

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Consolidated Balance Sheet as at March 31, 2014**

₹ 'lakhs

	Note	As at 31.03.2014	As at 31.03.2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	14,325.64	14,317.31
Reserves and surplus	4	214,350.49	180,938.80
		<b>228,676.13</b>	<b>195,256.11</b>
<b>Share Application Money pending Allotment</b>		<b>0.94</b>	-
<b>Non-current liabilities</b>			
Long-term borrowings	5	983,300.00	829,871.00
Other long-term liabilities	6	3,260.18	4,845.63
Long-term provisions	7	11,049.09	8,820.90
		<b>997,609.27</b>	<b>843,537.53</b>
<b>Current liabilities</b>			
Short-term borrowings	5	314,725.29	296,112.01
Trade Payables	8	14,667.05	15,111.46
Current maturities of Long-term borrowings	5	509,494.00	400,877.00
Other current liabilities	8	65,095.01	49,782.41
Short-term provisions	7	24,147.65	22,171.21
		<b>928,129.00</b>	<b>784,054.09</b>
<b>TOTAL</b>		<b>2,154,415.34</b>	<b>1,822,847.73</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	9		
(i) Tangible assets		6,862.71	6,629.27
(ii) Intangible assets		563.30	646.50
		<b>7,426.01</b>	<b>7,275.77</b>
Non-current investments	10	2,198.20	2,862.50
Deferred tax asset (net)	11	12,964.87	6,886.05
Receivable under financing activity	12	1,307,904.40	1,147,364.31
Long-term loans and advances	13	6,987.78	5,969.87
Trade receivables	16	0.77	0.36
Other non-current assets	14	61,217.92	45,757.26
		<b>1,398,699.95</b>	<b>1,216,116.12</b>
<b>Current assets</b>			
Current investments	15	1,700.26	14,332.50
Trade receivables	16	1,660.51	486.16
Cash and Cash Equivalents	17	81,284.37	40,367.90
Receivable under financing activity	12	634,908.28	522,012.29
Short-term loans and advances	13	2,675.59	1,319.32
Other current assets	14	33,486.38	28,213.44
		<b>755,715.39</b>	<b>606,731.61</b>
<b>TOTAL</b>		<b>2,154,415.34</b>	<b>1,822,847.73</b>

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**Geetha Suryanarayanan**  
Partner

**M B N Rao**  
Chairman

Date : 28 April, 2014  
Place : Chennai

**P Sujatha**      **D Arul Selvan**  
Secretary      Chief Financial Officer

**Vellayan Subbiah**  
Managing Director

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Consolidated Statement of Profit and Loss for the year ended March 31, 2014**

₹ 'lakhs

	Note	Year ended 31.03.2014	Year ended 31.03.2013
<b>Revenue</b>			
- Revenue from operations	18	327,931.10	257,014.95
- Other income	19	104.12	165.87
<b>Total Revenue</b>		<b>328,035.22</b>	<b>257,180.82</b>
<b>Expenses</b>			
- Finance costs	20	176,936.86	140,999.92
- Business origination outsourcing		20,063.45	17,847.82
- Employee benefits expense	21	19,411.52	16,080.78
- Other operating expenses	22	25,372.98	22,541.51
- Depreciation and amortisation expense	9	2,464.11	2,157.24
- Provisions and loan losses	23	28,338.48	12,333.69
<b>Total Expenses</b>		<b>272,587.40</b>	<b>211,960.96</b>
<b>Profit before tax</b>		<b>55,447.82</b>	<b>45,219.86</b>
<b>Tax expense:</b>			
- Current tax			
- Current year - Expense		22,486.27	17,366.57
- Prior years - Expense/(Reversal of provision)		0.98	(1,124.32)
- MAT Credit Entitlement			
- Current year		(93.58)	(40.33)
- Prior years		(0.59)	-
- Deferred tax	11	(3,773.43)	(1,773.08)
		18,619.65	14,428.84
<b>Profit after tax for the year</b>		<b>36,828.17</b>	<b>30,791.02</b>
Earnings per equity share of ₹ 10 each	24		
- Basic		25.73	22.99
- Diluted		25.68	22.93

See accompanying notes forming part of the consolidated financial statements

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For and on behalf of the **Board of Directors**

**Geetha Suryanarayanan**  
Partner

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Date : 28 April, 2014  
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**P Sujatha**    **D Arul Selvan**    **Vellayan Subbiah**  
Secretary    Chief Financial Officer    Managing Director

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Consolidated Cash Flow Statement for the year ended March 31, 2014**

₹ 'lakhs

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b><u>Cash Flow from Operating Activities</u></b>		
<b>Profit Before Tax</b>	<b>55,447.82</b>	<b>45,219.86</b>
Adjustments for :-		
Depreciation and amortisation expense	2,464.11	2,157.24
<u>Provisions/(reversal of provisions) - Long Term</u>		
- Standard Assets (Net)	415.89	775.08
- Non-Performing Assets under Financing Activity (Net)	1,812.30	2,679.28
- Provision for doubtful debts	20.90	-
- Credit Enhancement and Servicing Costs on Assets De-recognised(Net)	-	65.79
- Diminution in Value of Investments	(1.10)	1.10
<u>Provisions/(reversal of provisions) - Short Term</u>		
- Standard Assets (Net)	243.86	(6.16)
- Non-Performing Assets under Financing Activity (Net)	1,962.97	4,784.81
- Credit Enhancement and Servicing Costs on Assets De-recognised(Net)	(74.70)	(176.52)
- Provision for Clawback	5.21	2.58
- Compensated Absences(Net)	(161.94)	289.52
- Contingent Service Tax claims	-	56.76
Loss on Repossessed Assets (Net)	15,330.43	2,995.36
Loss assets written off	8,642.54	1,153.37
Investment Written Off	1.10	-
Provision for doubtful debts	(17.74)	-
Finance Costs	176,936.86	140,999.92
Profit on Sale of Fixed Assets ( Net )	(4.62)	(1.38)
Liability no longer required written back	(71.63)	-
Profit on Sale of Current Investments ( Net )	(2,565.04)	(2,026.09)
Gain on prepayment of Commercial paper and Debentures (Net)	(187.95)	(11.96)
Loss on redemption of Government Securities	-	0.67
Interest Income	(4,781.02)	(3,194.57)
Interest on Investments	(137.01)	-
Dividend on Investments	(5.22)	(18.59)
	199,828.20	150,526.21
<b>Operating Profit Before Working Capital Changes</b>	<b>255,276.02</b>	<b>195,746.07</b>
Adjustments for :-		
<u>(Increase)/Decrease in operating Assets - Current/Short term</u>		
- Receivables under Financing Activity (including Repossessed Assets)	(475,424.33)	(339,774.10)
- Other Current Assets and Trade receivables	(6,876.99)	(4,833.18)
- Loans and advances	(1,356.27)	1,797.45
	(483,657.59)	(342,809.83)
<u>(Increase)/Decrease in operating Assets - Non Current/Long term</u>		
- Receivables under Financing Activity (including Repossessed Assets)	(160,540.09)	(313,068.66)
- Other Non Current Assets and Trade receivables	(15,540.83)	(9,167.12)
- Loans and advances	(84.49)	72.21
	(176,165.41)	(322,163.57)
Securitisation / Bilateral Assignment of Receivables	338,078.00	218,775.00
<u>Increase/(Decrease) in operating liabilities</u>		
- Other Current & Short term liabilities	4,412.81	17,114.49
- Other Long term liabilities	0.28	64.25
	(62,055.89)	(233,273.59)
<b>Cash Used in Operations</b>	<b>(62,055.89)</b>	<b>(233,273.59)</b>
Finance Costs paid	(166,754.63)	(133,208.55)
Interest Received on Bank Deposits and other investments	4,865.50	6,364.85
Profit on Sale of Current Investments ( Net )	2,565.04	2,026.09
Direct Taxes Paid	(23,287.92)	(17,305.12)
	(182,612.01)	(142,122.73)
<b>Net Cash Used in Operating Activities (A)</b>	<b>(244,667.90)</b>	<b>(375,396.32)</b>

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Consolidated Cash Flow Statement for the year ended March 31, 2014**

