accounting

standards have been followed and that there are no material departures.

2. They have selected such accounting policies and applied them consistently and made judgments that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period.
3. The Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Company had prepared the annual accounts on a going concern basis.

DE-LISTING OF EQUITY SHARES FROM THE COIMBATORE STOCK EXCHANGE LIMITED

As per the approval obtained from the members at the Annual General Meeting held on 4th September, 2003, the equity shares of your Company have been voluntarily de-listed from the Coimbatore Stock Exchange Limited, with effect from 30th November, 2004.

LISTING OF EQUITY SHARES AT THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Your Directors are happy to inform that the shares of your Company have been listed with effect from 4th April, 2005 at the National Stock Exchange of India Limited (NSE), one of the stock exchanges with a nationwide network of terminals. Other than the NSE, your Company's shares continue to be listed at The Stock Exchange, Mumbai (BSE) and Madras Stock Exchange Limited.

AUDITORS

M/S Pijush Gupta & Co., Chartered Accountants, Kolkata, auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. The Company has received the necessary 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.

A resolution authorising the Board to appoint branch auditors is also being submitted to the shareholders for approval.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with stock exchanges, a Management and Discussion Analysis,



Corporate Governance report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made part of the annual report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO
The Company did not have any activity related to the conservation of energy, technology absorption and foreign exchange earnings and outgo. Hence there is no information to be disclosed in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

PARTICULARS OF EMPLOYEES

There are no employees who are in receipt of the remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

BUSINESS OUTLOOK

The fundamentals of the Indian economy have become strong and sustainable. The macro-economic indicators are at present the best in the history of independent India with high growth, foreign exchange reserves, foreign investment and robust increase in exports and low inflation and interest rates. India is the second fastest growing economy of the world at present. The target of the 10th Five Year Plan (2002-07) is 8 per cent. While the industrial sector has continued to grow, the services sector has grown at a significantly higher pace and is currently contributing to nearly half of the total GDP.

The government is focusing on the expansion and modernisation of roads. Forty-eight new road projects worth US\$12 billion are under construction. The development and upgradation of roads will require an investment of US\$24 billion till 2008. The modernisation of roads will go a long way to help the growth of the commercial vehicles sector.

The domestic demand looks favourable for now, particularly in the domestic market as key user industries like the automobiles, consumer durables, auto ancillary and construction are booming. The growth in India's population, increase in needs and easy availability of finance are the most positive factors favouring the consumer durables sector. During 2005-06, the consumer durables sector is poised to attain a significant rate of growth. With a systematic functioning aided by a dedicated team of people, the future of your Company in this line of activity is bright.

ACKNOWLEDGEMENT

Your Directors acknowledge the continued co-operation and support received from banks, deposit holders, debenture holders and customers.

Your Directors also place on record their appreciation of the contribution made by employees at all levels.

Your Directors also thank the shareholders for the utmost confidence reposed in the Company.

For and on behalf of the Board

Place: Chennai

Date: 29th June, 2005

A.K. Singh
Managing Director

S. Venkatakrishnan
Director

Report on Corporate Governance

for the year ended 31.3.2005

BRIEF STATEMENT OF COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company's policy on Corporate Governance encompasses the following:

- Achievement of transparency and accountability in all areas of operations and in activities connected with shareholders, employees, investors, banks and institutions and statutory authorities
- Attainment of shareholders' satisfaction
- Improving the performance through a periodical review of the management systems.

BOARD OF DIRECTORS:

As on 31st March, 2005, the Board comprised five Directors including the Managing Director. The Managing Director manages the Company's business in consultation with the Board of Directors. The Board functions by itself and through Committees. The Board and Committees meet at regular intervals. Policy formulation, setting up of objectives and performance evaluation and control over functions vest with the Board while the Committees oversee day to day operational matters. This structure has enhanced the Board's role in guiding the Company and contributed to its

objective of attaining shareholders' satisfaction.

The Board has constituted – Business Development Committee, Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievance Committee.

Seven meetings of the Board of Directors were held during the year ending 31st March.05 – on 26th April 04, 26th June 04, 23rd July 04, 8th September 04, 29th November 04, 28th January 05 and 16th February 05.

The names of members of Board of Directors, their attendance and numbers of their other directorships are given below:

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM held on 8th September, 04	Membership / Chairmanship as on 31.03.05 in Other Boards (excluding this Company)	Other Board Committees (excluding this Company)
Sri A. K. Singh (E) Managing Director	6	Yes	2	1
Sri S. M. Bafna (N I)	2	Yes	8	-
Sri S. Venkatakrishnan (N I)	7	Yes	14	7
Dr T. S. Sethuratnam (N D)	6	Yes	6	3
Sri E. V. Balasubramanian (N I)	7	Yes	-	-

N I – Non-Executive, Independent Director; N D – Nominee Director – IREDA as lender; E – Executive
AGM – Annual General Meeting