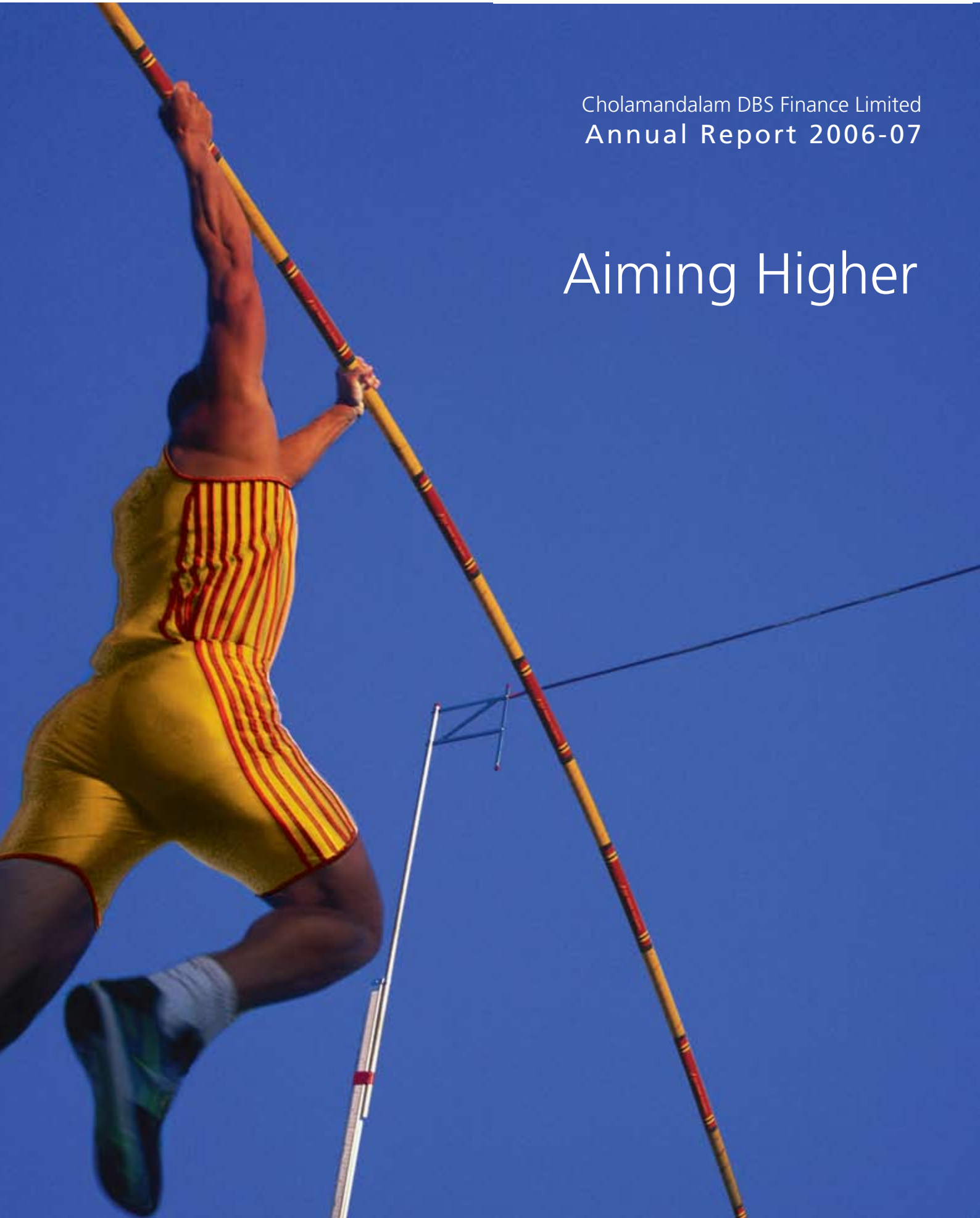


Cholamandalam DBS Finance Limited
Annual Report 2006-07

Aiming Higher



The fundamental principle of economic activity is that no man you transact with will lose; then you shall not.

-Arthasastra

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Aiming Higher

Cholamandalam DBS is a joint venture of two exemplary business groups that dwell on the natural phenomenon to aim higher. Cholamandalam DBS has over time displayed a consistent growth pattern to emerge as one of the premier financial services providers in India. The recent years have witnessed a significant surge in this growth.

A perfect parallel to the vision is exemplified through the sport of "Pole Vaulting". This brilliantly brings forth the various phases of the vision to aim and propel the company forward. With good results posted for the financial year 2006-2007, it has instilled a new confidence to aim higher.



Start and build up

Every vision needs a start

It was this vision to be the best in the class of financial services providers that made Cholamandalam and DBS come together two years ago. Over the past year the company has had a perfect start and has taken huge strides to reach where it is today.

It was a vision that started and grew stronger with time.

Incorporated in 1978 as Cholamandalam Investment & Finance Company Limited (CIFCL), the Company began operations as a Non Banking Finance Company (NBFC) offering equipment finance to small and medium sized companies in South India.

In June 2005, Murugappa Group and DBS bank of Singapore came together in Cholamandalam DBS Finance Limited. The joint venture was the culmination of two visions coming together and moving forward as one. The last 2 years of the relationship have demonstrated growth and foray into consumer finance in India.

The Murugappa Group, established in 1900 and headquartered in Chennai, India, is a USD 2 billion (Rs 8,500 crore) conglomerate with interests in engineering, abrasives, sanitaryware, fertilisers, finance, bio-products and plantations. It has 29 companies with a combined strength of 28,000 employees, of which eight are listed and actively traded on the National Stock Exchange and the Bombay Stock Exchange. The Group is a market leader in India across a spectrum of products and has registered 43 international patents for its research and development innovations.

Headquartered in Singapore, DBS Group Holdings Ltd is the holding company of DBS Bank and is one of the largest companies in terms of market capitalization whose shares are listed on the Singapore Exchange. DBS is the fifth largest banking group in Hong Kong by assets. Beyond the anchor markets of Singapore and Hong Kong, DBS serves corporate, institutional and retail customers through its operations in Thailand, Malaysia, Indonesia, India, China and The Philippines. The Bank's credit ratings is one of the highest among banks competing in the Asia-Pacific region, and in Singapore.



Momentum and Speed

Speed is the need of the hour

Speed is crucial for a vision to fructify faster. Cholamandalam DBS has always recognized the need to infuse speed and momentum to the vision. This vision is big and the company is progressing to it faster.

Let's grow faster

Cholamandalam DBS offers finance for a wide range of retail and corporate customers.

Cholamandalam DBS has grown with greater speed over the recent years and aims to maintain the momentum by diversifying its product mix in consumer finance, accelerating customer acquisition, further investments in technology and becoming an employer of choice. With the Murugappa Group's market leadership in India and the added expertise of DBS in consumer finance across the Asian region, the company is all set to lead the way with speed.

During the year, the company has posted:

- Growth in assets by 95%
- Growth in disbursements by 96%
- Growth in customer base by 139%

The number of branches took a giant leap from 120 to over 180 in just a span of 1 year. The company has an unbroken track record of dividend payment for 27 years.



Thrust and Take-off

Take the big leap

Cholamandalam DBS is the perfect organisation for a vision that started off as a spark, grew stronger with speed and is now ready to take off and finally touch the sky. Aiming Higher will now be the credo of the company.

It's time to aim and get higher

In terms of understanding and delivering customer's needs, Cholamandalam DBS has offered nothing but the best including pioneering in specialised three-wheeler-finance products to commercial vehicle finance customers.

The vehicle finance business launched new products and services to the customer. Insurance based products were launched to safeguard the customers from personal accidents and their family with Life Insurance based products.

Shubh loans (used vehicle loans) saw a substantial growth in business and was launched nationally across 60 cities. It is now poised to spread deeper into the smaller town and cities.

2006-07 saw the first full year of operations in personal loans business. The disbursements grew multiple folds and distribution increased from 4 cities to 24 cities with over 45 branches. The coming year promises to be even better with the increase in distribution spreading to over 100 branches in 60 cities.

The year 2006-07 also saw the launch of home equity loans in Bangalore, Chennai, Coimbatore and Hyderabad. This year the business is all set to grow and spread across 15 cities.

With the growth in the consumer finance business, company's customer base also increased substantially. To offer better services to the customers, the company has plans to cross-sell products and services across businesses including wealth management.

The company will not just enter into new product segments, but will also strive to redefine the entire experience in all the businesses it specialises in. The endeavour would also be to consistently offer unmatched value to customers and enhance customer experience.

The partnership between Murugappa Group and DBS Bank has been fruitful and has gained a lot of ground in a short span of time. This is evident with the results posted in the last four quarters.

It is now time to propel this vision and take it higher.

Message from the Chairman



Mr. A. Vellayan

Dear Shareholders,

I am delighted that, in my first message to you as chairman, I have the privilege of sharing with you the good news of all-round growth at Cholamandalam DBS.

During the year, the company's disbursements grew 96% and assets under management grew 95%, to almost touch the Rs. 4500 crore mark.

In the commercial vehicle finance business, the company continued to manage its product-mix judiciously to leverage the market growth in new vehicles while benefiting from the higher yields in used vehicle financing.

The company's entry into consumer finance has been well received by customers. The focus was on quickly catapulting the personal loan business pan-India by combining aggressive distribution with prudent credit norms. In the coming year, the company will aim to extend this business to the next level cities in the country.

Consequent to the entry into consumer finance, the status of the company as an Asset Finance Company (AFC) has undergone a change.

The company also made a good beginning in home equity business with a pilot launch in four cities. The experience has been exceptional and the company aims to have a national rollout of this product in the new financial year.

Our foray into new product-markets was really exciting. Now the company is ready to move on to the more challenging stage – that of attaining a position of leadership in each of its businesses. This will involve simultaneously managing further expansion and the establishment of sound, enterprise-wide systems and processes that support growth. In other words, disciplined growth focused on sustained profitability will remain the central theme of our company's strategy.

Further, having set the fund-based businesses on a new growth trajectory, Cholamanadalam DBS is embarking on a similar journey in the fee-based subsidiaries of Distribution and Securities. Already, the business teams have commenced implementing ambitious plans for the coming year. The performance of the asset management company is not very satisfying and the board is looking at various options to improve the same.

2006-07 was the first full year of the company's operations as a Joint Venture. Both the partners, the Murugappa group and DBS Bank, are excited by the company's business prospects and look forward to contributing to its continued growth in the near future.


A. Vellayan

The World of Cholamandalam DBS

A Pan Indian, composite financial services provider, the world of cholamandalam DBS comprises the parent company, **Cholamandalam DBS Finance Limited (Cholamandalam DBS)** and its subsidiaries.

Incorporated in 1978, the company began its operations as a Non Banking Finance Company (NBFC) offering equipment finance to small and medium sized companies in South India. Cholamandalam DBS is today one of India's premier NBFCs with an asset under management of about Rs. 4500 crores. Cholamandalam DBS offers vehicle finance, personal loans, business finance and home equity loans.

The company operates from over 180 locations across India. It has built up a portfolio of high quality and has an unbroken track record of dividend payment for over 25 years.

DBS Cholamandalam Asset Management Limited (DCAM), formerly called Cholamandalam AMC Limited is the investment manager of DBS Chola Mutual Fund, which offers mutual funds to retail high networth and institutional investors. Established in 1996, the company manages funds in excess of Rs. 1980 crores (as on March 31, 2007) across 20 schemes with over 83000 customer accounts. Known for its prudent and disciplined investment philosophy, DCAM products cover entire

range of cash, debt and equity asset classes. DCAM is present in over 20 locations in the country and also has a strong distribution network.

DBS Cholamandalam Distribution Limited, formerly called Cholamandalam Distribution Services Limited is in the business of distribution of a wide array of financial services products – both in-house and third party to high networth and retail clients. Products offered include mutual funds, fixed income, share trading, savings, instruments, capital bonds, IT/ PAN processing services, equity IPO's and life and general insurance. The company combines reach in over 40 cities with the richness of its investment advisory services. Established in 2000, the company has emerged as the preferred distributor of many AMC's and mobilises over Rs. 2000 crores of investments in a year.

DBS Cholamandalam Securities Limited (DCSec), formerly called Cholamandalam Securities Limited is a securities broking company offering stock broking and equity advisory services to institutional investors, including many of the largest mutual funds in India and individual clients across the country. DCSec is a member of Bombay Stock Exchange and National Stock Exchange. It is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Values and Beliefs

Murugappa group

Adhere to ethical norms in all dealings with shareholders, employees, customers, suppliers, financial institutions and government.

Provide value for money to customers through quality products and services.

Treat people with respect and concern; provide opportunities to learn, contribute and advance; recognise and reward initiative, innovativeness and creativity.

Maintain

- An organisational climate conducive to trust, open communication and team spirit.

-A style of operation befitting our size but reflecting moderation and humility.

Manage the environment effectively for harnessing opportunities.

Discharge responsibilities to various sections of society and preserve the environment.

Grow in an accelerated manner, consistent with values and beliefs, by continuous organisational renewal.

DBS

We value relationships with our people and the communities we operate in.

We take great care of our customers.

We strive for excellence and dare to make a difference.

We demand integrity.

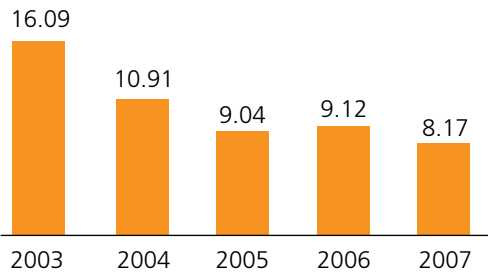
Financial Highlights

Rupees in lakhs

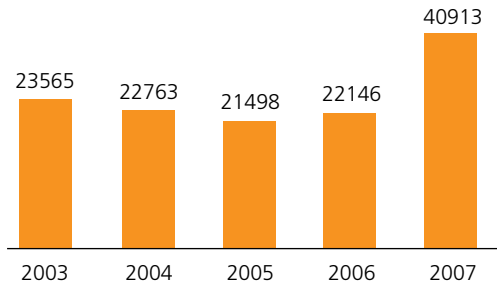
| Financial Year ended | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 12 months | | | 9 mths | 12 months | | | | | |
| Operating Results | | | | | | | | | | |
| Total Income | 14325 | 14402 | 16168 | 11701 | 20689 | 23565 | 22763 | 21498 | 22146 | 40913 |
| Profit before tax | 2581 | 2340 | 2375 | 1771 | 2723 | 4554 | #4606 | 5156 | 4604 | 4727 |
| Profit after tax | 1981 | 1820 | 1825 | 1206 | 1878 | 2814 | 3210 | 3407 | 3521 | 3102 |
| Assets | | | | | | | | | | |
| Fixed Assets (including assets leased out) | 15003 | 13069 | 11494 | 15437 | 8850 | 4384 | 2571 | 1604 | 2214 | 3364 |
| Statutory & Other Investments | 6835 | 7734 | 7759 | 7795 | 7658 | 9727 | 7743 | 12876 | 6861 | 7876 |
| Hypothecation/ Hire Purchase of Automobile Assets | 23618 | 25291 | 32364 | 45959 | 70308 | 98580 | 113245 | 118960 | 147219 | 157926 |
| Loan against Securities | 2274 | 3583 | 7268 | 11507 | 19331 | 14527 | 22319 | 16107 | 16600 | 26982 |
| Other loans, assets (net) | 9535 | 10441 | 11288 | 6541 | 8954 | 7668 | 7492 | 14950 | 28302 | 158371 |
| Total Assets | 57265 | 60118 | 70173 | 87239 | 115101 | 134886 | 153370 | 164497 | 201196 | 354519 |
| Liabilities | | | | | | | | | | |
| Shareholders' Funds | | | | | | | | | | |
| Equity | 14529 | 15500 | 16476 | 17051 | 15950 | 17821 | 22256 | 30275 | 31572 | 32635 |
| Preference | - | - | - | - | - | 3300 | 2300 | 1000 | - | - |
| Public Deposits ** | 25626 | 24846 | 18924 | 18515 | 19855 | 20017 | 19127 | 16166 | 12011 | 6936 |
| Banks, Institutions & Others | 17110 | 19772 | 34773 | 51673 | 79296 | 93748 | 109687 | 117056 | 157613 | 314948 |
| Total Liabilities | 57265 | 60118 | 70173 | 87239 | 115101 | 134886 | 153370 | 164497 | 201196 | 354519 |
| Key Indicators | | | | | | | | | | |
| Earnings per Equity Share (Rs.) | 11.65 | 10.71 | 10.74 | 9.46* | 11.13 | 16.09 | #10.91 | 9.04 | 9.12 | 8.17 |
| Dividend per Equity Share (Rs.) | 4.50 | 4.50 | 4.50 | 4.50* | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.00 |
| Book Value per Equity Share (Rs.) | 85.47 | 91.18 | 96.92 | 100.31 | 94.56 | 105.65 | 87.97 | 79.78 | 83.20 | 86.00 |
| * Annualised | | | | | | | | | | |
| ** Public deposits include matured and unclaimed deposits and interest accrued thereon | | | | | | | | | | |
| # Before extraordinary items | | | | | | | | | | |

Key Financial Indicators

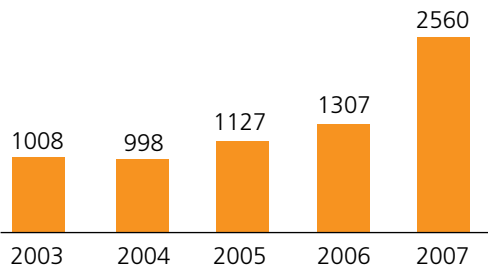
Earnings per Equity Share (Rs.)



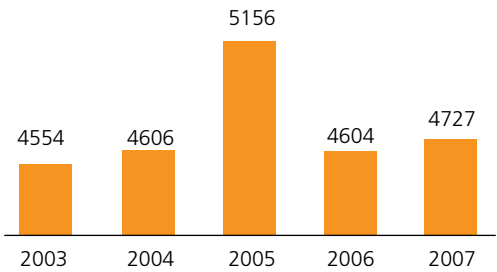
Total Income (Rs. in lakhs)



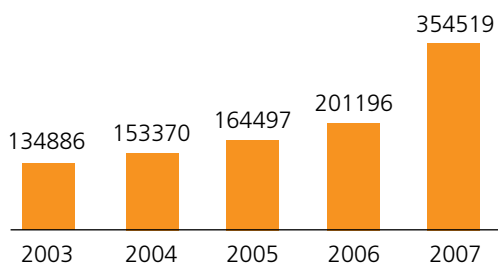
Annual Disbursements (Rs. in crores)



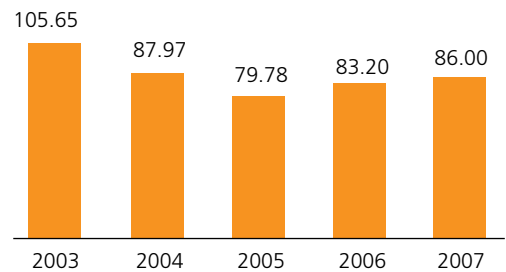
Profit before tax (Rs. in lakhs)



Total Assets (Rs. in lakhs)



Book Value per Equity Share (Rs.)



Profile of Directors

Mr. A. Vellayan

Chairman

- Holds a diploma in industrial administration from the Aston University, U.K and a masters in business studies from the university of Warwick, U.K.
- Is the chairman of EID Parry India Limited, Coromandel Fertilisers Limited and Godavari Fertilisers and Chemicals Limited.
- Holds several directorships both within and outside the Murugappa group.
- He is an executive committee member in FICCI and the vice president of SICCI.

Mr. V. P. Mahendra

Non-executive director

- Is a graduate in engineering from the University College of Engineering, Bangalore.
- Is the managing director of VST Tillers Tractors Limited, Bangalore and is also on the boards of several other companies.
- Has participated in a number of management programmes in Japan.
- Is a keen sportsman and is a member of several philanthropic institutions.

Mr. R. V. Kanoria

Non-executive director

- Is an MBA (Hons) from IMD, Switzerland.
- Is the chairman and managing director of Kanoria Chemicals & Industries Limited and is also on the boards of various other companies.
- Former vice-president of Federation of Indian Chamber of Commerce (FICCI), and has headed several joint-business councils.
- Is the managing committee member of PHD Chamber of Commerce & Industry and national council member of CII.

Mr. Indresh Narain

Non-executive director

- Banker with wide experience at regional and head office level in personal and corporate banking, wealth management, currency markets, asset recovery, corporate finance and human resources.
- Retired as Head of compliance & legal, HSBC India.
- He was also a member of the Assets & Liabilities committee (ALCO), the Apex Management committee for the organisation and a member of the corporate governance and audit committees.
- He is also a director on the board of Dhanuka Agritech Limited.

Mr. R. Krishnamurthy

Non-executive director

- Holds a masters degree in commerce from the University of Madras besides being an associate of the Institute of Bankers.
- Holds a diploma in industrial finance management education programme at IIM, Ahmedabad and is a Lord Aldington Banking Research Fellow in UK. Attended a course on Banking Policy at Harvard University, USA.
- Has over three decades of experience in banking in various positions in State Bank of India.
- Is a visiting faculty at IIM, Ahmedabad and other reputed management institutions.

Mr. N. Srinivasan

Non-executive director

- Is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.
- Has over 24 years of experience in the areas of corporate finance, legal, projects and general management.
- Was the president and chief operating officer of Thiru Arooran Sugars Limited.
- Was the chief financial officer of Carborundum Universal Limited. He is a director on the board of Tube Investments of India Limited and few other Murugappa group companies.

Mr. M. Anandan

Non-executive director

- Is a member of Institute of Chartered Accountants of India.
- Was the managing director of the company from January 2000 to March 2006 and has been associated with the company since 1988.
- Is the managing director of Cholamandalam MS General Insurance Company Limited.
- He is also a director on the boards of DBS Cholamandalam Asset Management Limited, DBS Cholamandalam Distribution Limited, DBS Cholamandalam Securities Limited and Cholamandalam MS Risk Services Limited, etc.

Mr. Kankipati Rajan Raju

Non-executive director

- Is a post-graduate in business administration from IIM, Ahmedabad.
- Is the managing director & Head South and Southeast Asia, Global transaction services and Technology & Operations.
- Is the president commissioner of Board of Commissioners of PT Bank DBS, Indonesia and the chairman of AXS Infocomm Pte Limited. and Primefield Company Pte Limited. He is also a director on the board of DBS Cholamandalam Distribution Limited and a few other overseas companies.
- Is also a member of the board of governors of Singapore International Foundation.

Mr. Pranam Wahi

Non-executive director

- Is a Chartered Accountant.
- Is the country head in India for DBS.
- Has over 25 years of banking experience in India across HSBC, Standard Chartered Bank and DBS.

Mr. Edmund Koh Kian Chew

Non-executive director

- Is a graduate from the University of the Toronto.
- Is the managing director & Head, Regional Consumer Banking Group of DBS.
- Has been associated with DBS Bank Limited, since May 2001 and held various positions.
- He holds directorships in DBS Vickers Holdings Pte Limited, SNP Corporation Limited, Hutchison DBS Card Limited, SMRT Corporation Limited and various other companies.

Mr. Atul Pande

Managing director

- Is a post-graduate in business administration from IIM, Ahmedabad.
- Is the managing director of the company since April 1, 2006.
- Brings to CDFL over 18 years of experience in the finance and FMCG industry including GE Capital and Procter & Gamble-Godrej.
- Was the managing director of Citicorp Maruti Finance Limited prior to joining the company.

Directors' Report to Members

Your directors have pleasure in presenting the twenty-ninth annual report together with the audited accounts of the company for the year ended March 31, 2007.

FINANCIAL RESULTS

Rupees in lakhs

| | 2006-07 | 2005-06 |
|---|--------------|--------------|
| Gross Income | 40913 | 22146 |
| Profit before tax | 4727 | 4604 |
| Profit after tax | 3102 | 3521 |
| Add: Balance brought forward | 579 | 686 |
| Amount available for appropriation | 3681 | 4207 |
| Appropriation: | | |
| Transfer to statutory and other reserves | 932 | 1405 |
| Dividend | | |
| Equity (Proposed) | 1518 | 1897 |
| Preference | - | 52 |
| Tax on dividend | 258 | 273 |
| Balance carried forward | 973 | 580 |
| Total | 3681 | 4207 |

DIVIDEND

Your directors recommend a dividend of 40% (Rs. 4 per equity share) for the year.