₹ 'lakhs

Particulars	Year ended 31.03.2014		Year ended 31.03.2013	
<b><u>Cash Flow from Investing Activities</u></b>				
Bank Deposits and Unpaid Dividend Accounts (See Note below)	(5,472.08)		6,913.33	
Purchase of Fixed Assets	(2,688.00)		(3,598.28)	
Sale of Fixed Assets	39.69		36.85	
Purchase of Other Investments	(2,573,420.30)		(2,029,377.22)	
Sale/ Redemption of Other Investments	2,573,216.85		2,026,469.28	
Dividend Received on Investments	5.22		18.59	
<b>Net Cash (Used in) / From Investing Activities (B)</b>		(8,318.62)		462.55
<b><u>Cash Flow from Financing Activities</u></b>				
Increase in Equity Share Capital and Securities Premium (net of expenses)		150.79		29,620.22
<u>Increase/(Decrease) in borrowings - Non current/Long term</u>				
- Debentures	23,340.00		100,950.00	
- Banks and Others	130,089.00	153,429.00	13,466.00	114,416.00
<u>Increase/(Decrease) in borrowings - Current/Short term</u>				
- Debentures	30,200.00		22,320.00	
- Banks and Others	97,030.28	127,230.28	245,712.72	268,032.72
Decrease in Fixed Deposits		(18.24)		(14.21)
Dividends Paid (Including Distribution Tax)		(5,860.92)		(5,393.30)
<b>Net Cash Flow From Financing Activities (C)</b>		274,930.91		406,661.43
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>		<b>21,944.39</b>		<b>31,727.66</b>
Cash and Cash Equivalents at the Beginning of the Year		45,614.53		13,886.87
Cash and Cash Equivalents at the End of the Year		<b>67,558.92</b>		<b>45,614.53</b>
Note:				
Cash and Cash Equivalents at the End of the Year as per Balance Sheet		81,284.37		40,367.90
Add: Current Investments (Excluding Investments under Lien)		-		13,500.00
Less: Balance in Current Accounts held for Unpaid Dividends		34.78		33.35
Less: Bank Deposits held for More than Three Months		1,438.62		743.96
Less: Bank Deposits under Lien		12,252.05		7,476.06
		<u>67,558.92</u>		<u>45,614.53</u>

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**Geetha Suryanarayanan**  
Partner

**M B N Rao**  
Chairman

Date : 28 April, 2014  
Place : Chennai

**P Sujatha**  
Secretary

**D Arul Selvan**  
Chief Financial Officer

**Vellayan Subbiah**  
Managing Director

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

**Cholamandalam Investment and Finance Company Limited** ("the Company") is one of the premier diversified non-banking finance companies in India, engaged in providing vehicle finance, home loans, corporate mortgage loans and gold loans. The Company through, its subsidiaries, is also engaged in the business of broking and distribution of financial products.

## 1. Significant Accounting Policies

### a) Principles of Consolidation

The consolidated financial statements relate to Cholamandalam Investment and Finance Company Limited and its subsidiaries (hereinafter collectively referred to as "the Group"). The consolidated financial statements have been prepared on the following basis:

- (i) The Financial Statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions and resulting in unrealised profits or losses, unless cost cannot be recovered.
- (ii) Investments in entities where the Company holds interest on a temporary basis and where it does not exercise significant influence / control are not considered for consolidation purposes.
- (iii) The Financial Statements of the Subsidiaries in the Consolidation are drawn up to the same reporting date as that of the Company i.e. March 31, 2014.
- (iv) The excess of Cost to the Company of its Investment in the Subsidiaries over the Company's portion of Equity on the date of acquisition is recognised in the financial statements as Goodwill. The carrying value of goodwill is tested for impairment as at the end of each reporting period.
- (v) The excess of the Company's portion of Equity of the Subsidiaries on the acquisition date over its Cost of Investment is treated as Capital Reserve.

### b) Particulars of consolidation

The financial statements of the following subsidiaries (all incorporated in India) have been considered for consolidation:

Name of the Company	Percentage of Voting Power as on	
	March 31, 2014	March 31, 2013
Cholamandalam Securities Limited (CSEC)	100.00%	100.00%
Cholamandalam Distribution Services Limited (CDSL)	100.00%	100.00%
Cholamandalam Factoring Limited (CFACT) (Refer Note 2)	-	100.00%

### c) Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The financial statements have been

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

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prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India (RBI) for Non-deposit taking Non-Banking Finance Companies (NBFC-ND).

### **d) Use of Estimates**

The preparation of financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the year. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

### **e) Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### **f) Revenue Recognition**

Interest Income is recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. In the case of Non Performing Loans, interest income is recognised upon realisation, as per RBI guidelines. Unrealised interest recognised as income in the previous period is reversed in the month in which the loan is classified as Non-Performing.

Interest income on bill discounting is recognised over the tenure of the instrument so as to provide a constant periodic rate of return.

Service Charges are recognised on issue of delivery instruction to the dealer/ manufacturer in respect of the assets financed or on release of disbursement amount, whichever is earlier, and when there is no uncertainty in receiving the same.

Additional Finance Charges, Cheque bounce charges, Field visit charges and other penal / servicing charges are recognised as income on realisation due to uncertainty in their collection.

Interest spread on bilateral assignment or securitisation of receivables is recognised over the tenor of the underlying assets as per RBI guidelines.

Loss, if any, in respect of securitisation and assignment is recognised upfront.

Income from non-financing activity is recognised as per the terms of the respective contract on accrual basis.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

Brokerage Income on stock broking and other charges are recognised on the trade date of transaction upon confirmation of the transaction by the exchanges.

Income from depository services, finance charges on client dues are recognised on the basis of agreements entered into with the clients and when the right to receive the income is established.

Interest income on bonds and deposits and pass through certificates is recognised on accrual basis.

Commission is recognised on an accrual basis based on contractual obligations and when there is no uncertainty in receiving the same. Commission income is net of service tax.

Profit / loss on sale of investments is recognised at the time of sale or redemption.

Dividend Income is recognised when the right to receive dividend is established.

### g) Fixed Assets , Depreciation and Impairment

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure on fixed assets after their purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately.

Depreciation on own fixed assets is provided pro-rata on the basis of the Straight Line Method over their estimated useful lives or at the rates specified in Schedule XIV of the Companies Act, 1956, whichever is higher.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Buildings	20 years
Plant and Machinery	
-Computer Equipment	3 years
-Others	5 years
Office Equipment	5 years
Leasehold improvements	Lease Period or 5 years, whichever is lower except that in respect of CSEC it is over 5 years
Furniture and Fixture	5 years
Vehicles	5 years
Intangible Assets - Computer Software	License Period or 3 years, whichever is lower except that in respect of CSEC it is over 6 years
Stock Exchange Membership Card	10 years

Assets individually costing less than or equal to ₹ 5,000 are fully depreciated in the year of acquisition.

The estimated useful lives of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

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The carrying amount of assets is reviewed at each Balance Sheet date to ascertain impairment based on internal or external factors. Impairment is recognised if the carrying value exceeds the higher of net selling price of the assets and its value in use.

## **h) Investments**

Investments which are long-term in nature are stated at cost. Provision is made for diminution in value if it is of nature other than temporary.

Current investments are valued at lower of cost and fair value.

Costs of investments include acquisition charges such as brokerage, fees and duties.

Long Term Investments are stated at cost other than the investment in the shares of Bombay Stock Exchange Limited, which is accounted at fair value based on the Expert Advisory Committee opinion on 'Accounting for conversion of membership rights of erstwhile BSE (AOP) into trading rights of BSEL and shares'. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

## **i) Receivables under Financing Activity and Provisioning**

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off

(i) Unearned income

(ii) Instalments appropriated up to the Balance Sheet date.

Provision for Standard Assets is made as per internal estimates, based on past experience, realisation of security, and other relevant factors, on the outstanding amount of Standard Assets for all types of lending subject to minimum provisioning requirements specified by RBI.

Provision for Non-Performing Assets is made as per the provisioning norms approved by the Board for each type of lending activity subject to the minimum provisioning requirements specified by RBI.

## **j) Repossessed Assets**

Repossessed Assets are valued at lower of cost and estimated net realisable value.

## **k) Retirement and Other Benefits**

(i) Defined Contribution Plan

Provident Fund: Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund are based on the statutory provisions as per the Employee Provident Fund Scheme. The Group has no liability for the future Provident Fund benefits other than its contribution and recognises such contributions as an expense in the Statement of Profit and Loss in the period when services are rendered by the employees.



# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

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Superannuation: The Group contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Group has no liability for future Superannuation Fund benefits other than its contribution and recognises such contributions as an expense in the Statement of Profit and Loss in the period when services are rendered by the employees.

### (ii) Defined Benefit Plan

Expenditure for defined benefit gratuity plan and long-term accumulated compensated absences is calculated as at the Balance Sheet date in a manner that distributes expenses over the employees working lives. These commitments are valued at the present value of expected future payments and with consideration for calculated future salary increases.

The Group makes contribution to a Gratuity Fund administered by trustees and managed by LIC. The Group accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC / independent actuary using the Projected Unit Credit method.

### (iii) Long-Term Compensated Absences

The Group accounts its liability for long term compensated absences based on actuarial valuation, as at the Balance Sheet date, determined by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur.

### (iv) Other-Short Term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of short-term compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

## I) Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the Balance Sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the Statement of Profit and Loss.

The Group enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognised in the Statement of Profit and Loss in the period in which the exchange rates change. Any

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

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profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

### **m) Derivative Transactions**

The Group enters into derivative contracts in the nature of foreign currency swaps with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

### **n) Lease Accounting**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease tenure.

### **o) Service Tax Input Credit**

Service Tax Input Credit is accounted for in the books in the period when the underlying service received is accounted and when there is no uncertainty in availing / utilising the same.

### **p) Taxation**

Income Tax: Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax: Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognises MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of*

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

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*Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent it does not have convincing evidence that it will pay normal tax during the specified period.

### **q) Employee share based payments**

In respect of stock options granted pursuant to the Company's Employee Stock Option Schemes, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

### **r) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when the Group has present or legal or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

Contingent liability is disclosed for :-

- (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements.

### **s) Segment Reporting**

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

### **t) Prepaid Finance Charges**

Prepaid Finance Charges represent ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed, and are amortised on a straight-line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, are fully expensed off as and when the related borrowing is prepaid / cancelled.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

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## **u) Share issue expenses**

Share issue expenses are either debited to the Statement of Profit and Loss or adjusted against securities premium account in accordance with Section 78(2) of the Companies Act, 1956, based on the Management's decision.

## **v) Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## **w) Operating Cycle**

Assets and Liabilities are classified as Current and Non-Current based on the Operating Cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realised and settled, within a period of 12 months from the date of Balance Sheet have been classified as Current and other assets and liabilities are classified as Non-current.

## **x) Provision for Claw Back of Commission Income**

The estimated liability for claw back of commission income is recorded in the period in which the underlying revenue is recognised. These estimates are established using historical information on the nature, frequency and expected average cost of claw back and management estimates regarding possible future incidence. The estimates used for accounting of claw back claims are reviewed periodically and revisions are made as required.

## **2. Approval of Scheme of Amalgamation**

Cholamandalam Factoring Ltd (CFACT) was a Non-Banking Finance Company (NBFC) and a wholly-owned subsidiary of the Company. The Board of Directors at their meeting held on October 30, 2012 approved a Scheme of Amalgamation of CFACT with the Company subject to the approval of Hon'ble High Court of Judicature at Madras and other necessary approvals and sanctions. The Hon'ble High Court of Judicature at Madras sanctioned the Scheme with an Appointed date of April 1, 2012 and is effective from May 24, 2013, being date of filing the order with the Registrar of Companies. In accordance with the said Scheme, the Company has accounted for this amalgamation in the nature of merger under the pooling-of-interest method, during the current year with retrospective effect from the appointed date.

Note : 3 SHARE CAPITAL	As at 31.03.2014		As at 31.03.2013	
	Nos.	Amount	Nos.	Amount
<b>AUTHORISED</b> (Refer Note 3.1)				
Equity Shares of ₹ 10 each	240,000,000	24,000.00	150,000,000	15,000.00
Preference Shares of ₹ 100 each	30,000,000	30,000.00	30,000,000	30,000.00
		<b>54,000.00</b>		<b>45,000.00</b>
<b>ISSUED</b>				
Equity Shares of ₹ 10 each	143,327,788	14,332.78	143,244,495	14,324.45
1% Fully Convertible Cumulative Preference Shares of ₹ 100 each (Fully converted on May 17, 2010 into 3,26,08,695 equity shares)	30,000,000	30,000.00	30,000,000	30,000.00
		<b>44,332.78</b>		<b>44,324.45</b>
<b>SUBSCRIBED AND FULLY PAID UP</b>				
Equity Shares of ₹ 10 each	143,191,034	14,319.10	143,107,741	14,310.77
Add : Forfeited Shares	130,900	6.54	130,900	6.54
		<b>14,325.64</b>		<b>14,317.31</b>

**a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year:**

Equity Shares	As at 31.03.2014		As at 31.03.2013	
	Nos.	Amount	Nos.	Amount
Outstanding at the beginning of the year	143,107,741	14,310.77	132,554,549	13,255.45
Issued during the year on preferential basis	-	-	10,526,315	1,052.63
Issued during the year - Employees Stock Option Scheme	83,293	8.33	26,877	2.69
<b>Outstanding at the end of the year</b>	<b>143,191,034</b>	<b>14,319.10</b>	<b>143,107,741</b>	<b>14,310.77</b>
<b>Forfeited shares</b>				
Equity - Amount originally paid up	<b>130,900</b>	<b>6.54</b>	<b>130,900</b>	<b>6.54</b>

**b) Terms/rights attached to Equity shares:**

The Company has only one class of equity shares having a par value of ₹ 10 per share. All these shares have the same rights and preferences with respect to payment of dividend, repayment of capital and voting. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except for interim dividend.

Repayment of capital will be in proportion to the number of Equity shares held.

**c) Equity Shares held by the Holding Company and its Associates:**

	As at 31.03.2014	As at 31.03.2013
Tube Investments of India Limited - Holding Company	72,233,019	72,233,019
Murugappa Holdings Limited - Associate of Holding Company	176	176

**d) Details of shareholding more than 5% shares in the Company:**

Equity Shares	As at 31.03.2014		As at 31.03.2013	
	Nos.	% holding in the class	Nos.	% holding in the class
Tube Investments of India Limited	72,233,019	50.46	72,233,019	50.47
International Finance Corporation	11,831,352	8.26	11,831,352	8.27
New Ambadi Estates Private Limited	7,218,410	5.04	7,218,410	5.04

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**e) Shares reserved for issue under options:**

Refer Note 34 for details of shares reserved for issue under options

**f) Issue of shares on Preferential basis:**

On February 13, 2013 the Company allotted 1,05,26,315 equity shares of ₹ 10 each at a premium of ₹ 275 per share aggregating to ₹ 30,000 lakhs to eligible investors who are Qualified Institutional Buyers.

3.1 As per the Scheme of Amalgamation approved by Hon'ble High Court of Judicature at Madras, the Authorised Share Capital of the Company is increased to ₹ 54,000 lakhs which has been divided into 240,000,000 equity shares of ₹ 10 each amounting to ₹ 24,000 lakhs and 3,000,000 preference shares of ₹ 100 each amounting to ₹ 30,000 lakhs. (Refer Note 2)

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

₹ 'lakhs

<b>Note : 4 RESERVES AND SURPLUS</b>	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
<b>Capital Reserve</b>	<b>3.97</b>	<b>3.97</b>
<b>Capital Redemption Reserve</b> (Note 4.1)	<b>3,300.00</b>	<b>3,300.00</b>
<b>Securities Premium Account</b>		
Balance at the beginning of the year	116,344.45	87,779.55
Add: Premium on issue of shares on Preferential basis (Note 3 (f))	-	28,947.37
Premium on ESOPs exercised	141.52	39.31
Less: Share issue expenses	-	(421.78)
<b>Closing balance</b>	<b>116,485.97</b>	<b>116,344.45</b>
<b>Statutory Reserve</b> (Note 4.2)		
Balance at the beginning of the year	18,765.48	12,606.45
Add: Amount transferred from surplus in the Statement of Profit and Loss	7,281.00	6,159.03
<b>Closing balance</b>	<b>26,046.48</b>	<b>18,765.48</b>
<b>General Reserve</b>		
Balance at the beginning of the year	33,621.86	18,623.19
Add: Amount transferred from surplus in the Statement of Profit and Loss	5,000.00	15,000.00
Transfer from Adjustments on consolidation	-	(1.33)
Deferred tax adjustment consequent to the Scheme of Amalgamation (Refer Note 11)	2,345.47	-
<b>Closing balance</b>	<b>40,967.33</b>	<b>33,621.86</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	8,903.04	4,797.61
Profit for the year	36,828.17	30,791.02
Deferred Tax adjustment for the year 2012-13 consequent to the Scheme of Amalgamation (Refer Note 11)	(40.08)	-
Less:		
Dividend		
Equity for previous year (Note 4.3)	(0.43)	(0.03)
Equity Interim - Paid (₹ 2.50 per share)	(3,579.26)	(3,314.54)
Equity - Proposed (₹ 1.00 per share)	(1,431.97)	(1,431.08)
Distribution tax on Equity Dividend	(851.73)	(780.91)
Transfer to Statutory Reserve	(7,281.00)	(6,159.03)
Transfer to General Reserve	(5,000.00)	(15,000.00)
<b>Net surplus in the Statement of Profit and Loss</b>	<b>27,546.74</b>	<b>8,903.04</b>
<b>Total Reserves and Surplus</b>	<b>214,350.49</b>	<b>180,938.80</b>

4.1 Represents the amount transferred for a sum equal to the nominal value of shares redeemed during the prior years.

4.2 Represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934

4.3 Represents dividend payment relating to previous year in respect of 42,828 (March 31, 2013 - 3,433) shares which were allotted to the employees under the Employee Stock Option Scheme, 2007 after March 31, 2013 but before July 26, 2013 (book closure date).





**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

₹ 'lakhs

**Note : 5 BORROWINGS** (Refer Note 5.2)

	<b>Non - Current</b>		<b>Current</b>	
	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
<b>LONG TERM</b>				
Redeemable Non-Convertible Debentures				
Medium Term - Secured - (Refer Note 5.1 (i))	215,520.00	204,940.00	141,020.00	117,820.00
Subordinated debt - Unsecured	94,800.00	102,800.00	20,000.00	13,000.00
Perpetual debt - Unsecured	103,330.00	82,570.00	-	-
Term Loans				
Rupee Loans from Banks - Secured (Refer Note 5.1 (ii))	569,650.00	434,133.00	342,483.00	259,201.00
Foreign currency loans from banks - Secured (Refer Note 5.1 (ii))	-	5,428.00	5,991.00	10,856.00
	<b>983,300.00</b>	<b>829,871.00</b>	<b>509,494.00</b>	<b>400,877.00</b>
The above amount includes				
Secured borrowings	785,170.00	644,501.00	489,494.00	387,877.00
Unsecured borrowings	198,130.00	185,370.00	20,000.00	13,000.00
Amount disclosed under the head "Current Maturities of Long term borrowings"			(509,494.00)	(400,877.00)
	<b>983,300.00</b>	<b>829,871.00</b>	<b>-</b>	<b>-</b>
<b>SHORT TERM</b>				
Working capital Demand loans and cash credit from Banks				
-Secured (Refer Note 5.1 (iii))	-	-	260,055.29	211,107.01
Commercial paper - Unsecured	-	-	54,670.00	85,005.00
	<b>-</b>	<b>-</b>	<b>314,725.29</b>	<b>296,112.01</b>
The above amount includes				
Secured borrowings	-	-	260,055.29	211,107.01
Unsecured borrowings	-	-	54,670.00	85,005.00
	<b>-</b>	<b>-</b>	<b>314,725.29</b>	<b>296,112.01</b>

**5.1 Security**

(i) Redeemable Non convertible debentures - Medium term is secured by way of specific charge on assets under hypothecation relating to automobile financing, corporate mortgage loans and loans against immovable property and pari passu charge on immovable property situated at Ahmedabad.