OPERATIONS

During the year ended March 31, 2007 the company recorded

- 33% growth in disbursements in financing of vehicles,
- 95% growth in total assets (including managed assets) and

Disbursements in vehicle finance for the year were at Rs. 1722 crores as against Rs. 1295 crores in the previous year. The company grew its disbursements in used vehicles and three-wheelers significantly to Rs. 973 crores (previous year- Rs. 518 crores) while maintaining the disbursements in new vehicles due to lower yields. New vehicles (excluding three-wheelers) disbursements were at Rs. 749 crores as against Rs. 777 crores in the previous year.

In its first full year of operations, the consumer finance business created a national footprint with 46 branches and disbursed Rs. 797 crores.

During the year, the company also pilot launched its home equity business and disbursed Rs. 40 crores.

The total assets under management of the company as at March 31, 2007 increased to Rs. 4485 crores from Rs. 2304 crores during the previous year.

During the year, the company continued to increase its lending rates over the quarters to offset the volatility witnessed in the borrowing market and increased lending to the used vehicle segment which yield better gross earnings.

Gross NPAs were at 0.65% (previous year 1.16%) of the total risk weighted assets while net NPAs constituted 0.39% of the total risk weighted assets.

During the year, the company incurred additional operating expenses towards establishment of new branches and recruitment of staff for its new businesses, personal loans and home equity. This increased the operational costs of the company, the benefits of which will be realised in the coming years.

The profit before tax for the year was at Rs. 47.27 crores, as against Rs. 46.04 crores in the previous year. Net profit after taxation was at Rs. 31.02 crores for the year as compared to Rs. 35.21 crores in the previous year.

FIXED DEPOSITS

Over the past few years, investors have been opting for mutual funds and bank deposits due to better returns, liquidity as well as tax benefits. Consequently, public deposit schemes of companies have been losing their attractiveness. Therefore, the company chose to change its status from a deposit taking NBFC to a non-deposit taking NBFC and has been re-categorised as a non-deposit accepting NBFC by Reserve Bank of India (RBI) vide its certificate dated December 11, 2006. Accordingly, the company has stopped accepting/ renewing deposits

effective November 1, 2006. The outstanding deposits have been transferred to an escrow account together with the future interest payable thereon till the date of maturity and are being repaid on maturity. The fresh deposits mobilised from April 1, 2006 till October 31, 2006 is Rs. 1.95 crores. Net of repayments, the total deposits as at March 31, 2007 was Rs. 69.30 crores. As at March 31, 2007, there were 1495 depositors having deposits, which had matured but had not been claimed aggregating to Rs. 3.84 crores. On the date of this report, 1299 depositors have not claimed deposits aggregating to Rs. 3.3 crores. These depositors are periodically reminded to send in their claims for the maturity amounts. In compliance with section 205C of the Companies Act, 1956, the company has remitted a sum of Rs. 13.6 lakhs to the Investor Education and Protection Fund (IEPF) being the unclaimed public deposits and interests thereon remaining unclaimed with the company beyond seven years.

CREDIT RATING

The company's short-term instruments carry the highest rating

- P1+ rating from CRISIL upto Rs. 500 crores
- A1+ rating from ICRA upto Rs. 125 crores

The company continued to retain the

- MAA+ rating from ICRA for fixed deposits and non-convertible debentures (NCD), indicating high safety,
- FAA rating from CRISIL for fixed deposits, indicating high safety.

During the year, ICRA retained its positive outlook on the ratings.

RBI GUIDELINES

The company has complied with all the applicable regulations of the Reserve Bank of India.

CAPITAL ADEQUACY

The company's capital adequacy ratio was at 12.28% as against the minimum regulatory requirement of 10% for

non-deposit accepting NBFCs. During the year, in order to improve its capital adequacy ratio, the company issued Tier II capital in the form of subordinated unsecured fully redeemable debentures to the extent of Rs. 150 crores.

PROSPECTS

The retail finance business is continuously growing at a rapid pace in the backdrop of strong GDP growth. The high growth level of this industry has intensified the competition in the retail space by the arrival of new entrants and existing players trying to consolidate their positions.

In the vehicle finance business, the company will aggressively pursue its strategy of increasing the share of used vehicle in its overall disbursements while continuing to retain its share of new vehicles market. While the company has strengthened its credit process and collection delivery model during the current year by creating a separate vertical, it will strive to work with a leaner operating structure in the coming years through restructuring its business processes at its branches.

In the consumer finance business, the company will increase its branch network considerably and will also work towards having common offices for its various businesses including its subsidiaries.

The company will also strengthen its Information Technology (IT) capabilities, both on the software and the hardware front in order to handle the high volumes akin to consumer finance business. Plans are also afoot to consolidate the various businesses under a common IT platform to facilitate seamless operational efficiency and improve turnaround time.

The home equity business will be scaled up during the coming year, with operations spread over multi-locations across the country.

The company will continue to leverage on the expertise of DBS, to enhance its risk management capabilities and sharing of product performance experience.

RIGHTS ISSUE

The board has approved an issue of equity shares on rights basis aggregating to Rs. 200 crores at its meeting held on January 24, 2007 and the company is in the process of completing the regulatory formalities for the same.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors' responsibility statement as required under section 217(2AA) of the Companies Act, 1956, reporting the compliance with the accounting standards, is attached and forms a part of the directors' report.

CORPORATE GOVERNANCE REPORT

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms as per clause 49 of the listing agreement, is attached and forms a part of the directors' report.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis, highlighting the business-wise details forming part of this report, is attached.

DIRECTORS

Mr. M. A. Alagappan, chairman stepped down from the board with effect from October 19, 2006 in view of his assuming larger responsibilities in the Murugappa group. Mr. Alagappan was associated with the company since its incorporation in 1978 and had held various positions in the company, as an executive and as a non-executive director, including as managing director between 1994 and 1999. The board places on record its sincere appreciation for the guidance and wisdom provided by Mr. Alagappan during his tenure as director of the company.

Mr. Ravi Ramu, Mr. Partho S. Datta and Ms. Ho Siew Mee Susan, directors stepped down from the board effective June 2, 2006, December 26, 2006 and January 24, 2007 respectively. The board places on record its appreciation for their contribution and support during their tenure of office.

Mr. Indresh Narain and Mr. R. Krishnamurthy were appointed as additional directors on July 21, 2006 and

October 19, 2006 respectively. Further, Mr. A. Vellayan and Mr. N. Srinivasan nominated by Tube Investments of India Limited were appointed as additional directors on October 19, 2006 and December 29, 2006 respectively. Mr. Edmund Koh Kian Chew, nominated by DBS was appointed as an additional director on January 24, 2007. All the above additional directors hold office till the ensuing annual general meeting.

The company has received notices from members under the provisions of section 257 of the Companies Act, 1956 proposing the appointment of the additional directors as directors of the company.

Mr. M. Anandan and Mr. Rajan Raju retire by rotation at the ensuing annual general meeting and, being eligible, offer themselves for re-appointment.

AUDITORS

M/s. Deloitte Haskins & Sells, chartered accountants, retire at the ensuing annual general meeting and are eligible for re-appointment.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

The company has no activity relating to consumption of energy or technology absorption. Foreign currency expenditure amounting to Rs. 27.38 lakhs was incurred during the year under review. The company does not have any foreign exchange earnings.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is appended herewith.

SUBSIDIARY COMPANIES

DBS Cholamandalam Asset Management Limited

The assets under management of the company as on March 31, 2007 were at Rs.1980 crores.

For the year ended March 31, 2007, the company earned a gross income of Rs. 7.22 crores against Rs. 5.78 crores

in the previous year. The company however made a loss of Rs. 6.59 crores as compared to the loss of Rs. 2.37 crores in the previous year.

DBS Cholamandalam Securities Limited

The company recorded 10% growth in gross income to Rs. 9.49 crores for the year ended March 31, 2007. The company made a profit before tax of Rs. 2.70 crores as against Rs. 3.12 crores in the previous year.

DBS Cholamandalam Distribution Limited

An increased volume of business and a higher net retention helped the company record an 33% growth in gross income to Rs. 13.30 crores for the year ended March 31, 2007. This also helped the company attain a profit of Rs. 3.16 crores for the year as against a profit of Rs. 1.96 crores in the previous year.

DBS Cholamandalam Trustees Limited

For the year ended March 31, 2007, the company earned a gross income of Rs. 5 lakhs in the form of trusteeship

fees. The company made a profit before tax of Rs. 0.60 lakhs as against a profit before tax of Rs. 0.63 lakhs in the previous year.

ACKNOWLEDGEMENT

The directors wish to thank the company's customers, vehicle manufacturers, vehicle dealers, banks, mutual funds, depositors, rating agencies and shareholders for their continued support. The directors also thank the employees of the company for their contribution to the company's operations during the year under review.

On behalf of the board

April 25, 2007
Chennai

A. Vellayan
Chairman

Annexure to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

The directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date ("financial statements") and confirm that:

- in the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed.
- appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the

Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognised in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.

- the financial statements have been prepared on a going concern basis.

On behalf of the board

April 25, 2007
Chennai

A. Vellayan
Chairman

Annexure to the Directors' Report

Information under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the directors' report for the year ended March 31, 2007.

| No | Name | Age | Designation/ Nature of duties | Gross Remuneration Rs. | Qualification/ Experience | Date of Commencement of Employment | Last Employment/ Designation |
|----|------|-----|-------------------------------------|------------------------------|------------------------------|--|---------------------------------|
|----|------|-----|-------------------------------------|------------------------------|------------------------------|--|---------------------------------|

Employed throughout the year and in receipt of remuneration of not less than Rs.24,00,000/-p.a

| | | | | | | | |
|----|------------------|----|---------------------------------------|------------|--|----------|--|
| 1. | Atul Pande | 40 | Managing Director | 11,015,647 | B.E.,P.G.D.M (IIM) / 18 Years | 27.02.06 | Citicorp Maruti Finance Ltd./ Managing Director |
| 2. | Kaushik Banerjee | 44 | Sr. Vice President & Business Head | 3,131,435 | B.Com.,MBM (AIM,MANILA) / 20 years | 22.10.01 | Dilip Chhabria Design Pvt. Ltd./ Chief Operating Officer |
| 3. | Shyam C. Raman | 45 | Vice President - HR | 3,247,337 | B.E.,P.G.D.M (IIM) / 20 Years | 13.06.98 | Harita Finance Limited/ Asst. General Manager (Deposits) |

Employed for part of the year and in receipt of remuneration of not less than Rs.2,00,000/-p.m

| | | | | | | | |
|----|------------------|----|--------------------------------|---------|------------------------------------|----------|---------------------------------------|
| 1. | Suryanarayanan.V | 41 | Sr. Vice President- Finance | 628,315 | B.Com.,A.C.A., A.C.S./ 19 Years | 05.11.96 | SRF Finance Ltd./ Business Manager |
|----|------------------|----|--------------------------------|---------|------------------------------------|----------|---------------------------------------|

- The remuneration has been calculated in accordance with the clarification given by the Department of Company Affairs circular no.23/76/(8)/27/(217)/75-CL-V dated August 6, 1976. Accordingly, perquisites have been valued in terms of actual expenditure incurred by the company in providing the benefits to the employees except in the case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added. Actuarial valuation based contribution / provision with respect to gratuity and leave encashment have not been included as these are for the company as a whole.
- Nature of employment: The above employees were wholtime employees of the company during the year ended March 31, 2007 and the nature of their employment was contractual.
- None of the employees is related to any of the directors of the company.

Management Discussion and Analysis

INTRODUCTION

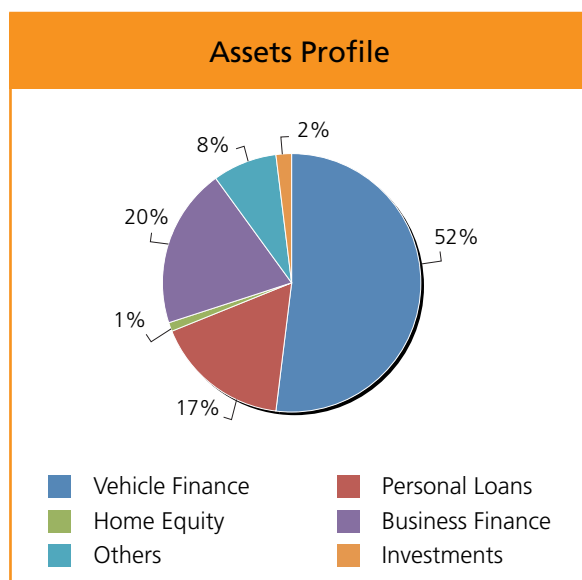
Cholamandalam DBS Finance Limited (the company) with its total assets base of Rs. 4485 crores (including assets securitised and assigned) is one of the premier non-banking finance companies in the country.

The company, along with its subsidiaries provides a range of services such as vehicle finance, finance against shares, personal loans, loans against property, secured loans to corporates, mutual funds, distribution of financial products and securities trading.

Vehicle finance with an asset deployment share of 52% continues to hold largest share of the asset portfolio of the company. The personal loans business achieved significant growth levels during this year and accounts for 17% of the asset size of the company. During the year 2006-07, the company also increased its business in the business finance sector by over 150% which currently accounts for 20% of the total assets of the company.

The company continues to enjoy a high reputation with institutional fund-providers and rating agencies.

Over the years, the company has built up a strong market presence through its cumulative experience, strong distribution network, sound systems and processes.



The company's long-term aspiration is to play a significant role in meeting the finance requirements of small and large commercial vehicle operators, retail borrowers and investors and small and medium enterprises.

VEHICLE FINANCE

The year 2006-07 saw the economic growth continuing with significant growth in almost all sectors, which had a favourable impact on the vehicle finance business. Focus on commercial vehicles especially in the used and mini light commercial vehicles segment helped the vehicles finance business enhance spreads and profitability. The company was selective in its approach towards extending financing to new commercial vehicles and cars with regard to credit and yield, which helped to maintain its presence in these segments. The key strategies adopted by the business during FY 07 are:

- continue diversification of product mix into used vehicles and small commercial vehicles.
- maintain superior portfolio behaviour through improved collection efficiency, sound internal processes and risk management systems.
- improve productivity levels to reduce cost and turnaround time.
- nurturing a strong and mutually beneficial relationship with the manufacturers of commercial vehicles.
- generation of fee income through service charges and cross selling to enhance customer impact and profitability.
- customer service through wider product offerings, quick approvals and simple documentation resulting in a sharp improvement in customer retention and referral business.

Industry overview

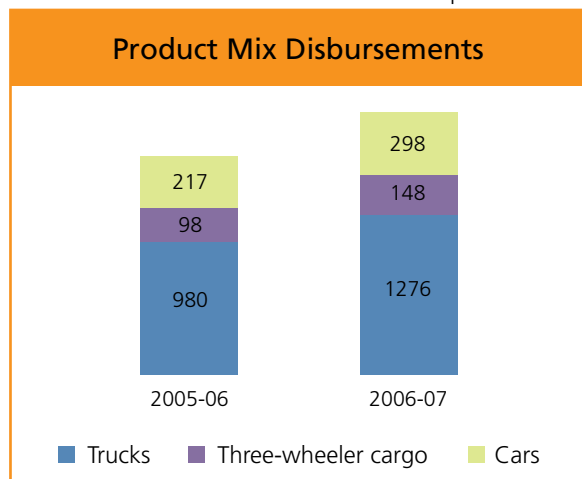
The vehicle industry witnessed a robust growth of 32% for the year ended March 07. The commercial vehicle and car financing industry's growth are expected to mirror the growth in respective vehicle sales. The larger banks and manufacturer owned finance companies continued

to dominate the market through aggressive pricing and a strong distribution presence. While the penetration in the used vehicle industry improved significantly as a proportion of total financing, lack of availability of scientific evaluation models and organised used vehicles distribution network continues to impede the growth of organised used vehicle segment.

Product mix

The company's vehicle finance business reviews its product mix based on evaluation criteria that takes into consideration the size of the market, the risk levels associated with the product category, the intensity of competition, financial viability and the company's ability to enhance customer value. The product mix was suitably adapted to generate top line growth, augment revenue and insulate the business from rate sensitivities.

Rupees in crores



The company has grasped the increased consolidation of used vehicle segment as an opportunity for growth. Its domain knowledge and wider distribution network provided a strong platform to improve its penetration in this segment. As this is a high margin business, this has also helped increasing the spread levels for the company. To mitigate the risk, the company established tighter credit processes and increased the feet on street collection staff.

Marketing and distribution

The business operates in 142 locations comprising of 54 main branches and 88 spoke locations across India.

The company has preferred financier agreements with the leading manufacturers in the sub one-tonne category of vehicles, like Mahindra & Mahindra, Piaggio and Tata Motors. This has resulted in building strong manufacturer supported finance platform in this category.

CONSUMER FINANCE

Industry Overview

A strong GDP growth coupled with increasing purchasing power of a burgeoning middle class has resulted in high growth of the consumer finance industry in the recent years. The demand for bank credit has been growing at above 30% for the third year in succession, specifically in sectors such as housing, commercial real estate and retail loans. Improving credit evaluation techniques also resulted in widening the customer base, which was hitherto dependent on the unorganised sector. This high growth has led to increased competition in this industry; and the ability to sustain good asset quality through superior credit and collection model, effective distribution and efficient customer service will drive future performance. The company will mitigate the risk of lower pricing by new entrants by penetrating Tier II cities and efficiently controlling costs.

Product mix

The personal loans business of the company is broadly classified as prime, catering to the affluent segment and small ticket personal loans catering to middle/ lower middle class segments. The business focuses on credit tested segments to reduce its risk and protect its margins. A set of predefined credit evaluation process helps in quick and accurate assessment of the credit worthiness of the borrower, which is backed by independent evaluation and through external agencies. As the business grows in disbursement volume, the company is strengthening the fraud management process and internal audit teams who

oversee the process set for the channel and branches for compliance.

Marketing and distribution

The personal loans business currently operates from 46 branches in 24 cities across the country. The branch distribution network will be scaled up in the coming year, with a national footprint, which will ensure a strong brand being built all over the country. These branches primarily work as customer interaction points and bring with them the concept of a neighbourhood financier thus providing prompt and customised services to the customers.

A young and strong team recruited for this growing business, has quickly scaled up the business to deliver productivity levels comparable to industry averages. This team is supported by a strong indirect network that supports new customer acquisition. In addition to these conventional channels, the business plans to introduce alternate channels which will enhance its reach and distribution while reducing costs.

BUSINESS FINANCE

During the year, the company continued focus on financing the needs of corporates and high networth individuals where the exposure is secured primarily by way of current assets, property and shares. The business continued to demonstrate high growth this year. The company expects that this growth will continue in line with the performance of the economy, corporate sectors and stock markets. The asset size of this business increased from Rs. 334 crores to Rs. 884 crores during the current year.

HOME EQUITY

Mortgages as a percentage of the GDP is as high as 51% in the USA and 54% in the UK. In India it is just 4% of the GDP. Tapping on the opportunity of the under-penetrated mortgage finance market in India, the company has launched the home equity product which is a loan against existing property, as one more offering to the customer. Today, this business operates

out of 5 locations and is expected to grow to 15 locations by end of the next financial year. This is a long tenure product with floating rates of interest, which will help the company diversify its product lines. Also the product supports cross selling with the existing products of the company. The product was launched in October 2006 and the total disbursement during the current year was Rs. 40 crores.

INVESTMENTS

Investments at Rs. 78.75 crores constitute 1.8% of the total assets of which investment in subsidiaries constitute Rs. 52.55 crores and investments of Rs. 16.41 crores (net of provisions) are in approved securities.

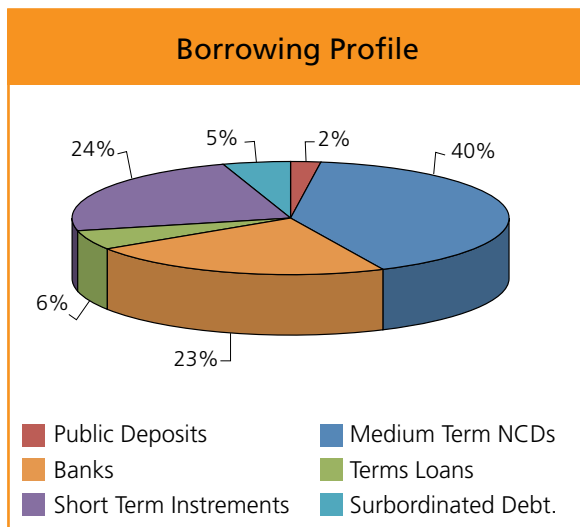
RESOURCES AND TREASURY

The year witnessed some of the most challenging times for fund raising at competitive costs. Reserve Bank of India (RBI) hiked repo rates, reverse repo rates and Cash Reserve Ratio (CRR) among other monetary measures to address some of the macro economic concerns facing the industry. Liquidity remained tight during second half of the fiscal year that kept short-term interest rates volatile. The credit spreads for corporate debt widened significantly across all tenures during the year.

In spite of such adverse environment, the company was largely successful in mitigating the impact of any sharp rise in its cost of borrowings with reference to its interest rate benchmarks through prudent and active liability management practices.

The company raised Rs. 150 crores in the form of subordinated unsecured fully redeemable debentures during the year. These debentures qualify as Tier II capital and augment the company's capital adequacy.

During the year, the company placed Rs. 867 crores of medium term non-convertible debentures. The consortium of banks enhanced the banking limits of the company to Rs. 700 crores. As at the year-end, the share of funds provided by banks and other institutions accounted for 35% and 65% respectively.



Over the past few years, investors have been opting for mutual funds and bank deposits due to better returns, liquidity as well as tax benefits. Consequently, public deposit schemes of companies have been losing their attractiveness. Therefore, the company chose to change its status from a deposit taking NBFC to a non-deposit taking NBFC. In accordance with RBI guidelines, the company has deposited a sum adequate to meet the repayment obligations of the deposits outstanding in its books, in an escrow account with an approved bank.

Continuing its practice of borrowing source diversification the company assigned part of its priority sector lending to banks at competitive rates, which also contributed to better cost of funds.

HUMAN RESOURCES & INFRASTRUCTURE

During the year, the company has significantly increased the number of employees from 482 to over 875, for scaling up its consumer finance business nationally. There is a robust on-boarding programme in place to ensure the smooth assimilation of these new recruits as well as their business-readiness. In order to widen its talent pool, the company institutionalised a programme for inducting fresh management graduates. The company further strengthened its commitment to meritocracy by modifying

its compensation systems to link rewards more closely to individual performance. The company continued to invest in training and development to continuously upgrade the capabilities of its human resources.

RISK MANAGEMENT

Risk to a varying degree, is inevitable in all business transactions in an organisation which is in financial services industry. Hence it is critical to have strong risk management capabilities that include effective monitoring, reporting, controlling and mitigation process. The risk management framework of the company is driven by the following fundamentals:

- Identification of key risks faced by the company.
- Evaluating the probability of their occurrences and their impact.
- Set an appropriate balance between risk and reward in order to maximise share holder return.
- Set tolerance limits and establish adequate review mechanisms to monitor and control the risks.
- Incorporate robust reporting mechanism and adoption of appropriate mitigation processes.

To support the above, the overall risk governance framework of the company includes strong corporate oversight, independent audit function and well laid down policies and processes. Being in the financial services sector the company's risk exposure include:

Credit risk, Operational risk, Market risk, Interest rate risk, Liquidity risk, Currency risk and Leverage risk.

Credit Risk

Lending involves a number of risks, largely related to the credit-worthiness of the borrowers. Credit risk involves inability or unwillingness of a customer or counterparty to meet their commitments. This is inherent and most dominant of the risks in the lending business. This is made up of transaction risk and portfolio risk.

Risk mitigation

The company has a prudent credit risk management process which contains:

- A sound credit approval process
- Appropriate credit administration, measurement and monitoring process
- Ensuring adequate controls over credit risk

The company has well laid down credit policies at the product level with clear delegation of authority. The framework covers policies about "Know Your Customer", regular credit assessment, new product launches, delegation matrix etc. The company's credit evaluation and credit portfolio management methodologies are designed to ensure consistent underwriting and early identification of problematic loans using techniques like lagged delinquency analysis, early default analysis, static pool analysis etc. Based on the review mechanism, credit policies are being reviewed and appropriate changes to the policies are undertaken.

The company has a separate credit vertical for each of the businesses independent of the marketing and sales teams, which takes decisions at an individual transaction level for all transactions. An empowered, independent internal audit team conducts regular review of credit files on a sample basis to ensure adherence to the policies.