(ii) Term loans from banks is secured by way of specific charge on assets under hypothecation relating to automobile financing and loans against immovable property.

(iii) Cash credit from banks and working capital demand loans are secured by floating charge on assets under hypothecation and other current assets.

5.2 The Group has not defaulted in the repayment of dues to its lenders.

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

	₹ 'lakhs	
	As at 31.03.2014	As at 31.03.2013
<b>Note : 6 OTHER LONG - TERM LIABILITIES</b>		
Advances from customers	80.00	115.85
Interest Accrued but not due on borrowings	2,938.22	4,523.95
Deferred Rent	241.96	205.83
	<b>3,260.18</b>	<b>4,845.63</b>

₹ 'lakhs

**Note : 7 PROVISIONS**

	Long term		Short term	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
<b>Provisions for Employee Benefits</b>				
- Compensated Absences (Refer Note 28B)	-	-	945.17	1,107.11
	-	-	945.17	1,107.11
<b>Other provisions</b>				
Provision for Standard Assets (Refer Note 32)	3,266.51	2,850.62	1,549.59	1,305.73
Provision for Non performing Assets (Refer Note 32)	7,029.14	5,216.84	19,177.40	17,214.43
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised (Refer Note 32)	753.44	753.44	-	74.70
Contingent Service Tax Claims	-	-	792.37	792.37
Provision for Clawback	-	-	7.79	2.58
Proposed Dividend - Equity	-	-	1,431.97	1,431.08
Provision for Distribution tax on proposed Dividend - Equity	-	-	243.36	243.21
	<u>11,049.09</u>	<u>8,820.90</u>	<u>23,202.48</u>	<u>21,064.10</u>
	<b>11,049.09</b>	<b>8,820.90</b>	<b>24,147.65</b>	<b>22,171.21</b>

₹ 'lakhs

**Note : 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

	As at 31.03.2014	As at 31.03.2013
<b>Trade Payables</b>		
Dues to clients and Stock Exchanges	2,045.92	604.70
Others	12,621.13	14,506.76
	<b>14,667.05</b>	<b>15,111.46</b>
<b>Other current liabilities</b>		
Interest Accrued but Not Due on Borrowings / Other Deposits	38,062.54	27,518.73
Income received in advance	3.99	3.24
Unpaid Dividend (Refer Note 8.1)	34.78	33.35
Fixed Deposits including interest accrued thereon - Matured and unclaimed (Refer Note 8.2 & 8.3)	21.29	39.53
Advances from customers/others	1,859.81	1,459.15
Security Deposit received	520.77	367.43
Remittance payables - Derecognised assets (Refer Note 17.1)	22,857.90	18,486.80
Insurance premium collected from customers	1,001.35	1,219.69
Statutory dues	361.19	428.42
Other liabilities	371.39	226.07
	<b>65,095.01</b>	<b>49,782.41</b>

8.1 There are no amounts of Unpaid Dividend due and outstanding to be credited to the Investor Education and Protection Fund (IEPF).

8.2 As at March 31 2014, there are no amounts due and outstanding to be credited to the Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for ₹ 1.86 lakhs (March 31 2013 - ₹ 1.86 lakhs), the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to ₹ 0.11 lakh (March 31 2013 - ₹ 0.11 lakh), payments have not been made as per instructions received from Central Bureau of Investigation .

8.3 Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of ₹26.91 lakhs as at March 31, 2014 (March 31, 2013 - ₹ 48.06 lakhs) in an Escrow Account, as directed by the RBI. Also refer Note 17.

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended 31 March, 2014

**Note 9 : FIXED ASSETS**

As at March 31, 2014

₹ 'lakhs

Description	Gross Block			Accumulated Depreciation and Amortisation				Net Block as at		
	Cost as at 31.03.2013	Additions	Deletions	Cost as at 31.03.2014	Upto 31.03.2013	Provided	Withdrawn	Upto 31.03.2014	31.03.2014	31.03.2013
<b>Tangible Asset</b>										
Freehold Land	464.19	-	-	464.19	-	-	-	-	464.19	464.19
Buildings (Refer Note 9.1)	3,463.77	-	-	3,463.77	555.76	172.02	-	727.78	2,735.99	2,908.01
Plant and Machinery	2,765.39	761.50	123.74	3,403.15	1,913.54	644.82	118.81	2,439.55	963.60	851.85
Office Equipment	1,165.96	369.36	29.90	1,505.42	666.65	243.04	18.97	890.72	614.70	499.31
Furniture and Fixtures	1,341.87	321.42	0.35	1,662.94	720.82	317.90	0.27	1,038.45	624.49	621.05
Leasehold improvements	1,545.00	674.15	16.41	2,202.74	677.68	543.32	15.95	1,205.05	997.69	867.32
Vehicles	593.21	198.46	57.35	734.32	175.67	135.81	39.21	272.27	462.05	417.54
<b>Total</b>	<b>11,339.39</b>	<b>2,324.89</b>	<b>227.75</b>	<b>13,436.53</b>	<b>4,710.12</b>	<b>2,056.91</b>	<b>193.21</b>	<b>6,573.82</b>	<b>6,862.71</b>	<b>6,629.27</b>
<b>Intangible Assets</b> (Acquired)										
Computer Software	3,157.83	324.53	65.35	3,417.01	2,526.68	400.62	64.82	2,862.48	554.53	631.15
Stock Exchange Membership Card	170.75	-	-	170.75	155.40	6.58	-	161.98	8.77	15.35
<b>Total</b>	<b>3,328.58</b>	<b>324.53</b>	<b>65.35</b>	<b>3,587.76</b>	<b>2,682.08</b>	<b>407.20</b>	<b>64.82</b>	<b>3,024.46</b>	<b>563.30</b>	<b>646.50</b>

**As at March 31, 2013**

Description	Gross Block			Accumulated Depreciation and Amortisation				Net Block as at		
	Cost as at 31.03.2012	Additions	Deletions	Cost as at 31.03.2013	Upto 31.03.2012	Provided	Withdrawn	Upto 31.03.2013	31.03.2013	31.03.2012
<b>Tangible Asset</b>										
Freehold Land	464.19	-	-	464.19	-	-	-	-	464.19	464.19
Buildings (Refer Note 9.1)	3,424.91	38.86	-	3,463.77	384.99	170.77	-	555.76	2,908.01	3,039.92
Plant and Machinery	2,052.14	781.01	67.76	2,765.39	1,461.64	509.77	57.87	1,913.54	851.85	590.50
Office Equipment	589.00	597.45	20.49	1,165.96	332.92	347.08	13.35	666.65	499.31	256.08
Furniture and Fixtures	557.97	805.48	21.58	1,341.87	373.13	366.35	18.66	720.82	621.05	184.84
Leasehold improvements	675.08	934.18	64.26	1,545.00	411.21	329.67	63.20	677.68	867.32	263.87
Vehicles	429.38	208.75	44.92	593.21	102.08	104.05	30.46	175.67	417.54	327.30
<b>Total</b>	<b>8,192.67</b>	<b>3,365.73</b>	<b>219.01</b>	<b>11,339.39</b>	<b>3,065.97</b>	<b>1,827.69</b>	<b>183.54</b>	<b>4,710.12</b>	<b>6,629.27</b>	<b>5,126.70</b>
<b>Intangible Assets</b> (Acquired)										
Computer Software	2,704.40	453.43	-	3,157.83	2,203.70	322.98	-	2,526.68	631.15	500.70
Stock Exchange Membership Card	170.75	-	-	170.75	148.83	6.57	-	155.40	15.35	21.92
<b>Total</b>	<b>2,875.15</b>	<b>453.43</b>	<b>-</b>	<b>3,328.58</b>	<b>2,352.53</b>	<b>329.55</b>	<b>-</b>	<b>2,682.08</b>	<b>646.50</b>	<b>522.62</b>

9.1 Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land .

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

	₹ 'lakhs	
	As at 31.03.2014	As at 31.03.2013
<b>Note : 10 NON-CURRENT INVESTMENTS</b> (valued at cost unless stated otherwise)		
<b>Non Trade Investments</b>		
Investment in Equity shares - <b>Unquoted</b>		
Amaravathi Sri Venkatesa Paper Mills Limited 293,272 Equity shares of ₹ 10 each fully paid up	129.04	129.04
Saraswat Co-operative Bank Limited 1,000 Equity shares of ₹ 10 each fully paid up	0.10	0.10
The Shamrao Vithal Co-operative Bank Limited 1,000 Equity shares of ₹ 25 each fully paid up	0.25	0.25
Bombay Stock Exchange Limited 1,30,000 Shares of ₹ 1 each fully paid up	138.04	138.04
Madras Stock Exchange Limited 2,85,000 Shares of ₹ 1 each fully paid up	0.15	0.15
Chola Insurance Services Limited 19,133 Shares of ₹ 10 each fully paid up	1.91	1.91
Samvit Educational Servides Private Limited 36,000 Shares of ₹ 10 each fully paid up	-	1.10
Less: Provision for Diminution in Value of Investment	-	(1.10)
Investment in other shares - <b>Unquoted</b>		
Abhishek Co-operative Housing Society 5 shares of ₹ 50 each : Cost ₹ 250 only	0	0
Chennai Willingdon Corporate Foundation 5 shares of ₹ 10 each : Cost ₹ 50 only	0	0
Investment in other shares - <b>Quoted</b>		
Coromandel Engineering Company Limited 25,00,100 shares of ₹ 10 each fully paid	500.25	-
Investment in Mutual Fund Units - <b>Unquoted</b>	284.27	192.25
Investment in Pass Through Certificates - <b>Unquoted</b>	2,774.45	3,073.26
Amount disclosed under Current Investments (Refer Note 15)	(1,630.26)	(672.50)
	<b>2,198.20</b>	<b>2,862.50</b>
Aggregate Value of Unquoted Investments - At Cost	2,198.20	2,863.60
Aggregate provision for diminution in the value of investments	-	1.10

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

	As at	As at
	31.03.2014	31.03.2013
<b>Note 11 DEFERRED TAX ASSET (net)</b>		₹ 'lakhs
<b>Deferred Tax Asset</b>		
Provision for Standard Assets	1,636.99	1,412.75
Provision for Non-Performing Assets	8,907.60	5,319.00
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	256.10	281.49
Provision for Repossessed Stock	842.88	407.29
Provision for Contingent Service Tax	269.33	269.33
Income Derecognised on Non-Performing Assets	2,119.00	750.63
Provision for compensated absences and gratuity	308.68	356.12
Difference between Depreciation as per Books of Account and the Income Tax Act, 1961	200.68	200.33
Others	576.80	69.96
<b>(A)</b>	<b>15,118.06</b>	<b>9,066.90</b>
<b>Deferred Tax Liability</b>		
Unamortised Prepaid Finance Charges	2,153.19	2,180.85
<b>(B)</b>	<b>2,153.19</b>	<b>2,180.85</b>
<b>Net Deferred Tax Asset (A) - (B)</b>	<b>12,964.87</b>	<b>6,886.05</b>
<b>Movement in Net Deferred Tax Asset during the year</b>	<b>6,078.82</b>	<b>1,773.08</b>
<b>Add/(Less):</b>		
Movement in Deferred Tax during the year includes deferred tax relating to provision for non-performing assets transferred from CFACT consequent to Scheme of Amalgamation (Refer Note 4)		
- Adjusted in General Reserve	(2,345.47)	-
- Adjusted in Surplus in the Statement of Profit and Loss	40.08	-
<b>Deferred Tax expense in the Statement of Profit and Loss</b>	<b>3,773.43</b>	<b>1,773.08</b>

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

₹ 'lakhs

**Note : 12 RECEIVABLES UNDER FINANCING ACTIVITY** (Refer Note 12.5)

	Non - Current		Current	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
<b>Secured</b> (Refer Note 12.1)				
Automobile Financing	851,926.96	741,411.85	532,111.75	435,785.94
Loans against Immovable Property	453,605.79	399,178.16	37,498.51	34,283.78
Loans against Securities	1,902.09	5,424.99	8,470.17	10,046.50
Loans against Gold	-	-	-	1,533.92
Other Loans	467.06	1,313.74	1,225.31	-
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.3)	-	-	47,523.58	23,660.82
Total (a)	<u>1,307,901.90</u>	<u>1,147,328.74</u>	<u>626,829.32</u>	<u>505,310.96</u>
<b>Unsecured</b>				
Consumer Loans	2.50	35.57	23.46	6,886.81
Bills Discounted	-	-	163.74	-
Other Loans	-	-	7,761.16	8,506.44
Instalments and Other Dues from Borrowers (Refer Note 12.2 & 12.4)	-	-	130.60	1,308.08
Total (b)	<u>2.50</u>	<u>35.57</u>	<u>8,078.96</u>	<u>16,701.33</u>
<b>Total receivables under financing activity (a) + (b)</b>	<b><u>1,307,904.40</u></b>	<b><u>1,147,364.31</u></b>	<b><u>634,908.28</u></b>	<b><u>522,012.29</u></b>

12.1 Secured means exposures secured wholly or partly by hypothecation of automobile assets and / or, pledge of securities and / or, equitable mortgage of property and/ or, company guarantees or personal guarantees and/ or, undertaking to create a security.

12.2 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment/Securitisation of Receivables.

12.3 Secured Instalments and Other Dues from Borrowers include amounts outstanding for more than 6 months from the due date

12.4 Unsecured Instalments and Other Dues from Borrowers include amounts outstanding for more than 6 months from the due date

12.5 Of the above:

Considered Good	1,292,011.27	1,140,247.27	607,215.06	509,088.85
Others - Non-Performing Assets	15,893.13	7,117.04	27,693.22	12,923.44
	<u>1,307,904.40</u>	<u>1,147,364.31</u>	<u>634,908.28</u>	<u>522,012.29</u>

Refer Note 7 for Provision for Non-performing assets

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

₹ 'lakhs

<b>Note :13 LOANS AND ADVANCES</b>	<b>Long-Term</b>		<b>Short-term</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.03.2013</b>	<b>31.03.2014</b>	<b>31.03.2013</b>
<b>Unsecured - considered good</b> (unless otherwise stated)				
Capital Advances	182.36	143.78	-	-
Security Deposits	856.07	774.54	568.23	530.68
Deposits with Stock Exchanges	139.10	142.30	1,206.48	32.00
Prepaid expenses	23.26	20.83	372.34	315.19
Service tax input credit	230.90	235.90	161.38	252.24
Less: Provision	(230.90)	(235.90)	-	-
	-	-	161.38	252.24
Advance tax (net of provision for tax)	5,487.99	4,689.46	-	3.73
MAT Credit entitlement (net)	299.00	198.96	-	-
Other advances	-	-	367.16	185.48
	<b>6,987.78</b>	<b>5,969.87</b>	<b>2,675.59</b>	<b>1,319.32</b>

₹ 'lakhs

<b>Note : 14 OTHER ASSETS</b>	<b>Non-current</b>		<b>Current</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.03.2013</b>	<b>31.03.2014</b>	<b>31.03.2013</b>
<b>Unsecured - considered good</b> (unless otherwise stated)				
Deposits as collateral towards assets derecognised (Refer Note 17)	51,999.91	35,096.58	-	-
Excess Interest spread - Derecognised assets	4,328.03	5,113.28	519.95	675.99
Prepaid Finance Charges	4,889.98	4,948.84	1,444.79	1,467.30
Prepaid Discount on Commercial Papers	-	-	1,693.22	2,648.05
Reposessed Automobile assets	-	-	1,105.02	627.65
Interest and Other Income Accrued but Not Due				
- on Loans to Borrowers	-	-	23,818.81	19,009.45
- on Deposits and Investments	-	-	582.11	529.58
Financial assets on derivative transactions	-	598.56	939.89	1,756.00
Unbilled revenue	-	-	8.66	16.45
Other Accruals and receivables *	-	-	3,373.93	1,482.97
	<b>61,217.92</b>	<b>45,757.26</b>	<b>33,486.38</b>	<b>28,213.44</b>

\* includes ₹ 2,852.74 lakhs ( March 31, 2013 - ₹ 1,007.87 lakhs) receivable from the assignees / investors on remittance of the dues towards derecognized assets referred in Note 8

₹ 'lakhs

<b>Note : 15 CURRENT INVESTMENTS</b> (valued at lower of cost and fair value, unless stated otherwise as - Non-Trade)	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.03.2013</b>
Investments in Mutual Funds - <b>Unquoted</b>	70.00	13,660.00
Current Portion of Long term Investment in Pass Through Certificates - <b>Unquoted</b>	1,630.26	672.50
	<b>1,700.26</b>	<b>14,332.50</b>
Aggregate amount of unquoted investments		
- At Cost	1,700.26	14,332.50
- At Market Value	1,700.42	14,340.42

Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds

₹ 'lakhs

<b>Note : 16 TRADE RECEIVABLES</b>	<b>Long Term</b>		<b>Short Term</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.03.2013</b>	<b>31.03.2014</b>	<b>31.03.2013</b>
Secured - Considered Good	0.77	0.36	1,619.82	436.22
Unsecured - Considered Good	-	-	40.69	49.94
Unsecured - Considered Doubtful	166.70	145.80	33.28	51.02
Less: Provision for Doubtful Debts	(166.70)	(145.80)	(33.28)	(51.02)
	<b>0.77</b>	<b>0.36</b>	<b>1,660.51</b>	<b>486.16</b>