The company also uses the services of credit bureaus to evaluate the credit worthiness of its customers in the consumer finance business.

Operational Risk

Operational Risk is defined as the risk that the company will incur due to inadequate or failed internal processes, people or systems. During the year, the transactions of the company has increased manifold necessitating additional focus on having robust operational controls.

Risk mitigation

The management of operational risk is carried out through a comprehensive system of internal controls, documented delegation of authority, separation of duties between key

functions and detailed standard operating procedures. In all critical functions like treasury, etc. the front office and back office functions are segregated. The key operational processes are centralised at the head office that reduces the operational risk at the branch level.

The company has an empowered in-house internal audit team spread across the country and also has a reputed external audit firm to focus on special areas and new product launches. The company also adopts a whistle blower policy of reporting incidents of fraud. All the operational branches are being reviewed on the basis of a "Risk Score Card" which measures the effective control mechanism at the branch level. The branches are graded based on the level of activity and the frequency and coverage of audit is determined on this basis.

To enhance the control over information systems, the company has periodic audit process to ensure information security and has also setup a remote disaster recovery site to ensure sustenance of business operations.

The company is also in the process of developing a business continuity plan for persons holding key positions.

Market Risk

Market risk refers to uncertainty of future earnings resulting from changes in the values of financial instruments. This could arise from changes in liquidity conditions, interest rates and foreign exchange rates as well as their correlations. Evaluating this risk and arriving at appropriate mitigating actions has assumed greater importance, due to the unprecedented volatility witnessed during the current year.

Risk mitigation

The company has an approved comprehensive Financial Risk Management Policy that limits the financial exposure of the company to acceptable levels. A business committee consisting of members of the board under the chairmanship of an independent director reviews and approves all market risk policies and recommends the tolerance limits

on borrowings, the fixed vs. floating rate exposure on the borrowings, the ALM position of the company and also fixes the framework of operations for Asset Liability Management committee (ALCO). ALCO which includes members from treasury, finance and business lines other than managing director reviews the treasury operations and pricing of products on a monthly basis.

The company does not maintain a trading position in the debt or equity market.

Interest rate risk

Interest rate risk arises when there is a mismatch in the interest rate profile of assets and liabilities adversely impacting the net interest income.

The company measures interest rate risks by the 'duration gap' method. The duration gap is a risk measure that tracks the gap between assets and liabilities sensitive to interest rate changes, to assess the impact of interest rate changes on the cost of funds to the company.

Risk mitigation

The company manages the duration gap within the set risk limit by altering the tenure and structure of borrowings and through the use of derivative instruments like interest rate swaps. Considering the volatility of interest rates in the market, the company strategy is to optimise its borrowings between short term and long term debt as well as floating and fixed rate instruments.

Currency risk

This risk is the result of fluctuating currency rates, arising from its open foreign currency positions in its borrowings that may adversely impact the company's financial performance.

Risk mitigation

Based on the exchange rate outlook, the company's foreign currency-denominated borrowings are generally hedged through forward contracts or option structures that are superior to forward contracts. Open positions, if any, are restricted to pre-set currency risk limits. The forex

position is monitored, evaluated, reported and managed in accordance with an approved risk management framework. Assisted by a stable LIBOR and appreciating INR vs. USD, the company has been successful in reducing its interest costs through active management of its currency exposures.

Liquidity risk

Liquidity risk is the risk that the company may be unable to meet its financial obligations in a timely manner at reasonable prices. This risk could arise out of a mismatch in maturity profile of the assets and liabilities. Managing liquidity risk is essential for the company to maintain the stakeholders' confidence.

Risk mitigation

The mitigation techniques deployed by the company is to spread the borrowing basket among different lenders like banks, mutual funds etc. to reduce the concentration risk. It also monitors the structural liquidity mismatches between the assets and the liabilities on a projected cash flow basis and periodically reviews the open credit lines available with the banks.

The interest risk, currency risk and the liquidity risks are reviewed on a monthly basis by the ALCO and also reported periodically to the business committee and the board of the company.

Leverage risk

Leverage risk is the risk of the company's financial leverage assuming significantly higher levels causing stress on capital adequacy. This can impact long-term solvency or the ability to accommodate business growth.

Risk mitigation

To reduce the over-leveraging of the capital during the year the company infused subordinate debt to the tune of Rs. 150 crores as Tier II capital. The capital adequacy ratio of the company is at 12.28%. In order to sustain

its future growth plans the company proposes to bring in further capital by way of a rights issue in the coming year.

RESULTS OF OPERATIONS

Rupees in crores

| | 2006-07 | 2005-06 |
|--|---------|---------|
| Income from operations net of lease depreciation | 409.13 | 221.46 |
| Less: Gain on sale of long term investments | - | 14.69 |
| Adjusted Gross income | 409.13 | 206.77 |
| Less: Interest cost | 188.93 | 99.42 |
| Gross interest spread | 220.20 | 107.35 |

Interest spreads

During the year, the company's assets under management grew by 95% to Rs. 4485 crores. Gross income for the year was Rs. 409 crores (previous year Rs. 221 crores).

The growth in the adjusted gross income is 97.87% that was driven by the movement towards used vehicles segment in vehicle finance business and the launch of high yielding products like personal loans. During the year, the company also has increased the marginal lending rate across businesses more than the overall increase in cost of funds resulting in higher spreads. The increase in the interest cost is primarily driven by the increase in volumes as well as the increase in the borrowing costs, especially in the later part of the year, due to the volatile market conditions.

Loan losses & Provisioning

Gross NPAs were at 0.65% of the total risk weighted assets, a reduction from 1.16% in the previous year. The provisioning cover on the NPAs stands at 59% as compared to 47% in the previous year. Net NPA constituted 0.39% of the total risk weighted assets. The total charge to the profit and loss account on loan losses, provisions and charges was Rs. 35.74 crores.

Origination & Operating costs

The company continues to follow a prudent policy of absorbing all loan origination costs on incurrence. Due

to this policy the company had to absorb the high origination cost on new products such as personal loans and home equity. The origination cost has gone up from Rs. 15.71 crores to Rs. 59.43 crores.

The cost of setting up the new branches for the consumer finance businesses and the recruitment and training costs of the new employees for these businesses have resulted in higher operating costs as compared to last year. Most of these expenses are one-time and had been absorbed on incurrence and the benefits of these expenses will accrue in the forthcoming years. Due to this, the overall operating costs have gone up from Rs. 35.29 crores to Rs. 72.15 crores.

In spite of having incurred higher levels of origination and operating costs, on the new products and increased provisions made, the company increased its profit before tax from last year levels. During the current year, the company reported a profit before tax of Rs. 47.27 crores as against the previous year's of Rs. 46.04 crores.

Subsidiaries and Consolidated Results

The combined gross income of the subsidiaries increased to Rs. 30.06 crores as compared to Rs. 24.37 crores of the previous year. While the securities business and the distribution business have reported a profit before tax of Rs. 2.70 crores and Rs. 3.16 crores respectively, the asset management company had incurred a loss of Rs. 6.59 crores.

The gross income of the consolidated entity grew by 79% to Rs. 437.64 crores from Rs. 244.75 crores in the previous year. The consolidated profit before tax for the year was at Rs. 45.54 crores as against Rs. 47.74 crores in the previous year.

On behalf of the board

April 25, 2007
Chennai

A. Vellayan
Chairman

Report on Corporate Governance

Corporate governance is about commitment to values and ethical business conduct. It is about how an organisation is managed viz., its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial situation of the company, its performance and ownership forms part of the corporate governance.

CORPORATE GOVERNANCE PHILOSOPHY

Cholamandalam DBS Finance Limited (Cholamandalam DBS), a joint venture between the Murugappa group and DBS Bank Limited, Singapore (DBS), is committed to the highest standards of corporate governance in all its activities and processes.

The company has always believed in and practised various elements of corporate governance since its inception. The board has adopted corporate governance principles to ensure that the board remains informed, independent and involved in the company. The board recognises that there will be ongoing efforts on better corporate governance and it will review these principles and other aspects of governance periodically.

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders and provide shareholder value. Everything we do is defined and conditioned by the highest standards of governance, which serve our values. The company firmly believes in and follows the Arthasastra quote:

“The fundamental principle of economic activity is that no man you transact with will lose; then you shall not”.

The Corporate governance philosophy of the company is driven by the following fundamental principles:

- Adhere to corporate governance standards beyond the letter of law.
- Maintain transparency and high degree of disclosure levels.

- Maintaining a clear distinction between the personal interest and corporate interest.
- Transparent corporate structure driven by business needs and
- Ensuring compliance with applicable laws.

BOARD OF DIRECTORS

The corporate governance principles of the company ensures that the board remains informed, independent and involved in the company and that there are ongoing efforts towards better corporate governance to mitigate “non business” risks.

The board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning Cholamandalam DBS and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

Directors at Cholamandalam DBS possess the highest personal and professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the board is to provide effective governance over the company’s affairs exercising its reasonable business judgement on behalf of the company. The company’s business is conducted by its employees under the direction of the managing director and the overall supervision of the board. The company has in place an appropriate risk management system covering various risks of the company including fraud risks, which are discussed and reviewed by the board from time to time.

Cholamandalam DBS’s commitment to ethical and lawful business conduct is a fundamental shared value of the board of directors, the senior management and all other employees of the company. Consistent with its values and beliefs, the company has formulated a Code of Conduct applicable to the board and senior management. Further, the company has also adopted an Insider Trading Code for prevention of insider trading and a whistle blower policy.

Composition

The board has been constituted in a manner, which will result in an appropriate mix of executive/non-executive and independent directors to ensure proper governance and management. The board members have collective experience in diverse fields like banking, finance, engineering and technology. Four directors are independent meeting the criteria for independence under the listing agreement with the stock exchanges. The directors are elected based on their qualification and experience in varied fields as well as company's business needs.

The company is a joint venture company between the Murugappa group (represented by Tube Investments of India Ltd.-TII) and M/s DBS Bank Ltd., Singapore. In line with the shareholders agreement between the company, TII and DBS, the board consists of 3 nominees from the Murugappa group, 3 nominees from DBS and 4 independent directors besides the managing director.

The details of the directors as at March 31, 2007 including the details of their other board directorship reckoned pursuant to section 278 of the Companies Act, 1956, committee membership and their shareholdings are given below:

| Name of the director | Executive/ Non-executive/ Independent/Promoter | No. of directorship (chairman) | No of shares held in the company | *No. of board committee membership (chairman) |
|--------------------------|--|--------------------------------------|--|--|
| Mr. A. Vellayan | Non-executive/ Promoter director | 10(5) | 78375 | 4 |
| Mr. V. P. Mahendra | Non-executive/ Independent director | 4 | 16705 | 1(1) |
| Mr. R. V. Kanoria | Non-executive/ Independent director | 7(1) | Nil | Nil |
| Mr. Indresh Narain | Non-executive/ Independent director | Nil | Nil | Nil |
| Mr. R. Krishnamurthy | Non-executive/ Independent director | Nil | Nil | Nil |
| Mr. N. Srinivasan | Non-executive/ Non-Independent director | 1 | Nil | 1 |
| Mr. M. Anandan | Non-executive/ Non-Independent director | 6 | 24500 | 2(1) |
| Mr. Rajan Raju | Non-executive/ Non-Independent director | 5 | Nil | Nil |
| Mr. Pranam Wahi | Non-executive/ Non-Independent director | Nil | Nil | Nil |
| Mr. Edmund Koh Kian Chew | Non-executive/ Non-Independent director | 6 | Nil | Nil |
| Mr. Atul Pande | Managing director/ Non-Independent director | Nil | 21049 | Nil |

*Only memberships of audit committee and shareholders grievance committee have been taken into consideration.

Board Meetings

The board of directors meet at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The board is regularly briefed and updated on the key activities of the business and is provided with briefings and presentations on other matters concerning

the company on a need basis. Besides, information about statutory compliance, minutes of all the subsidiary companies and sub-committees of the board and information as required under listing guidelines are also provided to the directors on a regular basis.

The dates of the board meetings are fixed in advance at the closure of the previous year to enable maximum

attendance from directors. There is a minimum of six scheduled board meetings in a year. During the year ended March 31, 2007, six meetings of the board of directors were held i.e. April 24, 2006, July 21, 2006 (2 meetings), October 19, 2006, January 24, 2007 and March 26, 2007.

CHANGES IN THE BOARD CONSTITUTION

During the year ended March 31, 2007, the following changes took place in the constitution of the board.

Mr. M. A. Alagappan, Mr. Ravi Ramu, Mr. Partho S. Datta and Ms. Ho Siew Mee Susan stepped down from their position as directors. Mr. A. Vellayan, Mr. N. Srinivasan both nominated by TII and Mr. Edmund Koh Kian Chew nominated by DBS Bank Ltd., were appointed as additional directors. Further, Mr. Indresh Narain and Mr. R. Krishnamurthy, independent directors were also appointed as additional directors during the year. Mr. Vellayan has succeeded Mr. Alagappan as the chairman of the company.

COMMITTEES OF THE BOARD

Various committees of the board have been constituted to assist the board in discharging its responsibilities.

During the year, the management committee of the board was re-constituted and renamed as the business committee. At present, there are four committees constituted by the board – the audit committee, the shareholders grievance committee, the remuneration & nomination committee and the business committee.

The board at the time of constitution of each committee fixes the terms of reference for each committee and also delegates powers from time to time. Various recommendations of the committees are submitted to the board for approval. The minutes of the meetings of all the committees are circulated to the board for its information. Besides the members of the committees, senior management team also attends the meetings of the committees as and when necessary.

AUDIT COMMITTEE

Terms of Reference

The primary role of the audit committee is overseeing the financial reporting process and disclosure of financial information, reviewing the financial statements before submission to the board, reviewing adequacy of internal control systems and reviewing findings of internal investigations besides recommending appointment/removal of statutory auditors, internal auditors and fixing their remuneration. The committee holds discussions with the statutory auditors and internal auditors periodically.

Composition & Meetings

The committee originally constituted in 1997 and reconstituted in 2006 comprises four non-executive directors with majority of them being independent directors. The committee comprises Mr. Indresh Narain as the chairman, Mr. A. Vellayan, Mr. V. P. Mahendra and Mr. R. Krishnamurthy as its members. The statutory auditors, internal auditors and senior management are invited to attend all the meetings of the committee. The committee had six scheduled meetings during the year ended March 31, 2007, four meetings for reviewing the financial statements and two meetings for considering internal audit reports.

SHAREHOLDERS GRIEVANCE COMMITTEE

Terms of Reference

The role of the committee includes formulation of shareholders servicing plans and policies, consideration/approval of valid share requests with folios beyond 5000 shares, share transmissions, issue of duplicate share certificates, issue of share certificates for split, rematerialisation, consolidation of shares etc., monitoring and reviewing the mechanism of share transfers and dematerialisation of shares, payment of dividends etc. and looking into the redressing of shareholders grievances and determining, monitoring and reviewing the standards for resolution of shareholders grievances.

Composition & Meetings

The shareholders grievance committee was initially constituted in 2001. The board at its meeting held on January 27, 2006 reconstituted the shareholders grievance committee. Mr. V. P. Mahendra is the chairman of the committee and Mr. N. Srinivasan and Mr. Pranam Wahi are the other members of the committee. Ms. P. Sujatha, company secretary is the compliance officer. During the year ended March 31, 2007, the committee held two meetings.

The company did not receive any complaint during the year ended March 31, 2007. There were no share transfer requests pending as on March 31, 2007.

BUSINESS COMMITTEE

Terms of Reference

The role of the committee includes review of the business of the company including approval and review of business proposals, review of credit and investment policies, approve borrowings within the limits prescribed by the board, approve assignment of receivables, approve purchase and sale of property, overseeing the asset liability management system of the company and review the risk management policies of the company. Besides, the committee also recommends to the board the issue of non-convertible debentures and disbursement limits.

Composition & Meetings

The management committee was re-constituted and renamed as the business committee on January 24, 2007. The re-constituted committee comprises Mr. R. Krishnamurthy as the chairman and Mr. N. Srinivasan and Mr. Rajan Raju as members. Mr. Atul Pande is an invitee. The senior management is also invited to attend all the meetings of the committee. The committee held six meetings during the year ended March 31, 2007.

REMUNERATION AND NOMINATION COMMITTEE

Terms of Reference

The role of the committee includes, determining the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment and the remuneration package, including the periodic increments in salary of the executive directors. The committee is also empowered to determine the annual commission/incentives of the executive directors.

The committee further considers and recommends nominees for board positions. Decisions for selecting a director nominee is based on the merit, qualification, competency and the company's business needs. Such candidates shall be free of conflict of interest that would interfere with their ability to discharge their duties. The recommendations of the committee are placed before the board for its approval.

Composition & Meetings

The committee was constituted in 2001 and subsequently re-constituted in 2006. Mr. R. V. Kanoria is the chairman of the committee. Mr. A. Vellayan, Mr. Rajan Raju and Mr. V. P. Mahendra are the other members of the committee. The committee had two meetings during the year ended March 31, 2007.

REMUNERATION OF DIRECTORS

Remuneration Policy

The compensation of the executive directors comprises a fixed component and a performance incentive by way of commission. The compensation is determined based on levels of responsibility and scales prevailing in the industry. The commission is determined based on certain pre-agreed performance parameters. The

executive directors are not paid sitting fees for any board/ committee meetings attended by them.

The compensation of the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission up to 1% of net profits of the company for each year calculated as per the provisions of the Companies Act, 1956, the actual commission paid to the directors is restricted to a fixed sum. This sum is reviewed periodically taking into consideration

various factors such as performance of the company, time spent by the directors for attending to the affairs and business of the company and extent of responsibilities cast on directors under general law and other relevant factors. The non-executive directors are also paid sitting fees as permitted by government regulations for every board/ committee meeting attended by them.

The company currently does not have any stock option scheme.

Remuneration for the year:

Details of the remuneration of directors for the year ended March 31, 2007 are as follows:

Non-executive directors

(Rupees in lakhs)

| Name | Sitting Fees Paid | Commission Payable |
|----------------------------|-------------------|--------------------|
| Mr. M.A. Alagappan * | 1.10 | 1.10 |
| Mr. A. Vellayan | 0.45 | 0.90 |
| Mr. V.P. Mahendra | 1.80 | 2.00 |
| Mr. R.V. Kanoria | 0.80 | 2.00 |
| Mr. Indresh Narain | 1.25 | 1.45 |
| Mr. R. Krishnamurthy | 0.85 | 0.90 |
| Mr. Ravi Ramu* | 0.25 | 0.35 |
| Mr. Partho S. Datta* | 0.80 | 1.48 |
| Mr. N. Srinivasan | 0.50 | 0.51 |
| Mr. M. Anandan | 1.30 | 2.00 |
| Mr. Rajan Raju** | 1.30 | 2.00 |
| Ms. Ho Siew Mee Susan* | 0.00 | 1.64 |
| Mr. Pranam Wahi ** | - | - |
| Mr. Edmund Koh Kian Chew** | 0.15 | 0.37 |
| Total | 10.55 | 16.70 |

* Directors resigned during the year 2006-07

** As per the employment policy of DBS, the remuneration comprising sitting fees and annual commission, payable to Mr. Rajan Raju and Mr. Edmund Koh Kian Chew, foreign directors nominated by DBS is being paid to DBS. However, in the case of Mr. Pranam Wahi, DBS director and an Indian tax assessee, the company has been informed that he shall not receive any remuneration from the company.

Executive directors

(Rupees in lakhs)

| Name | Salary/ Allowance | Contribution to to funds* | Value of perquisites | Commission |
|----------------|----------------------|------------------------------|-------------------------|------------|
| Mr. Atul Pande | 99.74 | 5.67 | 4.75 | Nil |

* Excludes actuarial valuation based contributions in respect of gratuity and leave encashment.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

| Name | Number of meetings attended | | | | | Attendance at last AGM |
|--------------------------|-----------------------------|--------------------|--|---|--------------------------------------|------------------------------|
| | board | audit committee | shareholders grievance committee | remuneration and nomination committee | business/ management committee | |
| Mr. M. A. Alagappan* | 4 | 4 | NA | 1 | NA | Yes |
| Mr. A. Vellayan | 3 | - | NA | - | NA | NA |
| Mr. V. P. Mahendra | 6 | 6 | 2 | 1 | NA | Yes |
| Mr. R. V. Kanoria | 4 | NA | NA | 2 | NA | Yes |
| Mr. Indresh Narain | 5 | 5 | NA | NA | NA | Yes |
| Mr. R. Krishnamurthy | 3 | 2 | NA | NA | 2 | NA |
| Mr. Ravi Ramu * | 1 | 1 | NA | NA | NA | NA |
| Mr. Partho S. Datta* | 4 | NA | 2 | NA | NA | Yes |
| Mr. N. Srinivasan | 2 | NA | - | NA | 2 | NA |
| Mr. M. Anandan | 6 | NA | NA | NA | 4 | Yes |
| Mr. Rajan Raju | 4 | NA | NA | 1 | 6 | No |
| Ms. Ho Siew Mee Susan* | - | NA | NA | NA | NA | No |
| Mr. Pranam Wahi | 6 | NA | 2 | NA | NA | Yes |
| Mr. Edmund Koh Kian Chew | 1 | NA | NA | NA | NA | NA |

* Resigned during the year 2006-07

GENERAL BODY MEETINGS

Particulars of venue, date and time of the previous three annual general meetings and the details of special resolutions passed in the meetings are given below:

| Year | Date and Time | Venue | Special Resolutions passed |
|------|----------------------------|--|--|
| 2004 | July 28, 2004 4.00 p.m. | Rani Seethai Hall, 603, Anna Salai, Chennai – 600 006 | Approval for payment of commission not exceeding 1% to non-whole time directors |
| 2005 | July 26, 2005 4.00 p.m. | -do- | Nil |
| 2006 | July 21, 2006 4.00 p.m. | -do- | Nil |

During the year 2006-07, the company has not passed any special resolutions through postal ballot.

COMPLIANCE REPORT

The board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

CODE OF CONDUCT

The board has laid-down a "Code of Conduct" for all the board members and the senior management of the company and the Code of Conduct has been posted on the website of the company. Annual declaration is obtained from every person covered by the Code of Conduct. A declaration to this effect signed by the CEO is attached to this report.

RISK MANAGEMENT

The company has laid down procedures to inform board members about the risk assessment and minimisation procedures. The board periodically discusses the significant business risks identified by the management and the mitigation process being taken up. A detailed note on the risk identification and mitigation is included in management discussion and analysis, annexed to the directors' report.

CEO/CFO CERTIFICATION

CEO and CFO have given a certificate to the board as contemplated in clause 49 of the Listing Agreement.

DISCLOSURES

Transactions with related parties are disclosed in note 12 of schedule 18 to the Accounts in the annual report. There were no materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.

There were no instances of non-compliance on any matter related to capital markets during the last three years.

COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The company has complied with all mandatory requirements of corporate governance norms as enumerated in clause 49 of the listing agreements with stock exchanges. However, during the period June 2, 2006 to July 9, 2006, the compliance of clauses relating to the composition of the board and audit committee could not be adhered to by the company consequent to the resignation of Mr. Ravi Ramu, an independent director. Accordingly, the number of independent directors fell to less than the prescribed one-third of the total board strength and also the number of members in the audit committee fell to less than the prescribed minimum of three members. However, the proportion was reinstated by inducting Mr. Indresh Narain, an independent director on July 10, 2006. The company has obtained a certificate from M/s. Deloitte Haskins & Sells, Chennai, statutory auditors of the company regarding the compliance with the provisions of clause 49 that is annexed hereto.

The company has adopted the following non-mandatory requirements:

1. As detailed in the earlier paragraphs a remuneration and nomination committee has been constituted by the company.
2. A newsletter from the managing director highlighting the significant achievements during the half-year ended September 30, 2006 and enclosing the financial results was sent to all the shareholders of the company.
3. The company has adopted a whistle blower policy. The audit committee reviews the functioning of the policy.

The other non-mandatory requirements have not been adopted by the company.

MEANS OF COMMUNICATION

The audited financial results are published in newspapers including Business Standard, Business Line, Dhinamani etc. The quarterly results and other major announcements like book closure and dividend declarations are published in Business Standard and Dhinamani and are also available in the company's website www.choladbs.com. Besides the financial information, the following are posted on the company's website:

- Periodical Press releases
- shareholders satisfaction survey form
- Code of Conduct
- Whistle blower policy
- Presentations to investors/ analysts

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis forms part of the annual report.

GENERAL SHAREHOLDER INFORMATION

A separate section on the above has been included in the annual report.

On behalf of the board

April 25, 2007
Chennai

A. Vellayan
Chairman

DECLARATION ON CODE OF CONDUCT

This is to confirm that the board has laid down a Code of Conduct for all board members and senior management of the company. The Code of Conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the company for the year ended March 31, 2007, as envisaged in clause 49 of the Listing Agreement with stock exchanges.

April 25, 2007
Chennai

Atul Pande
Managing Director

Auditors' Certificate

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of Cholamandalam DBS Finance Limited

1. We have examined the compliance of conditions of Corporate Governance by Cholamandalam DBS Finance Ltd (the Company) for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement except that during the period June 2, 2006 to July 9, 2006 the compliance of clauses relating to the composition

of the Board and Audit Committee could not be adhered to by the Company consequent to the resignation of one of the Independent Directors. Accordingly, the number of Independent Directors fell to less than the prescribed one-third of the total Board strength and also the number of members in the Audit Committee fell to less than the prescribed minimum of three members during this period. However, the proportion was reinstated by inducting another Independent Director on July 10, 2006.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants

K Sai Ram
Partner

April 25, 2007
Chennai

Membership no: 022360

General Shareholder Information

ANNUAL GENERAL MEETING

| Date | Time | Venue |
|---------------|--------|---|
| July 30, 2007 | 4 p.m. | The Music Academy New No.168 (Old No.306) T.T.K Road, Royapettah, Chennai – 600 014 |

FINANCIAL YEAR

April 1st to March 31st

DATES OF BOOK CLOSURE

July 25, 2007 to July 30, 2007 (both days inclusive)

DIVIDEND PAYMENT DATE

Dividend for the year ended March 31, 2007 will be paid within 7 days from the date of declaration by the shareholders.

LISTING ON STOCK EXCHANGES

The equity shares of the company are listed at the following stock exchanges:

| Listing on Stock Exchanges | | |
|---|---|--|
| Madras Stock Exchange Ltd. Exchange Building Post Box No.183 11 Second Line Beach Chennai - 600 001. Stock Code: CIN | Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 001. Stock Code: 11243 | National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/1, G Block Bandra Kurla Complex Bandra (E), Mumbai – 400 051. Stock Code: CHOLADBS EQ |

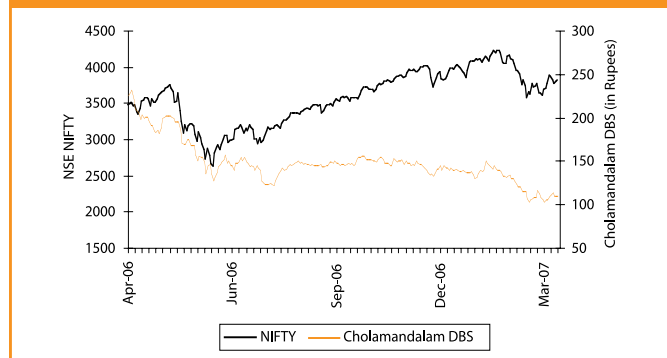
The listing fees for the financial year 2006-07 were paid to all the above stock exchanges.

MARKET PRICE DATA

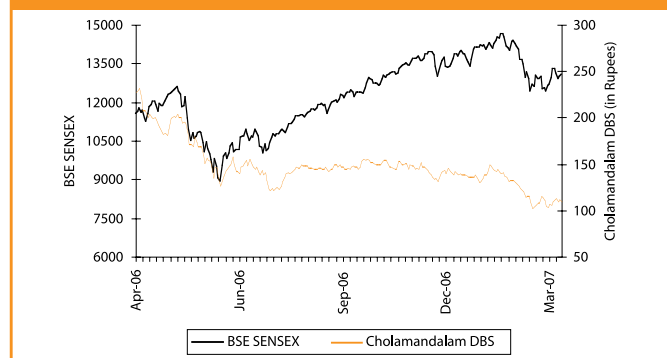
(Rupees per share)

| Period | BSE | | | NSE | | |
|----------------|--------|--------|--------|--------|--------|--------|
| | High | Low | Vol. | High | Low | Vol. |
| April 2006 | 234.00 | 176.05 | 97370 | 240.00 | 178.00 | 229559 |
| May 2006 | 220.00 | 155.00 | 710212 | 220.40 | 151.00 | 176715 |
| June 2006 | 165.00 | 125.00 | 91373 | 163.45 | 124.50 | 151452 |
| July 2006 | 158.00 | 120.10 | 24699 | 159.00 | 118.00 | 71064 |
| August 2006 | 150.00 | 120.00 | 30214 | 154.00 | 118.60 | 104409 |
| September 2006 | 154.40 | 140.00 | 56845 | 154.95 | 141.00 | 163428 |
| October 2006 | 159.00 | 141.50 | 57800 | 160.00 | 143.05 | 103685 |
| November 2006 | 156.90 | 141.60 | 107723 | 155.00 | 140.60 | 212848 |
| December 2006 | 149.00 | 125.25 | 95510 | 147.90 | 127.50 | 272362 |
| January 2007 | 153.20 | 129.00 | 95555 | 160.00 | 128.00 | 153645 |
| February 2007 | 148.80 | 113.95 | 60582 | 146.00 | 110.00 | 83315 |
| March 2007 | 117.90 | 100.55 | 140276 | 123.00 | 98.00 | 154722 |

Cholamandalam DBS share price performance in comparison with NSE NIFTY



Cholamandalam DBS share price performance in comparison with BSE SENSEX



REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Karvy Computershare Pvt. Ltd., Hyderabad is the Registrar and Share Transfer Agent (RTA) for handling the physical and electronic registry work. The shareholders are requested to address their share related requests/queries to the RTA.

The contact address of the RTA is as follows:

Karvy Computershare Pvt. Ltd.

(Unit: Cholamandalam DBS Finance Ltd.)

Plot No. 17-24, Vittalrao Nagar,

Madhapur, Hyderabad - 500 081.

Tel. No.: 040-23420815 to 820, Fax No.: 040-23420814

E-mail ID: mailmanager@karvy.com

Contact person: Mr. V K Jayaraman,

Deputy General Manager

SHARE TRANSFER SYSTEM

For speedy processing of share transfers, the board has delegated powers to approve share transfers to the shareholders grievance committee and to the managing director. Depending on the number of requests received share transfers are processed every week.

DEMATERIALISATION OF SHARES AND LIQUIDITY

The company has signed agreements with both the depositories in the country, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The company's shares are in the list of compulsory demat settlement by all investors. As on March 31, 2007 shares constituting about 97.91 % of the total paid up capital of the company have been dematerialised.

NOMINATION FACILITY

The company is accepting nomination forms from shareholders in the prescribed Form 2B. All those who

are desirous of making a nomination are requested to contact the RTA. The shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the concerned depository participants. Nomination is optional and can be cancelled or varied by a shareholder at any time.

ELECTRONIC CLEARING SERVICE (ECS)

The company introduced payment of dividends to shareholders through ECS since October, 1999. Currently, the facility is offered at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. All those shareholders who opted for the facility from these places have been paid dividends through ECS successfully. If you wish to avail of this facility, please contact the RTA. All those shareholders holding shares in electronic form may contact their depository participants for registering the particulars.

PAYMENT OF UNCLAIMED/ UNPAID DIVIDEND

The company has remitted all unclaimed/unpaid dividends pertaining to the earlier financial years up to the financial year 1993-1994 to the central government. The dividends relating to the subsequent years that are unclaimed/unpaid for a period of seven years are transferred from time to time to the Investor Education and Protection Fund (IEPF) created by the central government under the Investor Education and Protection Fund (awareness and protection of investors) Rules, 2001. The company has been sending reminders to such shareholders at frequent intervals to claim their dividends before such transfers.

The company sent a reminder in the month of October 2006 to those shareholders who had not claimed the final dividend for the year 1999 that was remitted to IEPF in December 2006.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2007

| No. of shares held | No. of shareholders | No. of shares | (%) of shareholding |
|--------------------|---------------------|-----------------|---------------------|
| Below 500 | 14708 | 1614612 | 4.26 |
| 501 - 1000 | 1108 | 842524 | 2.22 |
| 1001 - 2500 | 940 | 1473458 | 3.88 |
| 2501 - 5000 | 289 | 1056722 | 2.78 |
| 5001 - 10000 | 115 | 848113 | 2.24 |
| 10001 And Above | 127 | 32111047 | 84.62 |
| Total | 17287 | 37946476 | 100.00 |

SHAREHOLDING PATTERN

| Category | As on March 31, 2007 | |
|--------------------------|----------------------|---------------|
| | No of shares | % |
| Promoters | | |
| Murugappa group | 14221985 | 37.48 |
| DBS Bank Ltd. | 14221985 | 37.48 |
| Public | 6962892 | 18.35 |
| Private Corporate Bodies | 1715408 | 4.52 |
| FII/ FIIs | 545845 | 1.44 |
| NRIs/ OCBs | 278361 | 0.73 |
| Total | 37946476 | 100.00 |

OUTSTANDING GDRs/ADRs etc.

The company has not issued any GDR/ ADR or any convertible instruments likely to impact the equity share capital of the company.

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Government of India, Ministry of Company Affairs (MCA) vide its letter dated April 12, 2007 No. 47/96/2007-CL-III has granted approval to the company under section 212(8) of the Companies Act, 1956 for not attaching the financial statements of the subsidiary companies to the company's accounts for the financial year ended March 31, 2007 in view of the presentation of consolidated financial

statements of the subsidiaries in the annual report. The annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in the head office of the company and its respective subsidiary companies.

ONLINE INFORMATION

Shareholders are requested to visit www.choladbs.com for online information about the company. The financial results, share price information, dividend announcements of the company are posted on the website of the company

and is periodically updated with all developments, for the information of shareholders. The company also has posted various forms including the shareholder satisfaction survey form for obtaining feed back from shareholders on various parameters including shareholder servicing. Besides, the shareholders have the facility to post any query to the company directly from the website which are acted upon within 24 hours of receipt of query.

The company has also been filing the financial results, shareholding pattern and other reports in the SEBI site www.sebi.gov.in online vide the Electronic Data Information Filing And Retrieval system (EDIFAR) of SEBI. Shareholders can view the various disclosure statements of the company at the above site.

CONTACT PERSON

For any shareholders assistance the company secretary can be contacted at the following address:

“Dare House”.

No.2, N.S.C. Bose Road, Parrys

Chennai – 600 001

Phone: 044 25307172 (bd.) 25307055 (d)

Fax: 044 25346464

E-Mail: nsujatha@choladbs.murugappa.com

On behalf of the board

April 25, 2007

Chennai

A. Vellayan

Chairman

LIST OF PROMOTERS

List of promoters of the company constituting ‘Group’ pursuant to Regulation 3(e)(i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

| Sl.No. | Names | Sl.No. | Names |
|--------|---|--------|--|
| 1 | EID Parry (India) Limited & subsidiaries | 17 | Kadamane Estates Company |
| 2 | Parry Enterprises India Limited | 18 | MM Muthiah Research Foundation |
| 3 | New Ambadi Estates Private Limited & subsidiaries | 19 | A. R. Lakshmi Achi Trust |
| 4 | Ambadi Enterprises Limited & subsidiaries | 20 | AMM Foundation |
| 5 | Tube Investments of India Limited & subsidiaries | 21 | AMM Medical Foundation |
| 6 | Presmet Private Limited | 22 | M. V. Murugappan & family |
| 7 | Carborundum Universal Limited & subsidiaries | 23 | M. V. Subbiah & family |
| 8 | Laserwords Private Limited & subsidiaries | 24 | S. Vellayan & family |
| 9 | Cholamandalam DBS Finance Limited & subsidiaries | 25 | M. A. Alagappan & family |
| 10 | Coromandel Engineering Company Limited & subsidiaries | 26 | A. Vellayan & family |
| | | 27 | A. Venkatachalam & family |
| 11 | AMM Educational Foundation | 28 | M. M. Murugappan & family |
| 12 | AMM Arunachalam & Sons Private Limited | 29 | M. M. Venkatachalam & family |
| 13 | AMM Vellayan Sons Private Limited | 30 | M. A. M. Arunachalam & family |
| 14 | MM Muthiah Sons Private Limited | 31 | DBS Bank Limited |
| 15 | Murugappa & Sons | 32 | DBS Group Holdings Limited |
| 16 | Yelnoorkhan Group Estates | 33 | Any company/ entity promoted by any of the above |

Family for this purpose includes spouse, dependent children and parents.

Financial Section

Auditors' Report

To the Members of Cholamandalam DBS Finance Limited

1. We have audited the attached Balance Sheet of **Cholamandalam DBS Finance Limited** (the Company) as at March 31, 2007, the Profit and Loss Account of the Company and also the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations/ declarations received from the Directors and taken on record by the Board and according to the information and explanations given to us, we report that none of the Directors of the Company is disqualified as at March 31, 2007, from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956 on the said date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K Sai Ram

Partner

Membership No. 022360

April 25, 2007
Chennai

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/ activities during the year has been such that clauses 4(ii), 4(viii), 4(xiii), 4(xiv) and 4(xviii) of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, other than the disposal of leased assets in the ordinary course of the Company's business, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) (A) In respect of loans, secured or unsecured, granted by the Company to parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted loans to five parties during the year. At the year end, the outstanding balance of such loans granted aggregated to Rs. 198.33 lakhs and the maximum amount involved during the year was Rs. 317.92 lakhs.
 - (b) The rate of interest, where stipulated, and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
 - (c) The receipt of principal amounts and interest during the year have been regular as stipulated.
- (d) There were no overdue amounts at the year end.
- (B) In respect of loans, secured or unsecured, taken by the Company from parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company had taken a loan from one party during the year. At the year end, the outstanding balance of such loan taken was Rs. 1,100 lakhs and the maximum amount involved during the year was Rs. 1,100 lakhs.
 - (b) The rate of interest and other terms and conditions of such loan was, in our opinion, *prima facie* not prejudicial to the interests of the Company.
 - (c) The payment of principal amount and interest during the year have been regular as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets, for the sale of repossessed automobile assets and for the sale of services and we have not observed any significant continuing failure to correct major weaknesses in such internal controls during the course of our audit. The Company does not purchase inventory nor does it sell any goods (other than repossessed automobile assets) in the ordinary course of its business.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said Section, have been so entered.
 - (b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is

Annexure to the Auditors' Report

in excess of Rs. 5 lakhs in respect of any party during the year, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, as applicable to the Company, with regard to the deposits accepted from the public prior to November 1, 2006 (Also refer Note 20 of Schedule 18). However, in respect of overdue amounts totaling to Rs. 1.86 lakhs, payments have not been made since the repayment of the same to the depositors has been stayed by the Madras High Court and in respect of overdue amounts totaling to Rs.0.22 lakhs, the Company has initiated necessary action subsequent to the year end to pay Rs. 0.10 lakhs to a depositor and to remit Rs. 0.12 lakhs to the Investor Education and Protection Fund.
- (vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) In respect of Statutory dues
- (a) According to the information and explanations given to us, the Company has been generally

regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance Scheme, Investor Education and Protection Fund, Income Tax, Fringe Benefit Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance Scheme, Investor Education and Protection Fund, Income Tax, Fringe Benefit Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues were outstanding as at March 31, 2007 for a period of more than six months from the date they became payable except that amounts totaling to Rs. 1.86 lakhs have not been credited to the Investor Education and Protection Fund since the repayment of the same to the depositors has been stayed by the Madras High Court and in respect of an amount of Rs. 0.12 lakhs, the Company has initiated necessary action subsequent to the year end to remit the same to the Investor Education and Protection Fund.
- (c) According to the information and explanations given to us, the details of disputed Income Tax, Sales Tax and Service Tax liabilities which have not been deposited as on March 31, 2007 on account of any dispute are as given below:

| Name of the Statute | Financial Year | Amount (Rs. in lakhs) | Forum where the Dispute is Pending |
|---|--|--------------------------|---------------------------------------|
| Income Tax Act, 1961 | 1996-97 | 84.73 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | 2003-04 | 9.07 | Commissioner of Income Tax (Appeals) |
| Tamil Nadu General Sales Tax Act, 1959 | 1994-95 | 228.59 | Sales Tax Appellate Tribunal |
| Karnataka Sales Tax Act, 1957 | 1992-93 to 1994-95, 1996-97 and 1999-2000 | 23.74 | Sales Tax Appellate Tribunal |
| Central Sales Tax Act, 1956 | 1994-95 and 1995-96 | 70.92 | Sales Tax Appellate Tribunal |
| Delhi Sales Tax Act, 1975 | 1990-91 | 7.58 | Assistant Commissioner Appeals |
| Bihar Finance Act, 1981 | 1992-93 and 1993-94 | 2.19 | Sales Tax Appellate Tribunal |
| Gujarat Sales Tax Act, 1969 | 1996-97 and 1997-98 | 2.03 | Sales Tax Appellate Tribunal |
| Service Tax (Chapter V of the Finance Act, 1994) | 2001-02 and 2002-03 | 69.33 | Madras High Court |

Annexure to the Auditors' Report

- (ix) The Company does not have any accumulated losses as at March 31, 2007. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and debenture holders. The Company has not taken any loans from financial institutions.
- (xi) In our opinion, the Company has generally maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for the loans taken by others from banks or financial institutions.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (xv) According to the information and explanations given to us and the records examined by us, securities/ charges have been created in respect of secured debentures issued.
- (xvi) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year, although there were some instances of fraud on the Company noticed by the Management the amounts whereof were not material in the context of the size of the Company and the nature of its business and the amounts were recovered subsequently/ adequately provided for.

For Deloitte Haskins & Sells
Chartered Accountants

K Sai Ram
Partner

April 25, 2007
Chennai

Membership No. 022360

Balance Sheet

as at March 31, 2007

Rupees in lakhs

| | Schedule | As at 31.03.2007 | As at 31.03.2006 |
|--|----------|---------------------|---------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 3,801.19 | 3,801.19 |
| Reserves and Surplus | 2 | 28,833.81 | 27,771.48 |
| | | 32,635.00 | 31,572.67 |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 192,057.37 | 95,714.34 |
| Unsecured Loans | 4 | 129,826.82 | 73,909.44 |
| | | 321,884.19 | 169,623.78 |
| Total | | 354,519.19 | 201,196.45 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 4,891.47 | 3,820.36 |
| Less : Depreciation | | 1,597.22 | 1,723.17 |
| Net Block | | 3,294.25 | 2,097.19 |
| Capital Advances | | 70.09 | 117.19 |
| | | 3,364.34 | 2,214.38 |
| INVESTMENTS | 6 | 7,875.69 | 6,861.47 |
| DEFERRED TAX ASSET (Net) (Note 14 of Schedule 18) | | 350.87 | 285.54 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Receivables under Financing Activity | 7 | 326,928.47 | 189,553.68 |
| Cash and Bank Balances | 8 | 27,161.97 | 6,382.46 |
| Other Current Assets | 9 | 6,350.96 | 2,642.40 |
| Other Loans and Advances | 10 | 1,697.77 | 1,560.60 |
| | | 362,139.17 | 200,139.14 |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | 11 | 15,775.36 | 5,216.60 |
| Provisions | 12 | 3,826.68 | 3,504.54 |
| | | 19,602.04 | 8,721.14 |
| NET CURRENT ASSETS | | 342,537.13 | 191,418.00 |
| MISCELLANEOUS EXPENDITURE (to the extent not written off) | 13 | 391.16 | 417.06 |
| Total | | 354,519.19 | 201,196.45 |
| Notes on Accounts | 18 | | |

The Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the **Board**

K Sai Ram

Partner

Membership No. 022360

A Vellayan

Chairman

April 25, 2007

Chennai

P Sujatha

Secretary

D Arul Selvan

Vice President - Finance

Atul Pande

Managing Director

Profit and Loss Account

for the Year Ended March 31, 2007

Rupees in lakhs

| | Schedule | Year ended 31.03.2007 | Year ended 31.03.2006 |
|--|----------|--------------------------|--------------------------|
| INCOME | 14 | 40,913.12 | 22,145.63 |
| EXPENDITURE | | | |
| Financing Charges | 15 | 18,893.12 | 9,942.28 |
| Business Origination Outsourcing | | 5,942.68 | 1,571.51 |
| Operating and Other Expenses | 16 | 7,215.35 | 3,528.65 |
| Depreciation | 5 | 560.40 | 416.91 |
| Provisions, Loan Losses and Other Charges | 17 | 3,574.46 | 2,081.93 |
| | | 36,186.01 | 17,541.28 |
| PROFIT BEFORE TAXATION | | 4,727.11 | 4,604.35 |
| Provision for Taxation: | | | |
| - Current [including Rs 146.54 lakhs (Previous Year-Rs NIL) towards Prior Years] | | 1,587.21 | 1,118.72 |
| - Deferred | | (32.68) | (99.67) |
| - Fringe Benefit Tax | | 70.77 | 64.76 |
| | | 1,625.30 | 1,083.81 |
| PROFIT AFTER TAXATION | | 3,101.81 | 3,520.54 |
| Balance Brought Forward From Previous Year | | 579.51 | 686.88 |
| PROFITS AVAILABLE FOR APPROPRIATION | | 3,681.32 | 4,207.42 |
| APPROPRIATIONS : | | | |
| Dividend | | | |
| - Preference | | - | 52.17 |
| - Equity (Proposed) | | 1,517.86 | 1,897.32 |
| - Distribution Tax | | 257.96 | 273.42 |
| | | 1,775.82 | 2,222.91 |
| Statutory Reserve | | 621.82 | 705.00 |
| General Reserve | | 310.18 | 700.00 |
| Balance Carried to Balance Sheet | | 973.50 | 579.51 |
| | | 3,681.32 | 4,207.42 |
| Earnings per Share, of par value Rs 10 each, | | | |
| - Basic and Diluted (Rs) | | 8.17 | 9.12 |
| (Note 13 of Schedule 18) | | | |
| Notes on Accounts | 18 | | |

The Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the **Board**

K Sai Ram

Partner

Membership No. 022360

A Vellayan

Chairman

April 25, 2007

Chennai

P Sujatha

Secretary

D Arul Selvan

Vice President - Finance

Atul Pande

Managing Director

Cash Flow Statement

for the Year Ended March 31, 2007

Rupees in lakhs

| Particulars | Year ended | |
|--|---------------------|--------------------|
| | 31.03.2007 | 31.03.2006 |
| <i>Cash Flow from Operating Activities</i> | | |
| Net Profit Before Tax | 4,727.11 | 4,604.35 |
| Adjustments for:- | | |
| Depreciation | 560.40 | 416.91 |
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 184.06 | 644.74 |
| Provision for Credit Enhancement and Servicing Costs on Assets De-recognised | 348.66 | (115.13) |
| Financing Charges | 18,893.12 | 9,942.28 |
| Amortisation of Business Origination Outsourcing Expenses | - | 54.60 |
| Provision for Leave Encashment (Net) | 177.02 | (20.83) |
| Profit on Sale of Fixed Assets (Net) | (168.33) | (118.53) |
| Loss on Repossessed Stock (Net) | 1,470.19 | 921.42 |
| Profit on Sale of Investments (Net) | (5.47) | (1,504.82) |
| Amortisation of Premium on Acquisition of Government Securities | 27.07 | 7.03 |
| Interest and Dividend from Investing Activities | (1,049.34) | (476.39) |
| | 20,437.38 | 9,751.28 |
| Operating Profit Before Working Capital Changes | 25,164.49 | 14,355.63 |
| Adjustment for:- | | |
| Increase in Receivables under Financing Activity | (235,076.94) | (65,159.15) |
| Increase in Other Current Assets | (22,050.19) | (1,139.09) |
| (Increase)/Decrease in Other Loans and Advances | (27.59) | 1,010.77 |
| Increase in Current Liabilities and Provisions | 5,915.06 | 894.18 |
| Assets Securitised and Assets Assigned bilaterally with Banks | 96,111.09 | 22,497.86 |
| | (155,128.57) | (41,895.43) |
| Cash Used in Operations | (129,964.08) | (27,539.80) |
| Financing Charges | (14,522.21) | (10,307.53) |
| Direct Taxes Paid | (1,767.55) | (1,309.54) |
| | (16,289.76) | (11,617.07) |
| Net Cash Used in Operating Activities (A) | (146,253.84) | (39,156.87) |
| <i>Cash Flow from Investing Activities</i> | | |
| Purchase of Fixed Assets | (1,841.84) | (1,267.38) |
| Sale of Fixed Assets | 299.81 | 360.04 |
| Investment in Subsidiary Companies | (2,000.00) | (413.82) |
| Purchase of Other Investments | (634.73) | (164,320.64) |
| Sale of Investment in Joint Venture and Associate Company | 749.39 | 132.12 |
| Sale/ Redemption of Other Investments | 649.43 | 168,564.31 |
| Interest Received from Investing Activities | 951.01 | 345.39 |
| Dividend Received from Investing Activities | 103.59 | 133.99 |
| Net Cash (Used in)/ From Investing Activities (B) | (1,723.34) | 3,534.01 |

Cash Flow Statement

for the Year Ended March 31, 2007 (Cont.)