Trade Receivables outstanding for a period of more than 6 months from the due date

Secured - Considered Good	18.96	12.88
Unsecured - Considered Doubtful	53.59	50.47

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**  
**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

₹ 'lakhs

**Note : 17 CASH AND CASH EQUIVALENTS**

	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
Cash on hand (Refer Note 17.1)	4,999.66	3,248.03
Cheques, Drafts on hand (Refer Note 17.1)	2,079.82	2,027.17
Balances with banks		
- In Current Accounts (Refer Note 17.1)	43,888.17	16,839.33
- In Deposit Accounts - Original maturity 3 months or less	16,591.27	10,000.00
- In Deposit Accounts - Original maturity more than 3 months (Refer Note 17.2)	1,438.62	743.96
- In earmarked accounts		
- In Unpaid Dividend Accounts	34.78	33.35
- In Client and Exchange related Accounts	187.37	283.71
- In Deposit Accounts (Under Lien) (Refer Note 17.3)	527.50	452.50
- Deposits as collateral towards assets derecognised	63,501.79	41,754.95
- Amount disclosed under Non current bank balances (Refer Note 14)	<u>(51,999.91)</u>	<u>(35,071.59)</u>
	11,501.88	6,683.36
- Public deposit Escrow Account (Refer Note 8.3)	26.91	56.49
- Other Deposit Account	8.39	-
	<b><u>81,284.37</u></b>	<b><u>40,367.90</u></b>

Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 (Cash Flow Statements) is ₹ 67,558.92 lakhs (March 31, 2013- ₹ 32,114.53 lakhs )

17.1 Balances with Banks on Current Accounts and cash, cheques and drafts on hand include amounts collected in respect of assets de-recognised on account of Assignment /Securitisation of Receivables pending remittance to the assignees/investors. Refer Note 8.

17.2 Balance on Deposit Accounts - Free of lien includes deposits amounting to ₹ 1,438.62 lakhs (March 31, 2013 - ₹ 743.96 lakhs) which have a residual maturity of more than 12 months.

17.3 Balances with banks in earmarked Deposits accounts includes Margin money deposits amounting to ₹ 477.50 lakhs (March 31, 2013 - ₹ 427.50 lakhs) held as lien for bank guarantees issued to stock exchanges.



**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

₹ 'lakhs

<b>Note : 18 REVENUE FROM OPERATIONS</b>	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
<b><u>Income from Operations</u></b>		
(a) Income from Financing Activities		
i) Interest		
-Automobile Financing	209,032.20	163,393.17
-Loans against Immovable Property	66,002.81	49,260.46
-Loans against Securities	1,153.79	2,978.12
-Loans against Gold	170.60	806.05
-Other Loans	1,596.45	1,193.93
-Bills Discounting	12.84	-
-Interest spread on assignment/securitisation	12,148.06	5,655.26
ii) Other Operating Revenue		
-Automobile Financing	21,674.60	21,707.02
-Loans against Immovable Property	6,216.87	3,620.08
-Loans against Securities	47.54	65.84
-Loans against Gold	0.33	4.62
-Consumer Loans	59.45	121.00
-Other Loans	11.55	4.27
(b) Stock broking, Depository Operations and Allied Services	737.89	580.87
(c) Retail Distribution Operations - Commission	928.35	863.63
(d) Interest Income		
-Deposits placed as collateral towards assets derecognised	4,142.43	2,958.72
-Other Deposits	638.59	211.65
-Pass Through Certificates	137.01	24.20
(e) Gain on prepayment of Commercial Paper and Debentures (net) (Refer Note below)	187.95	11.96
<b>Total (A)</b>	<b><u>324,899.31</u></b>	<b><u>253,460.85</u></b>
<b><u>Other Operating Income</u></b>		
(f) Profit on sale of current investments	2,565.04	2,026.09
(g) Income from Non Financing activity	466.75	1,528.01
<b>Total (B)</b>	<b><u>3,031.79</u></b>	<b><u>3,554.10</u></b>
<b>Total (A+B)</b>	<b><u>327,931.10</u></b>	<b><u>257,014.95</u></b>
<b>Note:</b>		
<b><u>Gain on Prepayment of Commercial Paper and Debentures</u></b>		
Book Value (including interest accrued) on the date of prepayment	64,582.63	19,591.00
Consideration paid for prepayment	64,394.68	19,579.04
<b>Gain</b>	<b><u>187.95</u></b>	<b><u>11.96</u></b>

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

**Note : 19 OTHER INCOME**

	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
Dividend	5.22	18.59
Rent	21.47	27.31
Profit on sale of Fixed assets (net)	4.62	1.38
Miscellaneous Income (Refer Note 19.1)	72.81	118.59
	<b><u>104.12</u></b>	<b><u>165.87</u></b>

19.1) Miscellaneous Income includes

Liability no longer required written back

71.63

-

**Note : 20 FINANCE COSTS**

	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
Interest Expense		
- Debentures	62,579.23	51,332.09
- Bank Loans	99,007.97	71,352.40
- Other Loans	-	14.74
Discount on Commercial Papers	11,658.34	14,868.79
Others		
- Amortisation of ancillary borrowing costs	2,678.75	2,638.20
- Amortisation of premium on Forward contracts	221.67	221.67
- Bank charges	790.90	572.03
	<b><u>176,936.86</u></b>	<b><u>140,999.92</u></b>

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

₹ 'lakhs

<b>Note : 21 EMPLOYEE BENEFIT EXPENSE</b>	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
Salaries, Bonus and Commission	17,614.35	14,351.69
Contributions to :-		
Employees' Provident Fund	637.01	459.95
Superannuation Fund	125.32	99.41
Gratuity Expense (Refer Note 27)	223.33	143.00
Staff Welfare Expenses	811.51	1,026.73
	<b>19,411.52</b>	<b>16,080.78</b>

<b>Note : 22 OTHER OPERATING EXPENSES</b>	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
Rent (Refer Note 22.1)	2,812.31	2,665.17
Electricity Charges	552.49	654.79
Rates and Taxes	2,874.17	2,082.05
Communication Cost	1,128.98	1,108.27
Traveling and Conveyance	2,813.20	2,370.61
Advertisement Expenses	126.79	251.21
Business Development Expenses	25.06	7.38
Insurance	630.70	534.54
Repairs and Maintenance		
- Buildings	6.39	3.24
- Others	65.20	46.37
Printing and Stationery	735.20	747.26
Information Technology Expenses	926.47	1,042.56
Auditors' Remuneration (Refer Note 27)	54.79	56.47
Professional Charges	2,544.96	2,794.02
Lease Rental Expense	559.21	601.44
Commission to Directors	27.68	32.27
Sitting Fees to Directors	9.00	8.22
Foreign Exchange Loss (net)	343.56	627.10
Recovery Charges	8,277.49	6,497.21
Miscellaneous Expenses	873.56	442.30
	25,387.21	22,572.48
Less : Expenses Recovered (Refer Note 35)	(14.23)	(30.97)
	<b>25,372.98</b>	<b>22,541.51</b>

22.1 Lease equalisation charge included in Rent	99.80	25.61
22.2 Service Tax charge included in Rates and Taxes	2,760.61	1,793.47
23.3 Donations included in Miscellaneous Expenses	275.40	218.88
22.4 Net of reversal of provision for servicing costs on assets derecognised	-	39.74

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

	<b>Year ended 31.03.2014</b>	<b>Year ended 31.03.2013</b>
<b>Note : 23 PROVISIONS, LOAN LOSSES AND OTHER CHARGES</b>		
Loss Assets Written Off (Net)	8,642.54	1,153.37
Provision/Loss on Repossessed Assets(Net)	15,330.43	2,995.36
Provision for Non-Performing Assets	15,359.63	10,757.05
Provision Released for Non-Performing Assets on recovery/write off (Refer Note 23.1)	<u>(11,659.04)</u>	<u>(3,363.96)</u>
Total	<u>27,673.56</u>	<u>11,541.82</u>
Provision for Standard Assets (Net)	659.75	768.92
Provision for other doubtful debts and advances	3.36	20.97
Loss on sale of shares held as stock in trade (Net)	1.81	0.21
Loss on redemption of Government securities	-	60.36
Less: Reversal of provision	<u>-</u>	<u>(59.69)</u>
	<u>-</u>	<u>0.67</u>
Investment Written Off	1.10	-
Less: Reversal of provision	<u>(1.10)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Provision for Diminution in value of Investment	<u>-</u>	<u>1.10</u>
	<u><b>28,338.48</b></u>	<u><b>12,333.69</b></u>
23.1 Includes reversal of provision for credit enhancements on assets derecognised	74.70	70.99



# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

Book value of Assets sold	107,224.85	137,286.40
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## 26.Details of Outstanding Derivatives

Particulars	₹ 'lakhs	
	As at 31.03.2013	As at 31.03.2013
(i) Outstanding Derivatives:		
<u>Contracted Value</u>		
- Interest rate derivatives	-	-
- Currency derivatives	4,460.00	13,650.00
(ii) Foreign currency exposure not hedged by derivative instrument or otherwise	-	-