Rupees in lakhs

| Particulars | Year ended 31.03.2007 | Year ended 31.03.2006 |
|--|--------------------------|--------------------------|
| <i>Cash Flow from Financing Activities</i> | | |
| <i>Long Term</i> | | |
| Decrease in Preference Share Capital | - | (1,000.00) |
| Increase in Debentures | 91,255.98 | 11,100.00 |
| Increase / (Decrease) in Term Loans from Banks and Others | 5,089.40 | (2,584.28) |
| Decrease in Fixed Deposits | (5,029.94) | (4,153.75) |
| <i>Short Term</i> | | |
| Increase in Bank Borrowings | 14,997.65 | 14,437.02 |
| Increase in Debentures | 43,000.00 | 17,000.00 |
| Increase in Other Borrowings | 2,952.86 | 604.78 |
| Dividends Paid (Including Distribution Tax) | (2,166.53) | (2,226.39) |
| Net Cash From Financing Activities (C) | 150,099.42 | 33,177.38 |
| Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C) | 2,122.24 | (2,445.48) |
| Cash and Cash Equivalents At the Beginning of the Year | 2,772.04 | 5,217.52 |
| Cash and Cash Equivalents At the End of the Year | 4,894.28 | 2,772.04 |
| Note: | | |
| Cash and Cash Equivalents at the end of the Year as per Balance Sheet | 27,161.97 | 6,382.46 |
| Add: Current Investments | - | 200.03 |
| Less: Bank Deposits held for More than Three Months | 37.77 | 629.27 |
| Less: Bank Deposits under Lien | 22,229.92 | 3,181.18 |
| | 4,894.28 | 2,772.04 |

The accompanying Schedules 1 to 18 form an integral part of the Accounts.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the **Board**

K Sai Ram

Partner

Membership No. 022360

A Vellayan

Chairman

April 25, 2007

Chennai

P Sujatha

Secretary

D Arul Selvan

Vice President - Finance

Atul Pande

Managing Director

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

1 SHARE CAPITAL

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| AUTHORISED | | |
| Equity Shares: | | |
| 100,000,000 Equity Shares of Rs 10 each | 10,000.00 | 10,000.00 |
| Preference Shares : | | |
| 6,000,000 Redeemable Cumulative Preference Shares of Rs 100 each | 6,000.00 | 6,000.00 |
| | 16,000.00 | 16,000.00 |
| ISSUED | | |
| Equity Shares: | | |
| 38,083,230 Equity Shares of Rs 10 each | 3,808.32 | 3,808.32 |
| Preference Shares : | | |
| 3,500,000 Redeemable Cumulative Preference Shares of Rs 100 each | 3,500.00 | 3,500.00 |
| | 7,308.32 | 7,308.32 |
| SUBSCRIBED | | |
| Equity Shares: | | |
| 37,946,476 Equity Shares of Rs 10 each fully paid up | 3,794.65 | 3,794.65 |
| Add : Forfeited Shares | 6.54 | 6.54 |
| | 3,801.19 | 3,801.19 |

Note:

800,000 Equity Shares were allotted as fully paid up by way of Bonus Shares by Capitalisation of General Reserve pursuant to a shareholders' resolution passed at the Annual General Meeting held on May 21, 1990.

2 RESERVES AND SURPLUS

| | As at 31.03.2006 | Transitional Adjustment | Additions | Deductions | As at 31.03.2007 |
|------------------------------------|---------------------|----------------------------|-----------|------------|---------------------|
| Capital Reserve | 0.03 | - | - | - | 0.03 |
| Capital Redemption Reserve | 3,300.00 | - | - | - | 3,300.00 |
| Securities Premium | 14,043.33 | - | - | - | 14,043.33 |
| Statutory Reserve (Note 1 below) | 4,780.00 | - | 621.82 | - | 5,401.82 |
| General Reserve (Note 2 below) | 5,068.61 | (263.66) | 310.18 | - | 5,115.13 |
| | 27,191.97 | (263.66) | 932.00 | - | 27,860.31 |
| Balance in Profit and Loss Account | 579.51 | - | - | - | 973.50 |
| Total | 27,771.48 | | | | 28,833.81 |

Notes:

1. Statutory Reserve represents the reserve created under Section 45-IC of the Reserve Bank of India Act, 1934.
2. Effective April 1, 2006, the Company adopted the revised Accounting Standard (AS - 15) on Employee Benefits issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Pursuant to this, employee benefit obligations of the Company amounting to Rs. 263.66 lakhs (net of deferred tax of Rs. 32.65 lakhs) as at March 31, 2006 has been adjusted against the opening balance in General Reserve in line with the transitional provisions of the said Standard. (Note 2 of Schedule 18)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

3 SECURED LOANS

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Redeemable Non-Convertible Debentures (Note 3(A) of Schedule 18) (Net of Unamortised Discount of Rs. 444.02 lakhs (2006 - Rs. Nil) (Secured on a <i>pari passu</i> basis by way of specific charge on assets under hypothecation / hire purchase assets and certain immovable property) | 124,355.98 | 48,100.00 |
| Working Capital Demand Loans and Cash Credit from Banks (including Foreign Currency Loans) (Secured by hypothecation of relevant fixed assets let on lease and other assets covered by hypothecation / hire purchase agreements together with relevant book debts) | 45,448.39 | 30,450.74 |
| Term Loans (Secured by way of specific charge on assets under hypothecation / hire purchase assets) | | |
| - from Banks (including External Commercial Borrowings) | 21,128.00 | 14,038.60 |
| - from Others | 1,125.00 | 3,125.00 |
| | 192,057.37 | 95,714.34 |

4 UNSECURED LOANS

| | | |
|---|-------------------|------------------|
| Medium Term Redeemable Non-Convertible Debentures - Subordinated Debt (Note 3(B) of Schedule 18) | 15,000.00 | - |
| Short Term Non-Convertible Debentures (Note 3(C) of Schedule 18) | 60,000.00 | 17,000.00 |
| Commercial Paper (Note 1 below) [Net of Unamortised Discount of Rs 43.57 lakhs (2006 - Rs 361.21 lakhs)] | 12,456.43 | 29,638.79 |
| Other Loans from Banks (including Foreign Currency Loans) | 35,395.09 | 15,259.87 |
| Fixed Deposits (Notes 2, 3 & 4 below) | 6,936.00 | 11,965.94 |
| Interest Accrued and Due on Matured/ Unclaimed Fixed Deposits | 39.30 | 44.84 |
| | 129,826.82 | 73,909.44 |
| Notes: | | |
| 1 Maximum amount of Commercial Paper raised at any time during the year | 30,000.00 | 30,000.00 |
| 2 Fixed Deposits | | |
| - Repayable within one year - Matured / Unclaimed | 384.83 | 475.50 |
| - Others | 3,707.02 | 6,050.51 |
| | 4,091.85 | 6,526.01 |
| - Includes Deposits from Corporate Entities | 45.83 | 57.96 |

3 As at March 31, 2007, there are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for Rs. 1.86 lakhs, the repayment of which to the depositors has been stayed by the Madras High Court, and Rs 0.22 lakhs, in respect of which the Company has initiated necessary action subsequent to the year end to pay Rs. 0.10 lakhs to a depositor and to remit Rs. 0.12 lakhs to the IEPF.

4 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 Rs. 7,687.74 lakhs as at March 31, 2007 in an Escrow Account, as directed by the RBI. (Note to Schedule 8)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

5 FIXED ASSETS

Rupees in lakhs

| Description | Gross Block | | | Depreciation | | | Net Block as at | | | |
|------------------------------|--------------------------|-----------------|-----------------|--------------------------|--------------------|---------------|-----------------|--------------------|-----------------|-----------------|
| | Cost as at 31.03.2006 | Additions | Deletions | Cost as at 31.03.2007 | Upto 31.03.2006 | Provided | Withdrawn | Upto 31.03.2007 | 31.03.2007 | 31.03.2006 |
| Assets given on Lease | | | | | | | | | | |
| Plant and Machinery | 524.88 | - | 524.88 | - | 518.45 | 6.43 | 524.88 | - | - | 6.43 |
| Office Equipments | 86.60 | - | 86.60 | - | 86.23 | 0.37 | 86.60 | - | - | 0.37 |
| Vehicles | 55.32 | - | 17.58 | 37.74 | 54.89 | 0.43 | 17.58 | 37.74 | - | 0.43 |
| Sub Total | 666.80 | - | 629.06 | 37.74 | 659.57 | 7.23 | 629.06 | 37.74 | - | 7.23 |
| Own Assets | | | | | | | | | | |
| Land | 31.05 | - | - | 31.05 | - | - | - | - | 31.05 | 31.05 |
| Buildings (Note below) | 1,428.22 | - | 117.20 | 1,311.02 | 203.06 | 68.71 | 37.75 | 234.02 | 1,077.00 | 1,225.16 |
| Plant and Machinery | 859.22 | 492.24 | 1.28 | 1,350.18 | 510.20 | 161.02 | 0.13 | 671.09 | 679.09 | 349.02 |
| Office Equipments | 106.83 | 192.58 | 3.26 | 296.15 | 47.64 | 37.24 | 0.82 | 84.06 | 212.09 | 59.19 |
| Furniture and Fixtures | 496.86 | 903.55 | 13.24 | 1,387.17 | 194.95 | 207.25 | 4.02 | 398.18 | 988.99 | 301.91 |
| Vehicles | 91.55 | 90.25 | 53.79 | 128.01 | 20.54 | 11.57 | 14.57 | 17.54 | 110.47 | 71.01 |
| Intangible Asset | | | | | | | | | | |
| - Computer Software | 139.83 | 210.32 | - | 350.15 | 87.21 | 67.38 | - | 154.59 | 195.56 | 52.62 |
| Sub Total | 3,153.56 | 1,888.94 | 188.77 | 4,853.73 | 1,063.60 | 553.17 | 57.29 | 1,559.48 | 3,294.25 | 2,089.96 |
| Total | 3,820.36 | 1,888.94 | 817.83 | 4,891.47 | 1,723.17 | 560.40 | 686.35 | 1,597.22 | 3,294.25 | 2,097.19 |
| <i>Previous Year</i> | <i>8,462.54</i> | <i>1,151.93</i> | <i>5,794.11</i> | <i>3,820.36</i> | <i>6,858.86</i> | <i>416.91</i> | <i>5,552.60</i> | <i>1,723.17</i> | <i>2,097.19</i> | |

Note:

Cost of buildings of Rs. 365.62 lakhs grouped under Buildings includes undivided interest in land.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

6 INVESTMENTS (AT COST)

Rupees in lakhs

| | As at 31.03.2007 | | As at 31.03.2006 | |
|---|------------------|-----------------|------------------|-----------------|
| | Nos. | Amount | Nos. | Amount |
| A) CURRENT - NON TRADE - UNQUOTED | | | | |
| Investment in Units of Rs. 10 each in Chola Liquid Institutional Dividend Reinvestment Plan@ | - | - | 1,994,256 | 200.03 |
| TOTAL (A) | | - | | 200.03 |
| B) LONG TERM - NON TRADE - QUOTED | | | | |
| a) In Government Securities | | | | |
| <u>Government of India Stock:</u> | | | | |
| 7.55%- 2010 (Face Value Rs. 500 lakhs) | | 568.70 | | 568.70 |
| 7.40%- 2012 (Face Value Rs. 400 lakhs) | | 460.36 | | 460.36 |
| 6.65%- 2009 (Face Value Rs. 500 lakhs) | | 540.90 | | 540.90 |
| 7.38%- 2015 (Face Value Rs. 150 lakhs) | | 153.07 | | 153.07 |
| b) Others | | | | |
| 13.85% IRBI Bonds - 2006 (B Series) @ (Face Value Rs 15 lakhs) | | - | | 15.00 |
| TOTAL (B) | | 1,723.03 | | 1,738.03 |
| C) LONG TERM - SUBSIDIARIES- UNQUOTED | | | | |
| <u>Equity Shares of Rs. 10 each fully paid up in:</u> | | | | |
| DBS Cholamandalam Asset Management Ltd. (Acquired 20,000,007 shares during the year) | 35,000,000 | 3,760.18 | 14,999,993 | 1,760.18 |
| Cholamandalam Securities Ltd. (Acquired 14 shares during the year) | 10,000,014 | 1,000.00 | 10,000,000 | 1,000.00 |
| DBS Cholamandalam Distribution Ltd. (Acquired 7 shares during the year) | 4,900,000 | 490.00 | 4,899,993 | 490.00 |
| DBS Cholamandalam Trustees Ltd. (Acquired 7 shares during the year) | 50,000 | 5.00 | 49,993 | 5.00 |
| <u>Redeemable Cumulative Preference Shares, fully paid up in:</u> | | | | |
| DBS Cholamandalam Asset Management Ltd. 9% Non-Convertible of Rs. 100 each @ | - | - | 250,000 | 250.63 |
| 9% Optionally Convertible of Rs. 100 each @ | - | - | 500,000 | 500.00 |
| TOTAL (C) | | 5,255.18 | | 4,005.81 |
| D) LONG TERM - NON-TRADE- UNQUOTED | | | | |
| a) In other Bodies Corporate | | | | |
| <u>Equity Shares of Rs. 10 each fully paid up in:</u> | | | | |
| Amaravathi Sri Venkatesa Paper Mills Ltd. (Sold 70,000 shares during the previous year) | 293,272 | 129.04 | 293,272 | 129.04 |
| Saraswat Co-operative Bank Ltd. | 1,000 | 0.10 | 1,000 | 0.10 |
| <u>Equity Shares of Rs. 25 each fully paid up in:</u> | | | | |
| The Shamrao Vithal Co-operative Bank Ltd. | 1,000 | 0.25 | 1,000 | 0.25 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

6 INVESTMENTS (AT COST) (Cont.)

Rupees in lakhs

| | As at 31.03.2007 | | As at 31.03.2006 | |
|---|------------------|-----------------|------------------|-----------------|
| | Nos. | Amount | Nos. | Amount |
| b) Others | | | | |
| Abhishek Co-operative Housing Society Ltd. Shares of Rs. 50 each (Cost Rs. 250 only) | 5 | - | 5 | - |
| Chennai Willingdon Corporate Foundation Shares of Rs. 10 each (Cost Rs. 50 only) | 5 | - | 5 | - |
| <u>Investment in Pass Through Certificates:</u> | | | | |
| Series AST Pass Through Certificates, Asset Securitisation Trust September 2004 'P' Series | 10 | 208.81 | 10 | 842.29 |
| Series AST Pass Through Certificates, Asset Securitisation Trust March 2005 Series # | 20 | 640.43 | - | - |
| TOTAL (D) | | 978.63 | | 971.68 |
| TOTAL (A+B+C+D) | | 7,956.84 | | 6,915.55 |
| Less: | | | | |
| Amortisation of Premium on Acquisition of Government Securities | | 81.15 | | 54.08 |
| | | 7,875.69 | | 6,861.47 |
| @ Investments Sold/ Redeemed during the year | | | | |
| # Investments Acquired during the year | | | | |
| Notes: | | | | |
| 1) Aggregate Value of Quoted Investments | | | | |
| - At Cost | | 1,723.03 | | 1,738.03 |
| - At Market Value | | 1,509.66 | | 1,562.21 |
| 2) Aggregate Value of Unquoted Investments- At Cost | | 6,233.81 | | 5,177.52 |
| 3) During the year, the Company deployed and redeemed temporary treasury surpluses in units of various liquid schemes of mutual funds of value Rs. 28,614 lakhs (2006- Rs. 149,685 lakhs) | | | | |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

7 RECEIVABLES UNDER FINANCING ACTIVITY

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| (A) SECURED (Note 1 & 2 below) | | |
| Hypothecation/Hire Purchase of Automobile Assets | 157,926.29 | 147,218.56 |
| Loan against Securities | 26,982.24 | 16,599.89 |
| Loan against Immovable Property | 12,319.69 | 1,625.53 |
| Other Loans | 53,042.07 | 16,182.30 |
| Installments and Other Dues from Borrowers (Note 3 below) | 5,452.57 | 5,129.82 |
| Total (A) | 255,722.86 | 186,756.10 |
| (B) UNSECURED (Note 2 below) | | |
| Consumer Loans | 67,881.99 | 1,236.61 |
| Other Loans | 3,048.77 | 1,460.89 |
| Bills Purchased and Discounted | - | 99.95 |
| Installments and Other Dues from Borrowers (Note 3 below) | 274.85 | 0.13 |
| Total (B) | 71,205.61 | 2,797.58 |
| Total (A+B) | 326,928.47 | 189,553.68 |
| Notes: | | |
| 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. | | |
| 2 Refer Schedule 12 for Provision for Sub-standard and Doubtful Receivables under Financing Activity. No adjustment to the above classification of Secured/ Unsecured has been made on account of such provisioning. | | |
| 3 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Securitisation/ Assignment of receivables. | 1,777.22 | 874.59 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

8 CASH AND BANK BALANCES

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|-------------------------------|---------------------|---------------------|
| Cash and Cheques on Hand | 895.32 | 197.18 |
| Balances with Scheduled Banks | | |
| - On Current Account | 3,949.85 | 2,322.61 |
| - On Unpaid Dividend Accounts | 49.11 | 52.22 |
| - On Deposit Accounts: | | |
| - Free of Lien | 37.77 | 629.27 |
| - Under Lien (Note Below) | 22,229.92 | 3,181.18 |
| | 27,161.97 | 6,382.46 |

Note:

Deposit Accounts Under Lien includes:

- A total amount of Rs. 7,687.74 lakhs (2006 - Rs. Nil) kept in an Escrow Account with respect to public deposits (Note 4 of Schedule 4)
- A total amount of Rs. 14,542.18 lakhs (2006 - Rs. 3,181.18 lakhs) as collateral towards assets de-recognised (Note 4 of Schedule 18).

9 OTHER CURRENT ASSETS

| Unsecured - Considered Good | | |
|--|-----------------|-----------------|
| Repossessed Automobile Assets (at lower of cost or estimated realisable value) | 1,290.10 | 1,169.23 |
| Interest and Other Income Accrued but Not Due | | |
| - on Loans to Borrowers | 4,357.02 | 1,334.77 |
| - on Deposits and Investments | 623.63 | 86.01 |
| Other Accruals and Receivables | 80.21 | 52.39 |
| | 6,350.96 | 2,642.40 |

10 OTHER LOANS AND ADVANCES

| Unsecured - Considered Good | | |
|---|-----------------|-----------------|
| Inter Corporate Deposits | 605.00 | 357.00 |
| Advances etc. Recoverable in Cash or in Kind or for Value to be Received | 572.50 | 792.90 |
| Advance Payment of Tax and Tax Deducted at Source [Net of Provision for Taxation - Rs 10,772.41 lakhs (2006 - Rs 9,187.09 lakhs)] | 520.27 | 410.70 |
| | 1,697.77 | 1,560.60 |
| | | |
| Advances etc. include due from Subsidiary Companies (Note 12 of Schedule 18) | 117.03 | 109.49 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

11 CURRENT LIABILITIES

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Sundry Creditors (other than Small Scale Industrial Undertakings) (Notes 1 & 6 below) | 2,159.66 | 411.66 |
| Advances from Customers / Others (Note 2 below) | 2,175.04 | 768.31 |
| Unclaimed Dividend (Note 3 below) | 49.11 | 52.22 |
| Interest Accrued but Not Due on Loans / Other Deposits | 6,055.70 | 1,705.17 |
| Other Liabilities (Note 5 below) | 5,335.85 | 2,279.24 |
| | 15,775.36 | 5,216.60 |
| Notes: | | |
| 1. Sundry Creditors include security deposits from channel partners | 46.39 | 64.89 |
| 2. Advances from Customers / Others include adjustable security deposits | 188.09 | 94.76 |
| 3. There are no amounts of unclaimed dividend due and outstanding to be credited to the Investor Education and Protection Fund (IEPF) | - | - |
| 4. With respect to unpaid matured deposits due and outstanding to be credited to the IEPF, refer Note 3 of Schedule 4 | | |
| 5. Other Liabilities include monies held in trust in respect of assets de-recognised on account of securitisation / assignment of receivables | 5,217.74 | 2,217.71 |
| 6. Refer Note 8 of Schedule 18 | | |

12 PROVISIONS (Note 16 of Schedule 18)

| | | |
|---|-----------------|-----------------|
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 1,298.27 | 1,114.21 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 474.09 | 125.43 |
| Provision for Leave Encashment | 209.17 | 32.15 |
| Provision for Contested Service Tax | 69.33 | 69.33 |
| Proposed Dividend | 1,517.86 | 1,897.32 |
| Distribution Tax on Proposed Dividend | 257.96 | 266.10 |
| | 3,826.68 | 3,504.54 |

13 MISCELLANEOUS EXPENDITURE

| | | |
|--|---------------|---------------|
| Expenditure Incurred for Raising Borrowed Funds [Additions Rs. 661.92 lakhs (2006 - Rs. 500.63 lakhs) and Amortisation Rs. 687.82 lakhs (2006 - Rs. 398.82 lakhs)] | 391.16 | 417.06 |
| | 391.16 | 417.06 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

14 INCOME

Rupees in lakhs

| | Year ended 31.03.2007 | Year ended 31.03.2006 |
|--|--------------------------|--------------------------|
| Income from Financing Activity | | |
| - Automobile Financing (Note 5 (f) of Schedule 18) | 24,048.98 | 16,633.81 |
| - Consumer Loans (Note 5 (f) of Schedule 18) | 9,205.00 | 71.27 |
| - Loan against Securities | 2,504.73 | 2,021.98 |
| - Loan against Immovable Property | 710.70 | 135.78 |
| - Other Loans | 3,178.26 | 892.86 |
| - Bills Purchased and Discounted | - | 29.28 |
| Lease Rentals | 0.96 | 171.85 |
| Interest on | | |
| - Bank Deposits | 874.19 | 273.17 |
| - Investments [Note 5(g) of Schedule 18] | 112.73 | 140.42 |
| Dividend [Note 5 (h) of Schedule 18] | 103.59 | 133.99 |
| Profit on Sale of Investments (Non-Trade) | | |
| - Current Investments | 5.47 | 35.48 |
| - Long Term Investments (Net) (Note 2 below) | - | 1,469.35 |
| Profit on Sale of Fixed Assets (Net) | 168.33 | 118.53 |
| Miscellaneous Income | 0.18 | 17.86 |
| | 40,913.12 | 22,145.63 |
| Notes: | | |
| 1. Tax Deducted at Source on Interest Income included above | 1,258.31 | 408.56 |
| 2. Includes Gain on Sale of 169,317 Equity Shares of Parry Agro Industries Limited | - | 1,454.56 |

15. FINANCING CHARGES (Note 5 (i) of Schedule 18)

| | | |
|--|------------------|-----------------|
| Interest on Debentures | 10,598.00 | 4,201.54 |
| Interest on Fixed Loans | | |
| - Fixed Deposits | 681.01 | 1,035.77 |
| - Others | 932.43 | 165.10 |
| Interest on Other Loans | 3,446.64 | 2,503.62 |
| Discount on Debentures and Commercial Papers | 2,294.47 | 1,632.65 |
| Debenture Issue Expenses | 152.50 | 33.18 |
| Other Financing Expenses | 788.07 | 370.42 |
| | 18,893.12 | 9,942.28 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

16 OPERATING AND OTHER EXPENSES

Rupees in lakhs

| | Year ended 31.03.2007 | Year ended 31.03.2006 |
|--|--------------------------|--------------------------|
| Salaries, Wages, Bonus and Commission | 3,331.66 | 1,549.92 |
| Contribution to Provident and Other Funds | 218.76 | 175.92 |
| Staff Welfare Expenses | 254.64 | 88.34 |
| Rent and Electricity Charges | 995.48 | 334.73 |
| Rates and Taxes | 24.86 | 11.53 |
| Communication Cost | 547.46 | 347.76 |
| Traveling and Conveyance | 584.93 | 328.26 |
| Advertisement Expenses | 285.20 | 175.41 |
| Insurance | 89.61 | 48.42 |
| Repairs and Maintenance: | | |
| - Building | 5.94 | 2.28 |
| - Others | 17.86 | 10.42 |
| Printing and Stationery | 244.24 | 84.26 |
| Information Technology Expenses | 189.17 | 106.89 |
| Auditors' Remuneration (Note 7 of Schedule 18) | 23.97 | 20.51 |
| Miscellaneous Expenses | 509.73 | 309.61 |
| | 7,323.51 | 3,594.26 |
| Less: Expenses Recovered | 108.16 | 65.61 |
| | 7,215.35 | 3,528.65 |

17 PROVISIONS, LOAN LOSSES AND OTHER CHARGES

| | | |
|--|-----------------|-----------------|
| Loss Assets Written Off | 1,251.49 | 219.10 |
| Less: Provision Released | 773.76 | 89.79 |
| | 477.73 | 129.31 |
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 957.82 | 734.53 |
| Loss on Repossessed Assets (Net) | 1,470.19 | 921.42 |
| Recovery Charges | 641.65 | 289.64 |
| Amortisation of Premium on Acquisition of Government Securities | 27.07 | 7.03 |
| | 3,574.46 | 2,081.93 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS

1. Significant Accounting Policies:

1.1 Accounting Convention

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Non-deposit taking Non-Banking Finance Companies (NBFC-ND). Also refer Note 20 below.

1.2 Use of Estimates

The preparation of financial statements 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 reporting period like provision for employee benefits, provisioning for receivables, useful lives of fixed assets, provisioning for taxation etc. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.3 Revenue Recognition

Loan Interest Charges/Hire Purchase Finance Charges are recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan/ Hire Purchase contracts.

In respect of receivables securitised prior to February 1, 2006 and receivables assigned bilaterally with banks, the difference between the book value of the assets securitised or assigned and the sale consideration is taken to revenue after netting off incidental expenses incurred, provision for contingent losses arising from credit enhancements and costs to be incurred in servicing the contracts.

In respect of receivables securitised from February 1, 2006, gains / (losses) arising thereon are amortised over the life of the related receivables.

Lease Rentals are accrued over the period of Lease.

1.4 Fixed Assets and Depreciation

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.

Depreciation on fixed assets is provided as follows:

Leased Assets: Leased assets are fully depreciated over the primary lease period, (ranging between 2 and 9 years) by a method under which the interest rate implicit in the lease is calculated and is applied on the outstanding investment on lease to calculate the finance earnings for the period, and the difference between the lease rentals and finance earnings is charged as depreciation. The depreciation charged under this method is adequate to cover the requirement of statutory depreciation under Section 205(2)(b) of the Companies Act, 1956.

Own Assets (Tangible): Own assets (tangible) are depreciated on a straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956 except for Partitions and Buildings which are depreciated over 5 and 20 years respectively. Improvements to Leasehold Premises are depreciated over the lower of the lease period or 5 years. Depreciation charge on additions / deletions is restricted to the period of use. All assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

Own Assets (Intangible): Own assets (intangible) comprising of Computer Software are depreciated on a straight-line basis over a period of six years.

1.5 Investments

Investments which are long term in nature, are stated at cost with provision where necessary for diminution, other than temporary, in the value of investments. Premium on acquisition of Government securities is amortised over the balance tenure.

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

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

1.6 Receivables under Financing Activity

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

(a) unearned income

(b) instalments appropriated up to the year-end

and are inclusive of amounts subordinated to meet credit enhancements in respect of assets de-recognised.

1.7 Retirement and Other Benefits (Refer Note 2 below)

(a) Defined Contribution Plan

Provident Fund:

Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such obligation as an expense.

Superannuation:

The Company 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 Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

(b) Defined Benefit Plan

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined every year by LIC using the Projected Unit Credit method.

(c) Short Term Employee Benefits

Short-term employee benefits include accumulated compensated absences and is recognized based on the eligible leave at credit on the balance sheet date and is estimated based on the terms of the employment contract.

1.8 Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. 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 profit and loss account.

The Company 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 is recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

1.9 Derivative Transactions

The Company enters into derivative transactions for hedging purposes only. Income from derivative transactions is recognised on accrual basis. Derivative transactions intended to be held to maturity are not marked to market.

1.10 Taxes on Income

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

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 assets in respect of unabsorbed depreciation and carry forward of 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.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

1.11 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company 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 since this may result in the recognition of income that may never be realised.

1.12 Miscellaneous Expenditure

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings.

2. Change in Accounting Policy

Effective April 1, 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature. Consequent upon the change, Profit before Tax for the year ended March 31, 2007 is lower by Rs. 39.03 lakhs, as estimated by Management. In accordance with the transitional provision contained in the said Standard, the difference of Rs. 263.66 lakhs (net of Deferred Tax of Rs. 32.65 lakhs) between the liability in respect of certain employee benefits existing on the date of adoption of the Standard and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve.

In this regard, the Company considers its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contributions. Should an alternate view emerge on account of any clarification on this matter by the ICAI, the treatment of the differential obligation, if any, that may arise will be dealt with appropriately in the year of such clarification.

3. Loans

Particulars of Privately Placed Redeemable Non-Convertible Debentures

(A) Secured Redeemable Non-Convertible Debentures

| Number of Debentures | Face Value (Rs.) | Balance as at | | Terms of Redemption (Redeemable at par in) | |
|----------------------|------------------|-------------------|------------------|--|----------|
| | | 31-03-2007 | 31-03-2006 | | |
| | | (Rupees in lakhs) | | | |
| 10,000 | 100,000 | - | 10,000.00 | May 2006 | Redeemed |
| 310 | 1,000,000 | 3,100.00 | 3,100.00 | September 2007 | |
| 500 | 1,000,000 | 5,000.00 | 5,000.00 | December 2007 | |
| 200 | 1,000,000 | 2,000.00 | - | February 2008 | |
| 500 | 1,000,000 | 5,000.00 | 5,000.00 | March 2008 | |
| 730 | 1,000,000 | 7,300.00 | - | April 2008 | |
| 990 | 1,000,000 | 9,900.00 | - | May 2008 | |
| 1,000 | 1,000,000 | 10,000.00 | 10,000.00 | June 2008 | |
| 1,150 | 1,000,000 | 11,500.00 | - | June 2008 | |
| 1,500 | 1,000,000 | 15,000.00 | 15,000.00 | August 2008 | |
| 400 | 1,000,000 | 4,000.00 | - | October 2008 | |
| 500 | 1,000,000 | 5,000.00 | - | April 2009 | |
| 2,600 | 1,000,000 | 26,000.00 | - | July 2009 | |
| 200 | 1,000,000 | 2,000.00 | - | October 2009 | |
| 1,900 | 1,000,000 | 19,000.00 | - | November 2009 | |
| | | 124,800.00 | 48,100.00 | | |

Note: Of the above, an amount of Rs. 39,000 lakhs (2006- Rs. 20,000 lakhs) is covered by put/ call options exercisable in 2007-08.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

(B) Unsecured – Subordinated Debt

| Number of Debentures | Face Value (Rs.) | Balance as at | | Terms of Redemption (Redeemable at par in) (No put call option) |
|----------------------|------------------|-------------------|------------|---|
| | | 31-03-2007 | 31-03-2006 | |
| | | (Rupees in lakhs) | | |
| 400 | 1,000,000 | 4,000.00 | - | May 2012 |
| 450 | 1,000,000 | 4,500.00 | - | June 2012 |
| 100 | 1,000,000 | 1,000.00 | - | July 2012 |
| 550 | 1,000,000 | 5,500.00 | - | August 2012 |
| | | 15,000.00 | - | |

(C) Unsecured – Non-Convertible Debentures

| Number of Debentures | Face Value (Rs.) | Balance as at | | Terms of Redemption (Redeemable at par in) (put call option-daily,T+1) | |
|----------------------|------------------|-------------------|------------|--|----------|
| | | 31-03-2007 | 31-03-2006 | | |
| | | (Rupees in lakhs) | | | |
| 50 | 1,000,000 | - | 500.00 | May 2006 | Redeemed |
| 250 | 1,000,000 | - | 2,500.00 | May 2006 | Redeemed |
| 250 | 1,000,000 | - | 2,500.00 | May 2006 | Redeemed |
| 50 | 1,000,000 | - | 500.00 | June 2006 | Redeemed |
| 250 | 1,000,000 | - | 2,500.00 | June 2006 | Redeemed |
| 350 | 1,000,000 | - | 3,500.00 | June 2006 | Redeemed |
| 250 | 1,000,000 | - | 2,500.00 | June 2006 | Redeemed |
| 250 | 1,000,000 | - | 2,500.00 | June 2006 | Redeemed |
| 250 | 1,000,000 | 2,500.00 | - | April 2007 | |
| 5750 | 1,000,000 | 57,500.00 | - | June 2007 | |
| | | 60,000.00 | 17,000.00 | | |

4. Assets De-recognised

| Particulars | Rupees in lakhs | |
|--|------------------|------------------|
| | As at 31.03.2007 | As at 31.03.2006 |
| Assets De-recognised – | | |
| on Securitisation (Note 1 and 2 below) | 16,355.56 | 20,181.02 |
| on Assignment of Receivables bilaterally with Banks | 57,993.61 | 8,634.75 |
| Assets Subordinated to meet Recourse Obligations – | | |
| on Securitisation | 160.59 | 1,059.94 |
| on Assignment of Receivables bilaterally with Banks | 15.26 | 70.84 |
| Bank Deposits provided as Collateral for: (Note 2 below) | | |
| - Credit Enhancements | 2,485.54 | 1,228.78 |
| - Liquidity Support | 11,161.50 | 1,565.58 |
| - Interest Rate Changes from Specified Rate | 895.14 | 386.82 |

Notes:

1. The put option offered to investors was exercised in February 2007 for Rs. 650.18 lakhs.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

2. Details of Assets De-recognised by way of Securitisation post February 1, 2006 during the year and included above:

| Particulars | 2006-07 | 2005-06 |
|--|-------------------|---------|
| Total Number of Assets Securitised | 6,586 | - |
| | (Rupees in lakhs) | |
| Book Value of Assets Securitised | 15,484.22 | - |
| Sale Consideration Received | 15,704.08 | - |
| Gain/ (Loss) on Securitisation to be Amortised over the Life of the Securities | 219.86 | - |
| Bank Deposits provided as Collateral for: | | |
| - Credit Enhancements | 1,393.00 | - |
| - Liquidity Support | 118.05 | - |

5. Other Financial Information

Rupees in lakhs

| Particulars | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 45.13 | 220.91 |
| b) Quantitative disclosure for derivatives outstanding at Notional Principal Amount- | | |
| Interest rate derivatives | 80,432.00 | 31,000.00 |
| Currency derivatives | 13,000.00 | 13,248.00 |
| c) Foreign currency exposure not hedged by a derivative instrument or otherwise | - | - |
| Particulars | 2006-07 | 2005-06 |
| d) Net exchange difference [gain/ (loss)] dealt with in the profit and loss account on foreign currency monetary items | 25.17 | (15.68) |
| e) Charge to the profit and loss account in respect of premium on forward exchange contracts and other instruments that are in substance a forward exchange contract | 361.97 | 176.89 |
| Charge deferred to be recognised in subsequent accounting periods (included in Miscellaneous Expenditure – Schedule 13) | 166.05 | 258.27 |
| f) Income from Automobile Financing comprises: | | |
| - Interest on Loans | 17,676.43 | 13,455.68 |
| - Upfront Income on: | | |
| Securitisation prior to February 1, 2006 | - | 577.55 |
| Assignment of Receivables bilaterally with Banks (Note below) | 2,700.91 | 302.35 |
| - Other Operating Income | 3,671.64 | 2,298.23 |
| | 24,048.98 | 16,633.81 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 |
|--|-----------------|---------------|
| Income from Consumer Loans comprises: | | |
| - Interest on Loans | 5,876.21 | 37.65 |
| - Upfront Income on: Assignment of Receivables bilaterally with Banks (Note below) | 1,206.45 | - |
| - Other Operating Income | 2,122.34 | 33.62 |
| | 9,205.00 | 71.27 |
| Note: In recognising the upfront income on assignment of receivables bilaterally with banks, the Company has relied on professional opinion confirming assignment of receivables bilaterally with banks to be outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 1, 2006. | | |
| g) Interest on Investments comprises: | | |
| - Long Term – Non Trade – Quoted | 112.73 | 140.42 |
| h) Dividend Income comprises : | | |
| - From a Subsidiary | 100.00 | 125.00 |
| - From Non-Trade Investments | | |
| - Short Term | 3.59 | 8.99 |
| | 103.59 | 133.99 |
| i) Financing Charges includes amortisation of Miscellaneous Expenditure | 687.82 | 398.82 |

6. Directors' Remuneration

Rupees in lakhs

| | 2006-07 | 2005-06 |
|---|---------------|---------------|
| (a) Managing Director | | |
| Salaries and Allowances | 99.74 | 67.58 |
| Contribution to Provident and Other Funds | 5.67 | 7.41 |
| Other Benefits | 4.75 | 4.13 |
| Commission | - | 27.43 |
| | 110.16 | 106.55 |
| (b) Non-Wholetime Directors | | |
| Commission | 16.70 | 15.67 |
| Sitting Fees | 10.55 | 11.40 |
| | 27.25 | 27.07 |

Note:

In computing the Managing Director's Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits except that in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added. Actuarial valuation based contribution/ provision with respect to gratuity and provision for leave encashment has not been included as these are for the Company as a whole.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

(c) Computation of Net Profits under Section 198/ 349 of the Companies Act, 1956

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 |
|--|-----------------|-----------------|
| Profit before Tax as per Profit and Loss Account | 4,727.11 | 4,604.35 |
| Add: Depreciation as per Books | 560.40 | 416.91 |
| Directors' Sitting Fees | 10.55 | 11.40 |
| Non-Wholetime Directors' Commission | 16.70 | 15.67 |
| Managing Director's Remuneration | 110.16 | 106.55 |
| Loss on Repossessed Assets | 1,470.19 | 921.42 |
| | 6,895.11 | 6,076.30 |
| Less: Depreciation as per Sec 350 of the Companies Act, 1956 | 560.40 | 416.91 |
| Loss on Repossessed Assets | 1,470.19 | 921.42 |
| Profit on Sale of Fixed Assets (Net) | 168.33 | 118.53 |
| Profit on Sale of Investments (Net) | 5.47 | 1,504.83 |
| Adjusted Profit | 4,690.74 | 3,114.61 |
| Commission to: | | |
| Managing Director restricted to | - | 27.43 |
| Non-Wholetime Directors @ 1% restricted to | 16.70 | 15.67 |

(d) The total remuneration as stated in 6(a) and 6(b) above are within the maximum permissible limits under the Companies Act, 1956.

7. Auditors' Remuneration

Rupees in lakhs

| Particulars | 2006-07 | 2005-06* |
|---------------------------|--------------|--------------|
| Statutory Audit | 12.50 | 10.00 |
| Tax Audit | 1.50 | 1.50 |
| Other Services | 9.70 | 8.50 |
| Reimbursement of Expenses | 0.27 | 0.51 |
| Total | 23.97 | 20.51 |

* Includes Rs. 8.11 lakhs paid to the erstwhile Auditors

8. Micro Small and Medium Enterprises

The Company has not received any intimation from "suppliers" regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 and, hence, disclosures, if any, relating to amounts unpaid as at March 31, 2007 together with interest paid/ payable as required under the said Act have not been given.

9. Expenditure in Foreign Currency

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 |
|-------------|---------|---------|
| Travel | 2.48 | 5.90 |
| Others | 20.97 | 21.48 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

10. AS – 15 Disclosure

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year end through the Life Insurance Corporation of India (LIC). LIC has certified the Projected Benefit Obligation for all the Companies covered in the Group. However, since LIC has certified the Fair Value of the Plan Assets for the Group only, the Fair Value of the Plan Assets for the Company has been estimated by the Management and relied upon by the Auditors.

Details of Actuarial Valuation as at March 31, 2007

| Particulars | Rupees in lakhs |
|---|-----------------|
| Projected Benefit Obligation as at April 1, 2006 | 58.37 |
| Service Cost | 12.84 |
| Interest Cost | 5.16 |
| Actuarial Losses/ (Gains) | (9.60) |
| Benefits Paid | (8.11) |
| Projected Benefit Obligation as at March 31, 2007 | 58.66 |
| Change in Plan Assets | |
| Fair Value of Plan Assets as at April 1, 2006 | 58.34 |
| Expected Returns on Plan Assets | 4.74 |
| Employer's Contribution | 0.10 |
| Benefits Paid | (8.11) |
| Actuarial Gains/ (Losses) | 1.57 |
| Fair Value of Plan Assets as at March 31, 2007 | 56.64 |
| Cost of the Defined Benefit Plan for the Year | |
| Current Service Cost | 12.84 |
| Interest on Obligation | 5.16 |
| Expected Return on Plan Assets | (4.74) |
| Net Actuarial Losses/ (Gains) Recognised in the Year | (11.17) |
| Net Cost Recognised in the Profit and Loss Account | 2.09 |
| Assumptions | |
| Discount Rate | 7.50% |
| Future Salary Increase (%) | 5.00% |
| Expected Rate of Return on Plan Assets | 8.12% |

Notes:

1. The Company has adopted the Accounting Standard (AS-15) Revised with effect from April 1, 2006 and, hence, the corresponding figures for the previous year have not been furnished.
2. The expected return on plan assets is as furnished by LIC.

11. Segment Reporting

The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

12. Related Party Disclosures

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power:** Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006)
- **Subsidiaries:** DBS Cholamandalam Asset Management Limited, Cholamandalam Securities Limited, DBS Cholamandalam Distribution Limited, and DBS Cholamandalam Trustees Limited
- **Associate :** Cholamandalam Factoring Limited (upto June 30, 2005)
- **Joint Venture :** Cholamandalam MS Risk Services Limited (upto January 3, 2006)
- **Key Management Person:** Mr. Atul Pande, Managing Director (from April 1, 2006)
Mr. M Anandan, Managing Director (upto March 31, 2006)

Note:

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

Details of Related Party Transactions for the Year:

Rupees in lakhs

| Transaction | Related Party | 2006-07 | 2005-06 |
|---------------------------------------|---|---------|----------|
| Dividend Receipts | Cholamandalam Securities Limited | 100.00 | 125.00 |
| Dividend Payments | Tube Investments of India Limited | 586.92 | 926.15 |
| | DBS Bank Limited | 729.59 | - |
| | Key Management Person | - | 1.88 |
| Interest Receipts | DBS Cholamandalam Asset Management Limited | - | 0.20 |
| | Cholamandalam Securities Limited | - | 10.68 |
| | DBS Cholamandalam Distribution Limited | 3.98 | 17.45 |
| | Cholamandalam Factoring Limited | NA | 2.21 |
| Interest Payments | Cholamandalam Securities Limited | - | 0.22 |
| Rent (including hiring) Receipts | Cholamandalam Securities Limited | 22.85 | 4.20 |
| | DBS Cholamandalam Distribution Limited | 19.58 | 9.74 |
| | DBS Cholamandalam Asset Management Limited | 51.28 | 0.33 |
| Rent Payments | Tube Investments of India Limited | 0.24 | - |
| | Relative of Key Management Person * | NA | 3.89 |
| Receipt of Lease Rentals | DBS Cholamandalam Distribution Limited | 0.38 | 1.43 |
| Payments for Services Rendered | Cholamandalam Securities Limited | 11.18 | 10.67 |
| | DBS Cholamandalam Distribution Limited | 2.71 | 9.83 |
| Receipts for Services Rendered | Cholamandalam Securities Limited | - | 183.40 |
| | DBS Cholamandalam Distribution Limited | - | 336.00 |
| | DBS Cholamandalam Asset Management Limited | - | 5.07 |
| | Cholamandalam MS Risk Services Limited | NA | 0.35 |
| Purchase of Fixed Assets | Cholamandalam Securities Limited | 0.40 | - |
| Sale of Intangible Assets - Copyright | Tube Investments of India Limited – Rs. Nil (Previous Year Rs. 100 only) | - | - |
| Sale of Investments | Tube Investments of India Limited | - | 1,648.99 |
| Advances/ Deposits Given | DBS Cholamandalam Distribution Limited | 215.00 | - |
| | Tube Investments of India Limited | 0.60 | - |
| | DBS Cholamandalam Asset Management Limited | 0.01 | - |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

Rupees in lakhs

| Transaction | Related Party | 2006-07 | 2005-06 |
|---|---|------------|---------|
| Advances/ Deposits Recovered | DBS Cholamandalam Distribution Limited | 135.00 | 103.90 |
| Subscription of Equity Shares | DBS Cholamandalam Asset Management Limited | 2,000.00 | - |
| | DBS Cholamandalam Distribution Limited – Rs. 70 only (Previous Year – Rs. Nil) | - | - |
| | Cholamandalam Securities Limited – Rs. 140 only (Previous Year – Rs. Nil) | - | - |
| | DBS Cholamandalam Trustees Limited – Rs. 70 only (Previous Year – Rs. Nil) | - | - |
| Redemption of Preference Shares | DBS Cholamandalam Asset Management Limited | 750.00 | - |
| Waiver of Rights to Arrears of Preference Dividend | DBS Cholamandalam Asset Management Limited | - | 337.50 |
| Remuneration | Key Management Person (Mr Atul Pande) | 110.16 | - |
| | Key Management Person (Mr M Anandan) | NA | 106.55 |
| Expenses – Reimbursed | Tube Investments of India Limited | 1.47 | 87.38 |
| | DBS Cholamandalam Distribution Limited | 0.71 | 2.84 |
| | Cholamandalam Securities Limited | - | 0.04 |
| | DBS Cholamandalam Asset Management Limited | 3.61 | - |
| | DBS Bank Limited | 33.46 | - |
| Amounts Received towards Reimbursements of Expenses | Tube Investments of India Limited | 1.14 | 2.00 |
| | DBS Cholamandalam Distribution Limited | 34.73 | 32.99 |
| | DBS Cholamandalam Asset Management Limited | 21.44 | 25.70 |
| | Cholamandalam MS Risk Services Limited | NA | 23.87 |
| | Cholamandalam Securities Limited | 20.84 | 21.57 |
| Debentures (Subordinated Debt Issued) | DBS Bank Limited | 1,100.00 | - |
| Director's Sitting Fees and Commission | DBS Bank Limited | 2.37 | - |
| Net Amounts Receivable/ (Due) as at Year end | Cholamandalam Securities Limited | 5.90 | - |
| | DBS Cholamandalam Distribution Limited | - | (0.54) |
| | DBS Cholamandalam Distribution Limited | 94.15 | 102.04 |
| | DBS Bank Limited | (1,100.00) | - |
| | DBS Cholamandalam Asset Management Limited | 16.98 | 7.45 |
| | DBS Bank Limited | (30.00) | - |
| | Cholamandalam Factoring Limited | NA | 93.00 |
| | Cholamandalam MS Risk Services Limited | NA | 0.17 |
| | Relative of Key Management Person * | NA | 3.24 |

* Relative of Key Management Person is Mrs. Padma Anandan (wife of Mr. M. Anandan)
NA- Not Applicable, since not a Related Party for 2006-07

13. Earnings Per Share

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 |
|--|-----------------|-----------------|
| Profit after Tax | 3,101.81 | 3,520.54 |
| Less: Preference Dividend and Distribution Tax thereon | - | 59.49 |
| Adjusted Profit after Tax | 3,101.81 | 3,461.05 |
| Weighted Average Number of Equity Shares | 37,946,476 | 37,946,476 |
| Earnings per Share Basic and Diluted (Rs) | 8.17 | 9.12 |
| Face Value Per Share (Rs) | 10.00 | 10.00 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