## 27.Auditors' Remuneration (Net of Service Tax Input Credit)

Particulars	₹ 'lakhs	
	Year ended 31.03.2014	Year ended 31.03.2013
Statutory Audit	28.60	29.35
Other Services	25.65	24.19
Reimbursement of Expenses	0.54	2.93
<b>Total</b>	<b>54.79</b>	<b>56.47*</b>

(\* ) Excludes ₹ NIL (March 31, 2013 – ₹ 23.00 lakhs) paid for Preferential Issue related certification services, debited to Securities Premium account.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

## 28. Gratuity

### Details of Actuarial Valuation:

₹ 'lakhs

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Projected Benefit Obligation at the Beginning of the Year</b>	571.09	390.78
Current Service Cost	97.08	85.61
Interest Cost	44.10	32.80
Actuarial Losses	147.87	77.25
Adjustments	-	(0.43)
Benefits Paid	(20.06)	(14.92)
<b>Projected Benefit Obligation at the end of the year</b>	<b>840.08</b>	<b>571.09</b>
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets at the Beginning of the Year	585.78	395.88
Expected Returns on Plan Assets	55.69	37.65
Actuarial Losses	6.66	-
Employer's Contribution	203.67	155.61
Inward Transfer of Equitable Interest	-	15.01
Benefits Paid	(20.06)	(14.72)
Adjustments	-	(3.65)
<b>Amount Recognised in the Balance Sheet</b>		
Fair Value of Plan Assets at the End of the Year	831.73	585.78
Liability at the End of the Year	840.08	571.09
<b>Amount Recognised in the Balance Sheet under Note 8 Trade Payables and Other Current Liabilities ( Note 13 Other Loans and advances - Current)</b>	<b>(8.35)</b>	<b>14.69</b>
<b>Cost of the Defined Benefit Plan for the Year</b>		
Current Service Cost	97.08	85.61
Interest on Obligation	44.10	32.80
Expected Return on Plan Assets	(55.69)	(37.65)
Inward Transfer of Equitable Interest	-	(15.01)
Past Service Cost	(3.36)	-
Net Actuarial Losses Recognized in the Year	141.21	77.25
<b>Net Cost Recognised in the Statement of Profit and Loss (Note 21)</b>	<b>223.33</b>	<b>143.00</b>
<b>Assumptions</b>		
Discount Rate	8.00% p.a.	8.00% p.a.
Future Salary Increase	5.00% p.a.	5.00% p.a.
Attrition Rate		
- Senior Management	1% p.a.	1% p.a.
- Middle Management	2% p.a.	2% p.a.
- Others	3% p.a.	3% p.a.
Expected Rate of Return on Plan Assets	8.00% p.a.	9.40% p.a.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

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## Other Disclosures:

Benefit	2013-14	2012-13	2011-12	2010-11	2009-10
Projected Benefit Obligation	840.08	571.09	390.78	264.49	166.90
Fair Value of Plan Assets	831.73	585.78	395.88	280.96	180.48
<b>Surplus/(Deficit)</b>	<b>(8.35)</b>	<b>14.69</b>	<b>5.10</b>	<b>16.47</b>	<b>13.58</b>

## Notes:

1. The expected return on plan assets for the year ended March 31, 2014 is as furnished by LIC.
2. The entire plan assets are managed by LIC. The data on plan assets and experience adjustment has not been furnished by LIC and hence there are no disclosures in this regard.
3. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
4. Estimated amount of contribution to the funds during the year ended March 31, 2015 as estimated by the management is ₹ 228.67 lakhs (March 31, 2014 – ₹ 203.67 lakhs).
5. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.



# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

## B) Compensated absences

### Details of Actuarial Valuation

₹ lakhs

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Projected Benefit Obligation at the beginning of the year</b>		
Balance as at the beginning of the year	<b>274.55</b>	<b>217.76</b>
Compensated absences reassessed on actuarial basis at the beginning of the year (Refer Note 4 below)	383.73	-
Current Service Cost	105.78	45.46
Interest Cost	52.27	16.99
Actuarial Losses / (Gains)	138.59	4.94
Benefits Paid	(9.75)	(10.60)
<b>Projected Benefit Obligation at the end of the year</b>	<b>945.17</b>	<b>274.55</b>
<b>Cost of the Defined Benefit Plan for the Year</b>		
Current Service Cost	105.78	281.32
Past Service Cost reversed (Refer Note 4 below)	(448.83)	-
Interest on Obligation	52.27	16.99
Net Actuarial Losses/(Gains) Recognised in the year	138.59	4.94
Benefits paid	(9.75)	(10.60)
<b>Net cost recognised in the Statement of Profit and Loss</b>	<b>(161.94)</b>	<b>(292.65)</b>
<b>Assumptions</b>		
Discount Rate	8.00% p.a.	8.00% p.a.
Future salary increase	5.00% p.a.	5.00% p.a.
Attrition Rate		
- Senior management	1% p.a.	1% p.a.
- Middle management	2% p.a.	2% p.a.
- Others	3% p.a.	3% p.a.

#### Notes:

1. The Group has not funded its Compensated Absences liability and the same continues to remain as unfunded as at 31 March 2014.
2. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
3. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.
4. Reconciliation of Compensated Absences:

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Amount as per Actuarial Valuation	945.17	274.55
Provision considered at full cost basis *	-	832.56
<b>Amount Recognised in the Balance Sheet under Note 7- Provisions</b>	<b>945.17</b>	<b>1,107.11</b>

\*Provision for certain category of Compensated absences which was considered on full cost basis in previous year was reassessed on actuarial basis at the beginning of the year based on analysis of the trend of actual avilment of leave.

## 29. Segmental Reporting

The Management has identified the following reportable segments

₹ 'lakhs

	Financing		Distribution		Stock Broking		Eliminations		Consolidated Total	
	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013
<b>REVENUE</b>										
External Revenue	326,143.04	255,393.24	1,001.80	988.48	786.26	633.23	-	-	327,931.10	257,014.95
Inter-segment Revenue	34.89	5.17	180.76	116.02	11.26	63.35	(226.91)	(184.54)	-	-
<b>Total Revenue</b>	<b>326,177.93</b>	<b>255,398.41</b>	<b>1,182.56</b>	<b>1,104.50</b>	<b>797.52</b>	<b>696.58</b>	<b>(226.91)</b>	<b>(184.54)</b>	<b>327,931.10</b>	<b>257,014.95</b>
<b>RESULT</b>										
Segment Result	55,020.56	45,223.50	467.71	199.81	(40.45)	(96.45)	-	-	55,447.82	45,326.86
Other Income	-	-	-	-	-	-	-	-	-	(107.00)
Net Profit Before Tax	-	-	-	-	-	-	-	-	55,447.82	45,219.86

	Financing		Distribution		Stock Broking		Eliminations		Consolidated Total	
	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013
Other Information										
Segment Assets	2,130,128.55	1,808,005.06	1,437.85	1,216.37	3,965.77	1,718.72	-	-	2,135,532.17	1,810,940.15
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	18,883.17	11,907.59
<b>Total Assets</b>	<b>2,130,128.55</b>	<b>1,808,005.06</b>	<b>1,437.85</b>	<b>1,216.37</b>	<b>3,965.77</b>	<b>1,718.72</b>	<b>-</b>	<b>-</b>	<b>2,154,415.34</b>	<b>1,822,847.74</b>
Segment Liabilities	1,923,410.13	1,626,742.84	96.99	93.70	2,232.09	755.06	-	-	1,925,739.21	1,627,591.60
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,923,410.13</b>	<b>1,626,742.84</b>	<b>96.99</b>	<b>93.70</b>	<b>2,232.09</b>	<b>755.06</b>	<b>-</b>	<b>-</b>	<b>1,925,739.21</b>	<b>1,627,591.60</b>

	Financing		Distribution		Stock Broking		Eliminations		Consolidated Total	
	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013
Capital Expenditure	2,653.41	3,564.23	24.84	33.55	9.75	0.50	-	-	2,688.00	3,598.28
Depreciation and amortisation	2,363.13	2,031.22	27.63	31.88	73.35	94.14	-	-	2,464.11	2,157.24
Other Non Cash Expenditure	28,193.72	4,075.24	(8.60)	16.63	(9.48)	1.22	-	-	28,175.64	4,093.09

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

## 30. Related Party Disclosures (As per AS-18 "Related Party Disclosures")

List of Related Parties:

- **Holding Company** : Tube Investments of India Limited
- **Associate of Holding Company** : Murugappa Holdings Limited
- **Joint venture of Holding Company** : Cholamandalam MS Risk Services Limited
- **Fellow Subsidiary**: Cholamandalam MS General Insurance Company Limited
- **Key Management Person**: Mr. S. Vellayan, Managing Director

**Note:**

Related party relationships are as identified by the Management and relied upon by the Auditors.

### a) Tube Investments of India Limited

₹ 'lakhs

Nature of Transactions	Year ended 31.03.2014	Year ended 31.03.2013
Dividend Payments		
- Equity shares	2,528.15	2,528.15
Rent (including hiring) receipts	16.16	13.55
Expenses – Reimbursed	0.38	0.05
Purchase of Fixed Assets	-	3.00
Deposit received	-	0.90
Net Amount Receivable/(Due) as at year end	(0.90)	(0.90)
	1.32	-

### b) Murugappa Holdings Limited

₹ 'lakhs

Nature of Transaction	Year ended 31.03.2014	Year ended 31.03.2013
Dividend payments – Equity shares - ₹ 616.00 (March 31, 2013 – ₹ 616.00)	0.00	0.00

### c) Cholamandalam MS Risk Services Limited

₹ 'lakhs

Nature of Transactions	Year ended 31.03.2014	Year ended 31.03.2013
Rent (including hiring) Receipts	1.79	3.90
Interest receipts	17.63	-
Expenses – Reimbursed	5.84	12.06
Loan given	500.00	-
Loan recovered	500.00	-
Amount received towards reimbursement of Expenses	1.00	0.85
Net Amount Receivable/(Due) as at year end	-	0.14

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

## d) Cholamandalam MS General Insurance Company Limited

₹ 'lakhs

Nature of Transactions	Year ended 31.03.2014	Year ended 31.03.2013
Interest Receipts	648.65	189.30
Interest Payments	-	428.51
Rent payments	19.95	29.73
Rent (including hiring) receipts	71.74	73.29
Payments for services availed	574.41	478.68
Receipts for services rendered	2,593.92	2,003.98
Receipts on settlement of insurance claim	130.95	102.28
Expenses – Reimbursed	6.55	16.03
Rental deposit received	21.14	-
Amount received towards reimbursement of Expenses	27.14	48.19
Advance Premium Deposit given	-	6,845.21
Net Amount Receivable/(Due) as at year end	(6,337.54)	(4,169.11)
	(21.14)	-
	215.70	244.00

## e) Key Management Person

₹ 'lakhs

Nature of Transaction	Year ended 31.03.2014	Year ended 31.03.2013
Remuneration - S Vellayan	254.27	193.21

## 31. Contingent Liabilities and Commitments

(a) Contested Claims Not Provided for:

₹ 'lakhs

Particulars	As at 31.03.2014	As at 31.03.2013
Income tax and Interest Tax issues where the Group is in appeal	3,525.51	3,574.91
Decided in the Group favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax	98.36	98.36
Service Tax issues pending in respect of which the Group is under appeal	68.46	68.46
Sales Tax issues pending before Appellate Authorities in respect of which the Group is in appeal	1,187.66	65.28
Disputed claims against the Group lodged by various parties under litigation (to the extent quantifiable)	1,711.69	1,512.52

The Group is of the opinion that the above demands are not sustainable and expects to succeed in its appeals / defence.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

( b ) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) - ₹ 1,211.79 lakhs (March 31, 2013 - ₹ 839.65 lakhs)

## 32. Changes in Provisions

Particulars	₹ 'lakhs			
	As at 31.03.2013	Additional Provision	Utilisation/ Reversal	As at 31.03.2014
Provision for Standard Assets	4,156.35	659.75	-	4,816.10
Provision for Non-Performing Assets	22,431.27	15,359.63	(11,584.34)*	22,206.54
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	828.14	-	(74.70)	753.44
Contested Service Tax Claims	792.37	-	-	792.37
Provision for Claw back	2.58	7.79	(2.58)	7.79

\*Refer Note 23.1

## 33. Leases

Assets taken on Non-cancellable operating lease consists of Plant and Machinery, Furniture and Fixtures and Office Equipments.

The details of Maturity profile of Non-cancellable Future Operating Lease Payments are given below.

Period	₹ 'lakhs	
	As at 31.03.2014	As at 31.03.2013
Not later than one year	405.10	540.13
Later than one year and not later than five years	-	135.03
Later than five years	-	-
<b>Total</b>	<b>405.10</b>	<b>675.16</b>

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

## 34. Employee Stock Option Plan

The Board at its meeting held on June 22, 2007, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Capital of the Company (before Rights Issue) aggregating to 1,904,162 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on July 30, 2007 approved the aforesaid issue of 1,904,162 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation and Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Stock Option Scheme -2007:

Particulars		Date of Grant	Exercise Price (Rs)	Vesting Commences on	Options Granted	Options Exercised	Options Forfeited / Lapsed	Options Outstanding at the end of the year	
Grant No								Vested	Yet to vest
1	Original*	30-07-07	193.40	30-07-08	765,900	25,538	635,732	104,630	-
	CAA *	25-01-08	178.70	-	54,433	2,442	44,337	7,654	-
2	Original	24-10-07	149.90	24-10-08	70,400	-	70,400	-	-
3	Original	25-01-08	262.20	25-01-09	162,800	-	133,638	29,162	-
4	Original	25-04-08	191.80	25-04-09	468,740	22,119	310,955	135,666	-
5	Original	30-07-08	105.00	30-07-09	10,070	3,445	1,491	5,134	-
6	Original	24-10-08	37.70	24-10-09	65,600	19,352	38,786	7,462	-
7-									
Tr I	Original	27-01-11	187.60	27-01-12	294,600	19,942	46,685	147,813	80,160
Tr II	Original	27-01-11	187.60	27-01-12	209,700	22,941	40,569	146,190	-
8	Original	30-04-11	162.55	30-04-12	113,400	-	38,828	26,932	47,640
9	Original	28-07-11	175.35	28-07-12	61,800	-	4,680	20,040	37,080
10	Original	27-10-11	154.55	27-10-12	195,680	8,605	21,720	55,387	109,968

\* CAA- Corporate Action Adjustment

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an independent Consultant.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Date of Grant	Variables					Fair Value of the Option (₹.)
	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share in the Market at the time of the Option Grant (₹.)	
<b>30-Jul-07</b>	7.10% - 7.56%	3-6 years	40.64% -43.16%	5.65%	193.40	61.42
<b>24-Oct-07</b>	7.87% -7.98%	3-6 years	41.24% -43.84%	5.65%	149.90	44.25
<b>25-Jan-08</b>	6.14% -7.10%	3-6 years	44.58% -47.63%	5.65%	262.20	78.15
<b>25-Apr-08</b>	7.79% - 8.00%	2.5-5.5 years	45.78% - 53.39%	3.97%	191.80	76.74
<b>30-Jul-08</b>	9.14% - 9.27%	2.5-5.5 years	46.52% - 53.14%	3.97%	105.00	39.22
<b>24-Oct-08</b>	7.54% - 7.68%	2.5-5.5 years	48.2% - 55.48%	3.97%	37.70	14.01
<b>27-Jan-11</b> <b>- Tranche I</b>	8%	4 years	59.50%	10%	187.60	94.82
<b>- Tranche II</b>	8%	3.4 years	61.63%	10%	187.60	90.62
<b>30-Apr-11</b>	8%	4 years	59.40%	25%	162.55	73.07
<b>28-Jul-11</b>	8%	4 years	58.64%	25%	175.35	79.17
<b>27-Oct-11</b>	8%	4 years	57.52%	25%	154.55	67.26

The shareholders of the Company, at the 34th Annual General Meeting held on July 30, 2012, authorised extension of exercise period from 3 years from the date of vesting to 6 years from the date of vesting . Accordingly, the company has measured the fair value of the options using the Black Scholes model immediately before and after the date of modification to arrive at the incremental fair value arising due to the extension of the exercise period. The incremental fair value so calculated is recognised from the modification date over the vesting period in addition to the amount based on the grant date fair value of the stock options.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

## Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014

The incremental cost due to modification of the exercise period from 3 years to 6 years from the date of vesting for the year ended March 31, 2014 is ₹ 13.00 lakhs (March 31, 2013 is ₹. 189.52 lakhs)

The fair value of the options has been calculated using the Black Scholes model on the date of modification.

The assumptions considered for the calculation of the fair value (on the date of modification) are as follows:

<b>Variables</b>	<b>Post Modification</b>
Risk Free Interest Rate	7.92%-8.12%
Expected Life	0.12 years- 6.25 years
Expected Volatility	28.28%-63%
Dividend Yield	1.18%
Price of the underlying share in market at the time of the option grant.(Rs.)	₹ 212.05

### 35.Sharing of Costs

The Company and its subsidiaries shares certain costs / service charges with other companies in the Group. These costs have been allocated between the Group Companies on a basis mutually agreed to between them, which has been relied upon by the Auditors.

### 36. MAT Credit Recognition

One Subsidiary Company (CDSL) has recognised MAT Credit considering the future profit projections. The Management believes that there is convincing evidence with regard to the earning of future taxable income and payment of tax under normal tax within the specified period. Accordingly, MAT Credit Entitlement of ₹ 94.17 lakhs has been recognised during the year.



# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

**Notes forming part of the Consolidated Financial statements for the year ended March 31, 2014**

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## **37. Previous Years' Figures**

Previous year's figures have been reclassified to conform with the current year's classification / presentation, wherever applicable.

For and on behalf of the  
**Board of Directors**

**M B N Rao**  
*Chairman*

Date: 28 April, 2014  
Place: Chennai

**P Sujatha**  
*Secretary*

**D Arul Selvan**  
*Chief Financial Officer*

**Vellayan Subbiah**  
*Managing Director*