14. Deferred Tax Asset

The net deferred tax asset of Rs. 350.87 lakhs as at March 31, 2007 has arisen on account of the following:

| Particulars | Rupees in lakhs | |
|---|---------------------|---------------------|
| | As at 31.03.2007 | As at 31.03.2006 |
| Deferred Tax Asset | | |
| a) Provision for Sub-standard and Doubtful Receivables under Financing Activity | 437.00 | 375.04 |
| b) Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 159.58 | 42.22 |
| c) Provision for Repossessed Stock | 83.84 | 53.96 |
| d) Others | 97.76 | 29.02 |
| (A) | 778.18 | 500.24 |
| Deferred Tax Liability | | |
| a) Difference between Book and Tax Written Down Values | 295.65 | 74.33 |
| b) Unamortised Miscellaneous Expenditure | 131.66 | 140.37 |
| (B) | 427.31 | 214.70 |
| Net Deferred Tax Asset before Transitional Adjustment (A) – (B) | 350.87 | 285.54 |
| Deferred Tax Asset relating to AS – 15 Transitional Adjustment (Refer Note 2 above) | - | 32.65 |
| Net Deferred Tax Asset after Transitional Adjustment | 350.87 | 318.19 |

15. Contingent Liabilities

(a) Counter Guarantees provided to Banks - Rs. 18.18 lakhs (2006- Rs 55.04 lakhs)

(b) Contested Claims Not Provided for:

| Particulars | Rupees in lakhs | |
|--|---------------------|---------------------|
| | As at 31.03.2007 | As at 31.03.2006 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax and Interest Tax | 57.90 | 252.93 |
| Income Tax matters where the Company is in appeal | 93.80 | - |
| Sales Tax matters pending before Appellate Authorities in respect of which the Company is in appeal against which a total amount of Rs. 114.96 lakhs (2006- Rs. 73.31 lakhs) has been paid under protest | 450.01 | 411.12 |
| Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable) | 224.82 | 224.82 |

Note:

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

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

16. Changes in Provisions

Rupees in lakhs

| Particulars | As at 31.03.2006 | Additional Provision | Utilisation/ Reversal | As at 31.03.2007 |
|--|---------------------|-------------------------|--------------------------|---------------------|
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 1,114.21 | 650.43 | 466.37 | 1,298.27 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 125.43 | 497.83 | 149.17 | 474.09 |
| Provision for Contested Service Tax | 69.33 | - | - | 69.33 |

17. Interests in Joint Venture

The Company's ownership interest of 49.50% in Cholamandalam MS Risk Services Limited was divested on January 3, 2006. The Company's proportionate share in the aforesaid jointly controlled entity's assets, liabilities, income and expenditure is as follows:

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 (Upto January 3, 2006) |
|-----------------------------------|---------|-----------------------------------|
| Assets as at Year End | - | - |
| Liabilities as at Year End | - | - |
| Income for the Period / Year | - | 57.09 |
| Expenditure for the Period / Year | - | 45.28 |

18. Disclosure Pursuant to Reserve Bank of India Notification DNBS.193DG (VL) - 2007 dated February 22, 2007:

Rupees in lakhs

| Sl.No. | Particulars | Amount Outstanding As at March 31, 2007 | Amount Overdue |
|--------|--|--|----------------|
| | Liabilities: | | |
| (1) | Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid: | | |
| (a) | Debentures | | |
| | - Secured | 124,355.98 | - |
| | - Unsecured (other than falling within the meaning of public deposits) | 75,000.00 | - |
| (b) | Deferred Credits | - | |
| (c) | Term Loans | 22,253.00 | - |
| (d) | Inter-Corporate Loans and Borrowings | - | |
| (e) | Commercial Paper | 12,456.43 | - |
| (f) | Fixed Deposits (Note below) | | |
| | - From Corporates | 45.83 | - |
| | - From Others | 7,353.77 | 384.83 |
| (g) | Other Loans (Represents Working Capital Demand Loans and Cash Credit from Banks including Foreign Currency Loans) | 80,843.48 | - |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

Rupees in lakhs

| Sl.No. | Particulars | Amount Outstanding As at March 31, 2007 | Amount Overdue |
|--------|--|--|----------------|
| (2) | Break-up of (1)(f) above (Outstanding Public Deposits Inclusive of interest accrued thereon but not paid) (Note below): | | |
| (a) | In the form of Unsecured Debentures | - | - |
| (b) | In the form of partly Secured Debentures i.e. Debentures where there is a shortfall in the value of security | - | - |
| (c) | Other Public Deposits | 7,399.60 | |

Note:

Though the Company has become a Non-Deposit taking Non-Banking Finance Company (Refer Note 20 below), since the Company still has fixed deposits from the public accepted prior to November 1, 2006 which have not yet been liquidated (Refer Schedule 4), the details of the same have been disclosed above.

Rupees in lakhs

| Sl.No. | Particulars | Amount Outstanding As at March 31, 2007 |
|--------|---|--|
| (3) | Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]: | |
| (a) | Secured | 92,344.00 |
| (b) | Unsecured | 77,964.24 |
| (4) | Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities | |
| (i) | Lease Assets including Lease Rentals Accrued and Due: | |
| (a) | Financial Lease | - |
| (b) | Operating Lease | - |
| (ii) | Stock on Hire including Hire Charges under Sundry Debtors: | |
| (a) | Assets on Hire | 2.10 |
| (b) | Repossessed Assets | 2.93 |
| (iii) | Other Loans counting towards AFC Activities | |
| (a) | Loans where Assets have been Repossessed | 1,287.17 |
| (b) | Loans other than (a) above | 163,376.76 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

Rupees in lakhs

| (5) Break-up of Investments (net of provision for diminution in value): | Current Investments | Long Term Investments |
|---|----------------------|-----------------------|
| | As at March 31, 2007 | |
| I Quoted: | | |
| (i) Shares: | | |
| (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and Bonds | - | - |
| (iii) Units of Mutual Funds | - | - |
| (iv) Government Securities (Net of Amortisation) | - | 1,641.88 |
| (v) Others (please specify) | - | - |
| II Unquoted: | | |
| (i) Shares: | | |
| (a) Equity | - | 5,384.57 |
| (b) Preference | - | - |
| (ii) Debentures and Bonds | - | - |
| (iii) Units of Mutual Funds | - | - |
| (iv) Government Securities | - | - |
| (v) Others (Pass Through Certificates - Asset Securitisation Trust) | - | 849.24 |

Rupees in lakhs

(6) Borrower Group-wise Classification of Assets Financed as in (3) and (4) above

| Category | Amount (Net of Provisioning) | | |
|---------------------------------|------------------------------|------------------|--------------------|
| | As at March 31, 2007 | | |
| | Secured | Unsecured | Total |
| 1. Related Parties | | | |
| (a) Subsidiaries | - | 117.03 | 117.03 |
| (b) Companies in the same Group | - | - | - |
| (c) Other Related Parties | - | - | - |
| 2. Other than Related Parties | 2,56,279.96 | 77,282.21 | 3,33,562.17 |
| Total | 2,56,279.96 | 77,399.24 | 3,33,679.20 |

Rupees in lakhs

(7) Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted)

| Category | Market Value/ Break up Value or Fair Value or Net Asset Value | Book Value (Net of Provisioning) |
|---------------------------------|---|----------------------------------|
| | 1. Related Parties | |
| (a) Subsidiaries | 3,228.00 | 5,255.18 |
| (b) Companies in the Same Group | - | - |
| (c) Other Related Parties | - | - |
| 2. Other than Related Parties | 2,488.28 | 2,620.51 |
| Total | 5,716.28 | 7,875.69 |

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

Rupees in lakhs

(8) Other Information

| Sl.No. | Category | Related Parties | Other than Related Parties |
|--------|---|-----------------|----------------------------|
| (i) | Gross Non-Performing Assets* | - | 2,293.27 |
| (ii) | Net Non-Performing Assets * | - | 1,376.20 |
| (iii) | Assets Acquired in Satisfaction of Debt | - | 107.81 |

*Excludes Rs. 3,812.00 lakhs (Gross) and Rs. 3,430.80 lakhs (Net) in respect of assets deemed to be Sub-standard assets as defined in Para 2(XVI)(b) of the Non - Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

19. Disclosure pursuant to Clauses 32 and 41 of the Listing Agreement

a. Details of Loans and Advances:

Rupees in lakhs

| Sl.No. | Loans and Advances | Amount Outstanding as at 31.03.2007 | Maximum Amount Outstanding during the year |
|--------|---|-------------------------------------|--|
| (A) | <u>To Subsidiaries</u> | | |
| | - DBS Cholamandalam Asset Management Ltd. | 16.98 | 42.25 |
| | - Cholamandalam Securities Ltd. | 5.90 | 17.63 |
| | - DBS Cholamandalam Distribution Ltd. | 94.15 | 131.99 |
| (B) | <u>To Associate/ Joint Venture</u> | | |
| | - No Associate/ Joint Venture during the Current Year | - | - |
| (C) | <u>To Firms/ Companies in which Directors are Interested (other than (A) and (B) above)</u> | | |
| | - The Coromandal Engineering Company Limited | 250.00 | 250.00 |
| | - Cholamandalam Factoring Limited | 78.74 | 93.01 |
| | - Cholamandalam MS General Insurance Company Limited | 2.56 | 31.36 |
| | - Cholamandalam MS Risk Services Ltd. | - | 1.67 |
| (D) | <u>Where there is</u> | | |
| | (i) No repayment schedule | - | - |
| | (ii) Repayment beyond seven years | - | - |
| | (iii) Interest below the rate as specified in section 372 A of the Companies Act | - | - |

b. Investments by the loanee in the shares of Parent Company and Subsidiary Company - NIL.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2007

18 NOTES ON ACCOUNTS (Cont.)

20. NBFC-ND

The Company has received fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India to carry on the business of Non Banking Financial Institution without accepting deposits consequent to its decision to exit from deposit accepting activities effective November 1, 2006. Accordingly, the Company has become a Non-deposit taking Non-Banking Finance Company (NBFC-ND).

21. Previous Year Figures

Previous year's figures have been regrouped/ rearranged, where necessary.

Signatures to Schedules 1 to 18

For and on behalf of the Board

A Vellayan
Chairman

April 25, 2007
Chennai

P Sujatha
Secretary

D Arul Selvan
Vice President - Finance

Atul Pande
Managing Director

Balance Sheet Abstract and Company's Business Profile

Balance Sheet Abstract And Company's Business Profile as per Part IV of Schedule VI to the Companies Act, 1956

I Registration details

Registration No. State Code
 Balance Sheet Date

II Capital raised during the year (Amount in Rs. Thousands)

Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
 Sources of Funds
 Paid-up Capital
 Secured Loans
 Application of Funds
 Net Fixed Assets
 Deferred Tax Asset (net)
 Total Assets
 Reserves & Surplus
 Unsecured Loans
 Investments
 Net Current Assets
 Misc. Expenditure

IV Performance of Company (Amount in Rs. Thousands)

Turnover
 +/- Profit / Loss before tax
 Earning per share - Rs.
 Total Expenditure
 +/- Profit / Loss after tax
 Dividend Rate %

V Generic Names of Principal Products/ Services of Company (as per monetary terms)

Item Code No.(ITC Code)
 Product Description

For and on behalf of the Board

A Vellayan
Chairman

April 25, 2007
Chennai

P Sujatha
Secretary

D Arul Selvan
Vice President - Finance

Atul Pande
Managing Director

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of **Cholamandalam DBS Finance Limited**

1. We have audited the attached Consolidated Balance Sheet of **Cholamandalam DBS Finance Limited** (the Company) and its subsidiaries (the Group) as at March 31, 2007, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets (net) of Rs. 2,873.83 lakhs as at March 31, 2007 and total revenue of Rs. 1,676.24 lakhs and net cash flows of Rs. 129.65 lakhs for the year ended on that date. The financial statements of these subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements.
5. Based on our audit and on consideration of the reports of the other auditors on the separate financial statements of the subsidiaries referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2007;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K Sai Ram
Partner

April 25, 2007
Chennai

Membership No. 022360

Consolidated Balance Sheet

as at March 31, 2007

Rupees in lakhs

| | Schedule | As at 31.03.2007 | As at 31.03.2006 |
|--|----------|---------------------|---------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 3,801.19 | 3,801.19 |
| Reserves and Surplus | 2 | 27,085.38 | 26,338.07 |
| | | 30,886.57 | 30,139.26 |
| MINORITY INTEREST (2006 - Rs. 226) | | - | - |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 192,057.37 | 95,714.34 |
| Unsecured Loans | 4 | 129,826.82 | 73,909.44 |
| | | 321,884.19 | 169,623.78 |
| DEFERRED TAX LIABILITY (Note 9 of Schedule 20) | | 523.79 | 319.36 |
| Total | | 353,294.55 | 200,082.40 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 6,049.04 | 4,835.49 |
| Less: Depreciation | | 2,249.74 | 2,237.01 |
| Net Block | | 3,799.30 | 2,598.48 |
| Capital Advances | | 70.09 | 117.19 |
| | | 3,869.39 | 2,715.67 |
| GOODWILL ON CONSOLIDATION | | | |
| Subsidiaries | | 260.18 | 213.88 |
| INVESTMENTS | 6 | 5,048.03 | 3,709.73 |
| DEFERRED TAX ASSET (Note 9 of Schedule 20) | | 805.63 | 547.54 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Receivables under Financing Activity | 7 | 326,928.47 | 189,551.59 |
| Stock in Trade | 8 | - | - |
| Sundry Debtors | 9 | 746.52 | 1,062.34 |
| Cash and Bank Balances | 10 | 28,131.52 | 7,166.08 |
| Other Current Assets | 11 | 6,358.49 | 2,644.37 |
| Other Loans and Advances | 12 | 2,254.27 | 2,054.11 |
| | | 364,419.27 | 202,478.49 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | 13 | 17,592.26 | 6,453.69 |
| Provisions | 14 | 3,906.85 | 3,519.99 |
| | | 21,499.11 | 9,973.68 |
| NET CURRENT ASSETS | | 342,920.16 | 192,504.81 |
| MISCELLANEOUS EXPENDITURE (to the extent not written off) | 15 | 391.16 | 390.77 |
| Total | | 353,294.55 | 200,082.40 |
| Notes on Accounts | 20 | | |

The Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the Board

K Sai Ram

Partner

Membership No. 022360

April 25, 2007

Chennai

P Sujatha

Secretary

D Arul Selvan

Vice President - Finance

A Vellayan

Chairman

Atul Pande

Managing Director

Consolidated Profit and Loss Account

for the Year Ended March 31, 2007

Rupees in lakhs

| | Schedule | Year ended 31.03.2007 | Year ended 31.03.2006 |
|---|----------|--------------------------|--------------------------|
| INCOME | 16 | 43,764.65 | 24,474.64 |
| EXPENDITURE | | | |
| Financing Charges | 17 | 18,895.07 | 9,930.36 |
| Business Origination Outsourcing | | 6,142.43 | 1,811.96 |
| Operating and Other Expenses | 18 | 9,874.95 | 5,341.08 |
| Depreciation | 5 | 708.16 | 534.39 |
| Provisions, Loan Losses and Other Charges | 19 | 3,589.50 | 2,082.50 |
| | | 39,210.11 | 19,700.29 |
| PROFIT BEFORE TAXATION | | 4,554.54 | 4,774.35 |
| Provision for Taxation: | | | |
| - Current [including Rs 176.31 lakhs (Previous-Year-Rs NIL) towards Prior Years] | | 1,746.05 | 1,236.97 |
| - Deferred | | (21.01) | (96.14) |
| - Fringe Benefit Tax | | 90.99 | 78.48 |
| | | 1,816.03 | 1,219.31 |
| Minority Interest in Net Income (2006-Rs. 55) | | - | - |
| PROFIT AFTER TAXATION | | 2,738.51 | 3,555.04 |
| Balance Brought Forward From Previous Year | | (853.90) | (744.69) |
| Less: Transitional Adjustment (AS 15) (Note 2 of Schedule 20) | | (10.92) | - |
| Proportionate Share in Results of Operations of Associate | | - | 1.09 |
| Loss on Divestment in Associate and Jointly Controlled Entity | | - | (19.90) |
| PROFIT AVAILABLE FOR APPROPRIATION | | 1,873.69 | 2,791.54 |
| APPROPRIATIONS: | | | |
| Dividend | | | |
| - Preference | | - | 52.17 |
| - Equity (Proposed) | | 1,517.86 | 1,897.32 |
| - Distribution Tax thereon | | 271.99 | 290.95 |
| | | 1,789.85 | 2,240.44 |
| Statutory Reserve | | 621.82 | 705.00 |
| General Reserve | | 318.18 | 700.00 |
| Balance Carried to Balance Sheet | | (856.16) | (853.90) |
| | | 1,873.69 | 2,791.54 |
| Earnings per share, of par value Rs. 10/- each - Basic and Diluted (Rs.) (Note 8 of Schedule 20) | | 7.22 | 9.11 |
| Notes on Accounts | 20 | | |

The Schedules referred to above form an integral part of the Accounts.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the **Board**

K Sai Ram

Partner

Membership No. 022360

A Vellayan

Chairman

April 25, 2007

Chennai

P Sujatha

Secretary

D Arul Selvan

Vice President - Finance

Atul Pande

Managing Director

Consolidated Cash Flow Statement

for the Year Ended March 31, 2007

Rupees in lakhs

| Particulars | Year ended | |
|--|----------------|----------------|
| | March 31, 2007 | March 31, 2006 |
| <i>Cash Flow from Operating Activities</i> | | |
| Net Profit Before Tax | 4,554.54 | 4,774.35 |
| Adjustments for:- | | |
| Depreciation | 708.16 | 534.39 |
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 184.06 | 644.74 |
| Provision for Credit Enhancement and Servicing Costs on Assets De-recognised | 348.66 | (115.13) |
| Financing Charges | 18,895.07 | 9,930.36 |
| Amortisation of Miscellaneous Expenditure | - | 58.68 |
| Provision for Employee Benefits (Net) | 229.93 | (16.52) |
| Profit on Sale of Fixed Assets (Net) | (167.56) | (118.18) |
| Loss on Repossessed Assets (Net) | 1,470.19 | 921.42 |
| Liability No Longer Required Written Back | (5.65) | (4.79) |
| Profit on Sale of Investments (Net) | (74.70) | (1,672.00) |
| Amortisation of Premium on Acquisition of Government Securities | 27.07 | 7.03 |
| Interest and Dividend Received from Investing Activities | (1,015.60) | (549.89) |
| | 20,599.63 | 9,620.11 |
| Operating Profit Before Working Capital Changes | 25,154.17 | 14,394.46 |
| Adjustment for:- | | |
| Increase in Receivable Under Financing Activity | (235,079.03) | (65,157.03) |
| Increase in Other Current assets | (21,589.94) | (1,988.17) |
| Decrease in Other Loans and Advances | 7.25 | 485.95 |
| Increase in Current Liabilities and Provisions | 6,494.31 | 1,903.21 |
| Assets Securitised and Assets Assigned bilaterally with Banks | 96,111.09 | 22,497.86 |
| | (154,056.32) | (42,258.18) |
| Cash Used in Operating Activities | (128,902.15) | (27,863.72) |
| Financing Charges | (14,524.18) | (10,307.73) |
| Direct Taxes Paid | (2,046.67) | (1,437.89) |
| | (16,570.85) | (11,745.62) |
| Net Cash Used in Operating Activities (A) | (145,473.00) | (39,609.34) |
| <i>Cash Flow from Investing Activities</i> | | |
| Purchase of Fixed Assets | (2,018.57) | (1,388.99) |
| Sale of Fixed Assets | 320.25 | 382.82 |
| Purchase of Investments | (13,061.66) | (175,668.49) |
| Sale/ Redemption of Investments | 13,031.95 | 180,732.38 |
| Interest and Dividend Received | 1,020.87 | 558.64 |
| Net Cash (Used in)/ From Investing Activities (B) | (707.16) | 4,616.36 |

Consolidated Cash Flow Statement

for the Year Ended March 31, 2007 (Cont.)

Rupees in lakhs

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|--|------------------------------|------------------------------|
| <u>Cash Flow from Financing Activities</u> | | |
| <u>Long Term</u> | | |
| Decrease in Preference Share Capital | - | (1,000.00) |
| Increase in Debentures | 91,255.98 | 11,100.00 |
| Increase/ (Decrease) in Term Loans from Banks and Others | 5,089.40 | (2,584.28) |
| Decrease in Fixed Deposits | (5,029.94) | (4,153.75) |
| <u>Short Term</u> | | |
| Increase in Bank Borrowings | 14,997.65 | 14,437.02 |
| Increase in Debentures | 43,000.00 | 17,000.00 |
| Increase in Other Borrowings | 2,952.86 | 604.78 |
| Dividends Paid (Including Distribution Tax) | (2,166.54) | (2,250.58) |
| Net Cash from Financing Activities (C) | 150,099.41 | 33,153.19 |
| Net (Decrease)/ Increase in Cash & Cash Equivalents (A+B+C) | 3,919.25 | (1,839.79) |
| Cash and Cash Equivalents at the Beginning of the Year | 4,006.98 | 5,846.77 |
| Cash and Cash Equivalents at the End of the Year | 7,926.23 | 4,006.98 |
| Note: | | |
| Cash and Cash Equivalents at the End of the Year as per Balance Sheet | 28,131.52 | 7,166.08 |
| Add: Current Investments | 2,314.90 | 1,053.85 |
| Less: Bank Deposits held for More than Three Months | 62.77 | 829.27 |
| Less: Bank Deposits under Lien | 22,457.42 | 3,383.68 |
| | 7,926.23 | 4,006.98 |

The accompanying Schedules 1 to 20 form an integral part of the Accounts.

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

For and on behalf of the **Board**

K Sai Ram
Partner
Membership No. 022360

A Vellayan
Chairman

April 25, 2007
Chennai

P Sujatha
Secretary

D Arul Selvan
Vice President - Finance

Atul Pande
Managing Director

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

1 SHARE CAPITAL

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| AUTHORISED | | |
| Equity Shares: | | |
| 100,000,000 Equity Shares of Rs. 10 each | 10,000.00 | 10,000.00 |
| Preference Shares: | | |
| 6,000,000 Redeemable Cumulative Preference Shares of Rs. 100 each | 6,000.00 | 6,000.00 |
| | 16,000.00 | 16,000.00 |
| ISSUED | | |
| Equity Shares: | | |
| 38,083,230 Equity Shares of Rs. 10 each | 3,808.32 | 3,808.32 |
| Preference Shares: | | |
| 3,500,000 Redeemable Cumulative Preference Shares of Rs. 100 each | 3,500.00 | 3,500.00 |
| | 7,308.32 | 7,308.32 |
| SUBSCRIBED | | |
| Equity Shares: | | |
| 37,946,476 Equity Shares of Rs. 10 each fully paid up | 3,794.65 | 3,794.65 |
| Add: Forfeited Shares | 6.54 | 6.54 |
| | 3,801.19 | 3,801.19 |

2 RESERVES AND SURPLUS

| | | |
|------------------------------------|-----------|-----------|
| Capital Reserve | 0.03 | 0.03 |
| Capital Redemption Reserve | 3,300.00 | 3,300.00 |
| Share Premium Account | 14,043.33 | 14,043.33 |
| Statutory Reserve (Note 1 below) | 5,401.82 | 4,780.00 |
| General Reserve (Note 2 below) | 5,123.13 | 5,041.68 |
| Balance in Profit and Loss Account | (856.16) | (853.90) |
| Adjustments on Consolidation | 73.23 | 26.93 |
| | 27,085.38 | 26,338.07 |

Notes:

1. Statutory reserve represents the reserve created under section 45-IC of the Reserve Bank of India Act, 1934.
2. Effective April 1, 2006, the company & its subsidiaries adopted the revised Accounting standard (AS-15) on Employee Benefits issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Pursuant to this, employee benefit obligations amounting to Rs. 263.66 lakhs (net of deferred tax of Rs. 32.65) as at March 31, 2006 has been adjusted against the opening balance in general reserve in line with the transitional provisions of the said standard. (Note 2 of schedule 20)

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

3 SECURED LOANS

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Redeemable Non-Convertible Debentures (Net of Unamortised Discount of Rs. 444.02 lakhs (2006 - Rs. Nil) (Secured on a pari passu basis by way of specific charge on assets under hypothecation/ hire purchase assets and certain immovable property) | 124,355.98 | 48,100.00 |
| Working Capital Demand Loans and Cash Credit from Banks (including Foreign Currency Loans) (Secured by hypothecation of relevant fixed assets let on lease and other assets covered by hypothecation/ hire purchase agreements together with relevant book debts) | 45,448.39 | 30,450.74 |
| Term Loans (Secured by way of specific charge on assets under hypothecation/ hire purchase assets) | | |
| - from Banks (including External Commercial Borrowings) | 21,128.00 | 14,038.60 |
| - from Others | 1,125.00 | 3,125.00 |
| | 192,057.37 | 95,714.34 |

4 UNSECURED LOANS

| | | |
|--|-------------------|------------------|
| Medium Term | | |
| Redeemable Non-Convertible Debentures - Subordinated Debt | 15,000.00 | - |
| Short Term | | |
| Non-Convertible Debentures | 60,000.00 | 17,000.00 |
| Commercial Paper [Net of Unamortised Discount of Rs. 43.57 lakhs (2006 - Rs. 361.21 lakhs)] | 12,456.43 | 29,638.79 |
| Other Loans from Banks (including Foreign Currency Loans) | 35,395.09 | 15,259.87 |
| Fixed Deposits (Note 1 below) | 6,936.00 | 11,965.94 |
| Interest Accrued and Due on Matured/Unclaimed Fixed Deposits | 39.30 | 44.84 |
| | 129,826.82 | 73,909.44 |

Note:

- 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 Rs. 7,687.74 lakhs as at March 31, 2007 in an Escrow Account, as directed by the RBI. (Note 1 to schedule 10).

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

5 FIXED ASSETS

Rupees in lakhs

| Description | Gross Block | | | Depreciation | | | Net Block as at | | | |
|----------------------------------|--------------------------|-----------------|---------------|--------------------------|--------------------|---------------|-----------------|--------------------|-----------------|-----------------|
| | Cost as at 31.03.2006 | Additions | Deletions | Cost as at 31.03.2007 | Upto 31.03.2006 | Provided | Withdrawn | Upto 31.03.2007 | 31.03.2007 | 31.03.2006 |
| Assets given on Lease | | | | | | | | | | |
| Plant and Machinery | 524.88 | - | 524.88 | - | 518.45 | 6.43 | 524.88 | - | - | 6.43 |
| Office Equipments | 86.60 | - | 86.60 | - | 86.23 | 0.37 | 86.60 | - | - | 0.37 |
| Vehicles | 55.32 | - | 17.58 | 37.74 | 54.89 | 0.43 | 17.58 | 37.74 | - | 0.43 |
| Sub Total | 666.80 | - | 629.06 | 37.74 | 659.57 | 7.23 | 629.06 | 37.74 | - | 7.23 |
| Own Assets | | | | | | | | | | |
| Land | 40.85 | - | - | 40.85 | - | - | - | - | 40.85 | 40.85 |
| Buildings (Note 1 below) | 1,419.09 | - | 117.20 | 1,301.89 | 204.06 | 68.71 | 37.75 | 235.02 | 1,066.87 | 1,215.03 |
| Plant and Machinery | 1,007.58 | 570.34 | 1.80 | 1,576.12 | 609.88 | 199.67 | 0.65 | 808.90 | 767.22 | 397.70 |
| Office Equipments | 161.54 | 204.44 | 6.89 | 359.09 | 59.67 | 40.77 | 1.37 | 99.07 | 260.02 | 101.87 |
| Furniture and Fixtures | 581.77 | 929.65 | 21.46 | 1,489.96 | 229.63 | 244.44 | 6.37 | 467.70 | 1,022.26 | 352.14 |
| Vehicles | 137.68 | 129.64 | 71.71 | 195.61 | 30.50 | 17.27 | 20.23 | 27.54 | 168.07 | 107.18 |
| Intangible Assets | | | | | | | | | | |
| - Computer Software | 477.68 | 227.60 | - | 705.28 | 270.56 | 93.99 | - | 364.55 | 340.73 | 207.12 |
| - Stock Exchange Membership Card | 342.50 | - | - | 342.50 | 173.14 | 36.08 | - | 209.22 | 133.28 | 169.36 |
| Sub Total | 4,168.69 | 2,061.67 | 219.06 | 6,011.30 | 1,577.44 | 700.93 | 66.37 | 2,212.00 | 3,799.30 | 2,591.25 |
| Total | 4,835.49 | 2,061.67 | 848.12 | 6,049.04 | 2,237.01 | 708.16 | 695.43 | 2,249.74 | 3,799.30 | 2,598.48 |
| Previous Year | 9,405.64 | 1,273.73 | 5,843.88 | 4,835.49 | 7,281.86 | 534.39 | 5,579.24 | 2,237.01 | 2,598.48 | |

Note:

1. Cost of Buildings of Rs. 365.62 lakhs grouped under Buildings includes undivided interest in land.

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

6 INVESTMENTS (AT COST)

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| A) CURRENT - NON TRADE -UNQUOTED | | |
| Units in Mutual Fund Schemes | 2,314.90 | 1,053.85 |
| TOTAL (A) | 2,314.90 | 1,053.85 |
| (B) LONG TERM - TRADE - UNQUOTED | | |
| In Equity Shares of Rs. 10 each fully paid up in Bodies Corporate | 0.25 | 0.25 |
| TOTAL (B) | 0.25 | 0.25 |
| (C) LONG TERM - NON TRADE - QUOTED | | |
| a) In Government Securities | 1,723.03 | 1,723.03 |
| b) Others | - | 15.00 |
| TOTAL (C) | 1,723.03 | 1,738.03 |
| (D) LONG TERM - NON TRADE - UNQUOTED | | |
| a) In Other Bodies Corporate | | |
| Equity Shares of Rs. 10 each fully paid up | 129.14 | 129.14 |
| Equity Shares of Rs. 25 each fully paid up | 0.25 | 0.25 |
| b) Units in Mutual Fund Schemes | 112.37 | - |
| c) Series AST Pass Through Certificates, Asset Securitisation Trust September 2004 'P' Series | 208.81 | 842.29 |
| d) Series AST Pass Through Certificates, Asset Securitisation Trust March 2005 Series | 640.43 | - |
| TOTAL (D) | 1,091.00 | 971.68 |
| TOTAL (A + B + C + D) | 5,129.18 | 3,763.81 |
| Less: Amortisation of Premium on Acquisition of Government Securities | 81.15 | 54.08 |
| | 5,048.03 | 3,709.73 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

7 RECEIVABLES UNDER FINANCING ACTIVITY

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| (A) Secured (Note 1 & 2 below) | | |
| Hypothecation/ Hire Purchase of Automobile Assets | 157,926.29 | 147,216.47 |
| Loan against Securities | 26,982.24 | 16,599.89 |
| Loan against Immovable Property | 12,319.69 | 1,625.53 |
| Other Loans | 53,042.07 | 16,182.30 |
| Installments and Other Dues from Borrowers (Note 3 below) | 5,452.57 | 5,129.82 |
| Total (A) | 255,722.86 | 186,754.01 |
| (B) Unsecured (Note 2 below) | | |
| Consumer Loans | 67,881.99 | 1,236.61 |
| Other Loans | 3,048.77 | 1,460.89 |
| Bills Purchased and Discounted | - | 99.95 |
| Installments and Other Dues from Borrowers (Note 3 below) | 274.85 | 0.13 |
| Total (B) | 71,205.61 | 2,797.58 |
| Total (A+B) | 326,928.47 | 189,551.59 |
| Notes: | | |
| 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. | | |
| 2 Refer Schedule 14 for Provision for Sub-standard and Doubtful Receivables under Financing Activity. No adjustment to the above classification of Secured/ Unsecured has been made on account of such provisioning. | | |
| 3 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Securitisation/ Assignment of receivables. | 1,777.22 | 874.59 |

8 STOCK IN TRADE

| | | |
|---|------|------|
| Quoted | | |
| 40 (2006-4) Shares of Geojit Securities Limited | - | - |
| 1 (2006-1) Share of Khandelwal Securities Limited (cost Rs. 20 only) | - | - |
| | - | - |
| Aggregate Market Value of Quoted Shares | 0.01 | 0.01 |
| Aggregate Value of Quoted Shares at Lower of Cost/ Market Value (Rs. 20 only) | - | - |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

9 SUNDRY DEBTORS

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Unsecured - Considered Good | | |
| Debts Outstanding For a Period Exceeding Six Months | 0.05 | 0.27 |
| Other Debts | 746.47 | 1,062.07 |
| | 746.52 | 1,062.34 |

10 CASH AND BANK BALANCES

| | | |
|----------------------------------|------------------|-----------------|
| Cash and Cheques on Hand | 895.92 | 197.89 |
| Balances With Scheduled Banks on | | |
| - Current Account | 4,666.30 | 2,703.02 |
| - Unpaid Dividend Accounts | 49.11 | 52.22 |
| - Deposit Account: | | |
| - Free Of Lien | 62.77 | 829.27 |
| - Under Lien (Note 1 below) | 22,457.42 | 3,383.68 |
| | 28,131.52 | 7,166.08 |

Note:

1. Deposit accounts under lien includes :

- A total amount of Rs. 7,687.74 lakhs (2006-Rs. Nil) kept in an Escrow account with respect to public deposits (Note 1 of schedule 4).
- A total amount of Rs. 14,542.18 lakhs (2006-Rs. 3,181.18 lakhs) as collateral towards assets de-recognised (Note 3 of schedule 20).
- Other lien marked deposits Rs. 227.50 lakhs (2006-Rs. 202.50 lakhs).

11 OTHER CURRENT ASSETS

| | | |
|--|-----------------|-----------------|
| Unsecured - Considered Good | | |
| Repossessed Automobile Assets (at lower of cost or estimated realisable value) | 1,290.10 | 1,169.23 |
| Interest and Other Income Accrued but Not Due - | | |
| - On Loans to Borrowers | 4,357.02 | 1,334.77 |
| - On Deposits and Investments | 631.16 | 87.98 |
| Other Accruals and Receivables | 80.21 | 52.39 |
| | 6,358.49 | 2,644.37 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

12 OTHER LOANS AND ADVANCES

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Unsecured - Considered Good | | |
| Inter Corporate Deposits | 525.00 | 357.00 |
| Advances etc. Recoverable in Cash or in Kind or for Value to be Received | 991.71 | 1,166.96 |
| Advance Payment of Tax and Tax Deducted at Source [Net of Provision for Taxation - Rs. 11,219.73 lakhs (2006 - Rs. 9,493.71 lakhs)] | 737.56 | 530.15 |
| | 2,254.27 | 2,054.11 |

13 CURRENT LIABILITIES

| | | |
|--|------------------|-----------------|
| Sundry Creditors (other than Small Scale Industrial Undertakings) | | |
| - Due to Client and Stock Exchanges | 1,231.19 | 1,097.92 |
| - Others (Note 1 below) | 2,704.60 | 536.63 |
| Advances from Customers/ Others (Note 2 below) | 2,175.04 | 768.31 |
| Unclaimed Dividend | 49.11 | 52.22 |
| Interest Accrued But Not Due on Loans/ Other Deposits | 6,055.70 | 1,705.17 |
| Other Liabilities (Note 3 below) | 5,376.62 | 2,293.44 |
| | 17,592.26 | 6,453.69 |
| Notes: | | |
| 1. Other Sundry Creditors include security deposits from channel partners | 46.39 | 64.89 |
| 2. Advances from Customers/ Others include adjustable security deposits | 188.09 | 94.76 |
| 3. Other Liabilities include monies held in trust in respect of assets de-recognised | 5,217.74 | 2,217.71 |

14 PROVISIONS (Note 11 of Schedule 20)

| | | |
|---|-----------------|-----------------|
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 1,298.27 | 1,114.21 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 474.09 | 125.43 |
| Provision for Employee Benefits | 273.75 | 43.82 |
| Provision for Taxation (Net of Advance Tax of Rs. 7.47 lakhs; 2006- Rs. 8.67 lakhs) | 1.56 | 3.78 |
| Provision for Contested Service Tax | 69.33 | 69.33 |
| Proposed Dividend | 1,517.86 | 1,897.32 |
| Distribution Tax on Dividend | 271.99 | 266.10 |
| | 3,906.85 | 3,519.99 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

15 MISCELLANEOUS EXPENDITURE

Rupees in lakhs

| | As at 31.03.2007 | As at 31.03.2006 |
|---|---------------------|---------------------|
| Expenditure Incurred for Raising Borrowed Funds | 391.16 | 390.77 |
| | 391.16 | 390.77 |

16 INCOME

Rupees in lakhs

| | Year ended 31.03.2007 | Year ended 31.03.2006 |
|--|--------------------------|--------------------------|
| Income from | | |
| - Automobile Financing (Note 4(f) of Schedule 20) | 24,048.98 | 16,633.81 |
| - Consumer Loans (Note 4(f) of Schedule 20) | 9,205.00 | 71.27 |
| - Loan Against Securities | 2,504.73 | 2,021.98 |
| - Loan Against Immovable property | 710.70 | 135.78 |
| - Other Loans | 3,178.26 | 892.65 |
| - Bills Purchased and Discounted | - | 29.28 |
| - Lease Rentals | 0.59 | 170.42 |
| - Stock Broking, Depository Operations and Allied Services | 861.66 | 695.94 |
| - Retail Distribution Operations | 1,274.26 | 974.18 |
| - Fund Management Operations | 635.11 | 384.64 |
| - Investments - Dividend and Interest | 1,056.76 | 548.03 |
| Profit on Sale of Investments (Net) [Note 1 below] | 74.70 | 1,672.00 |
| Profit on Sale of Fixed Assets (Net) | 167.56 | 118.18 |
| Liability No Longer Required Written Back | 5.65 | 4.79 |
| Miscellaneous Income | 40.69 | 64.60 |
| Proportionate Share in the Income of Jointly Controlled Entity | - | 57.09 |
| | 43,764.65 | 24,474.64 |
| Note: | | |
| 1. Includes Gain on Sale of 169,317 Equity Shares of Parry Agro Industries Limited | - | 1,454.56 |

17 FINANCING CHARGES (Note 4(g) of Schedule 20)

| | | |
|--|------------------|-----------------|
| Interest on Debentures | 10,598.00 | 4,201.54 |
| Interest on Fixed Loans | | |
| - Fixed Deposits | 681.01 | 1,035.77 |
| - Others | 932.43 | 165.10 |
| Interest on Other Loans | 3,442.66 | 2,503.21 |
| Discount on Debentures and Commercial Papers | 2,294.47 | 1,632.65 |
| Debenture Issue Expenses | 152.50 | 33.18 |
| Other Financing Expenses | 794.00 | 358.91 |
| | 18,895.07 | 9,930.36 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

18 OPERATING AND OTHER EXPENSES

Rupees in lakhs

| | Year ended 31.03.2007 | Year ended 31.03.2006 |
|---|--------------------------|--------------------------|
| Salaries, Wages, Bonus and Commission | 4,724.45 | 2,416.97 |
| Contribution to Provident and Other Funds | 292.90 | 209.56 |
| Staff Welfare Expenses | 339.73 | 131.04 |
| Rent and Electricity Charges | 1,118.06 | 411.88 |
| Rates and Taxes | 66.32 | 69.59 |
| Communication Cost | 655.40 | 448.69 |
| Travelling and Conveyance | 723.27 | 433.53 |
| Advertisement Expenses | 304.23 | 191.93 |
| Business Development Expenses | 122.28 | 122.15 |
| Mutual Fund Promotion Expenses | 268.05 | 40.42 |
| Information Technology Expenses | 225.25 | 129.53 |
| Insurance | 102.10 | 57.92 |
| Repairs and Maintenance: | | |
| - Building | 5.94 | 2.28 |
| - Others | 82.15 | 56.87 |
| Printing and Stationery | 270.36 | 110.52 |
| Auditors' Remuneration | 33.67 | 28.22 |
| Miscellaneous Expenses | 700.20 | 445.36 |
| Proportionate Share in the Expenditure of Jointly Controlled Entity | - | 44.44 |
| | 10,034.36 | 5,350.90 |
| Less: Expenses Recovered | 159.41 | 9.82 |
| | 9,874.95 | 5,341.08 |

19 PROVISIONS, LOAN LOSSES AND OTHER CHARGES

| | | |
|--|-----------------|-----------------|
| Loss Assets Written Off | 1,251.49 | 219.10 |
| Less: Provision Released | 773.76 | 89.79 |
| | 477.73 | 129.31 |
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 957.82 | 734.53 |
| Loss on Repossessed Assets (Net) | 1470.19 | 921.42 |
| Recovery Charges | 641.65 | 289.64 |
| Amortisation of premium on acquisition of Government Securities | 27.07 | 7.03 |
| Others | 15.04 | 0.57 |
| | 3,589.50 | 2,082.50 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS

1 Significant Accounting Policies:

1.1. Principles of Consolidation

The consolidated financial statements relate to Cholamandalam DBS Finance Limited (the Company), its subsidiaries, associate (upto June 30, 2005) and jointly controlled entity (upto January 3, 2006). 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 resulting in unrealised profits or losses, as per Accounting Standard 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- (ii) Investment in Associate Company has been accounted under the equity method as per Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Also refer Note 1.2 below.
- (iii) Interest in Joint Venture has been accounted by using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India. Also refer Note 1.2 below.
- (iv) The Financial Statements of the Subsidiaries in the Consolidation are drawn upto the same reporting date as that of the Company. Also refer Note 1.2 below.
- (v) The excess of Cost to the Company of its Investment in the Subsidiaries and Joint Ventures over the Company's portion of Equity on the date of acquisition is recognised in the Financial Statement as Goodwill.
- (vi) The excess of the Company's portion of Equity of the Subsidiaries and Joint Venture on the acquisition date over its Cost of Investment is treated as Capital Reserve.
- (vii) Minorities' Interest in Net Assets of the Consolidated Subsidiaries consist of:
 - a) The amount of Equity attributable to Minorities at the date on which the investment in the Subsidiary is made; and
 - b) The Minorities' share of movements in Equity since the date the Parent Subsidiary relationship came into existence.
- (viii) Minorities' share of Net Profit for the year of the Consolidated Subsidiaries are identified and adjusted against the Profit After Tax of the Group.

1.2. Particulars of Consolidation

- (a) 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 | |
|--|----------------------------------|------------|
| | 31.03.2007 | 31.03.2006 |
| DBS Cholamandalam Asset Management Limited | 100 | 99.99 |
| DBS Cholamandalam Distribution Limited | 100 | 99.99 |
| DBS Cholamandalam Trustees Limited | 100 | 99.99 |
| Cholamandalam Securities Limited | 100 | 99.99 |

- (b) The Company's ownership interest of 48.99% in Cholamandalam Factoring Limited (incorporated in India) was divested fully on June 30, 2005. Accordingly, the results of operations upto June 30, 2005 of this associate have been considered for consolidation in the previous year.
- (c) The Company's 49.50% ownership interest in Cholamandalam MS Risk Services Ltd (incorporated in India), a jointly controlled entity, was divested fully on January 3, 2006. Accordingly, the financial statements as at December 31, 2005 have been considered for consolidation in the previous year.

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

1.3. Accounting Convention

The financial statements are prepared under historical cost convention in accordance with generally accepted accounting principles in India.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Non-deposit taking Non-Banking Finance Companies (NBFC-ND). Also refer Note 12 below.

1.4. Use of Estimates

The preparation of financial statements 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 reporting period like provision for employee benefits, provisioning for receivables, useful lives of fixed assets, provisioning for taxation etc. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.5. Revenue Recognition

Loan Interest Charges/ Hire Purchase Finance Charges are recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan/ Hire Purchase contracts.

In respect of receivables securitised prior to February 1, 2006 and receivables assigned bilaterally with banks, the difference between the book value of the assets securitised or assigned and the sale consideration is recognised as revenue after netting off incidental expenses incurred, provision for contingent losses arising from credit enhancements and costs to be incurred in servicing the contracts.

In respect of receivables securitised from February 1, 2006, gains/ (losses) arising thereon are amortised over the life of the related receivables.

Lease Rentals are accrued over the period of Lease.

Income from Primary Market Distribution and Stock Broking are recognised based on contractual obligations.

Dividend income from units of mutual fund is accounted when the right to receive the income is established.

1.6. Fixed Assets and Depreciation

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.

Depreciation on fixed assets is provided as follows:

Leased Assets: Leased assets are fully depreciated over the primary lease period, (ranging between 2 and 9 years) by a method under which the interest rate implicit in the lease is calculated and is applied on the outstanding investment on lease to calculate the finance earnings for the period, and the difference between the lease rentals and finance earnings is charged as depreciation. The depreciation charged under this method is adequate to cover the requirement of statutory depreciation under Section 205(2)(b) of the Companies Act, 1956.

Own Assets (Tangible): Own assets (tangible) are depreciated on a straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956 except for Partitions and Buildings which are depreciated over 5 and 20 years respectively. Improvements to Leasehold premises are depreciated over the lower of lease period or 5 years. Depreciation charge on additions / deletions is restricted to the period of use. All assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

Own Assets (Intangible): Own Assets (Intangible) comprising of Computer Software are depreciated on a straight-line basis over a period of six years.

Stock Exchange Membership Cards are amortised over a period of fifteen years from the date the cards were available for use.

1.7. Investments

Investments which are long term in nature, are stated at cost with provision where necessary for diminution, other than temporary, in the value of investments. Premium on acquisition of Government Securities is amortised over the Balance tenure.

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

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

1.8. Stock in Trade

Closing stock of shares is valued at lower of cost and market value.

1.9. Receivables under Financing Activity

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

(a) unearned income

(b) instalments appropriated up to the year-end

and are inclusive of amounts subordinated to meet credit enhancements in respect of assets derecognised.

1.10. Retirement and Other Benefits

(Refer Note 2 below)

(a) Defined contribution Plan

Provident Fund: Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate and recognizes such obligation as an expense.

Superannuation: Contribution of a sum equivalent to 15% of eligible employees salary is made to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). There is no liability for future Superannuation Fund benefits other than the annual contribution and such contributions are recognised as an expense in the year incurred.

(b) Defined Benefit Plan

Annual contribution is made to a Gratuity Fund administered by trustees and managed by LIC. Liability for future gratuity benefits is accounted based on actuarial valuation, as at the balance sheet date, determined every year by LIC using the Projected Unit Credit method.

(c) Short Term Employee Benefit

Short-term employee benefit includes accumulated compensated absences and is recognized based on the eligible leave at credit on the balance sheet date and is estimated based on the terms of the employment contract.

1.11. Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. 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 profit and loss account.

Forward exchange contracts and other instruments that are in substance a forward exchange contract are entered into to hedge the 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 is recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

1.12. Derivative Transactions

Derivative transactions are entered into for hedging purposes only. Income from derivative transactions is recognised on accrual basis. Derivative transactions intended to be held to maturity are not marked to market.

1.13. Taxes on Income

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

Deferred Tax is recognised, on timing differences, being the difference between taxable income and accounting income that originates in the period and are capable of reversal in one or more subsequent periods.

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

Deferred tax assets in respect of unabsorbed depreciation and carry forward of 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 they will be sufficient future taxable income available to realise such assets.

1.14. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company 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 since this may result in the recognition of income that may never be realised.

1.15. Miscellaneous Expenditure

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings.

2 Change in Accounting Policy

Effective April 1, 2006, the Company and its subsidiaries adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature. Consequent upon the change, Profit before Tax for the year ended March 31, 2007 is lower by Rs. 39.03 lakhs as estimated by the Management. In accordance with the transitional provision contained in the said Standard, the difference of Rs. 274.58 lakhs (net of Deferred Tax of Rs. 32.65 lakhs) between the liability in respect of certain employee benefits existing on the date of adoption of the Standard and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve (Rs. 263.66 lakhs) and against the opening balance in the Profit and Loss Account (Rs. 10.92 lakhs), as applicable.

In this regard, the Company and its subsidiaries consider its Contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though there is an obligation to meet the shortfall, if any, in the specified return on the contributions. Should an alternate view emerge on account of any clarification on this matter by the ICAI, the treatment of the differential obligation, if any, that may arise will be dealt with appropriately in the year of such clarification.

3 Assets De-recognised

| Particulars | Rupees in lakhs | |
|---|---------------------|---------------------|
| | As at 31.03.2007 | As at 31.03.2006 |
| Assets De-recognised – | | |
| on Securitisation (Note 1 and 2 below) | 16,355.56 | 20,181.02 |
| on Assignment of Receivables bilaterally with Banks | 57,993.61 | 8,634.75 |
| Assets Subordinated to meet Recourse Obligations – | | |
| on Securitisation | 160.59 | 1,059.94 |
| on Assignment of Receivables bilaterally with Banks | 15.26 | 70.84 |
| Bank Deposits provided as Collateral for (Note 2 below) | | |
| - Credit Enhancements | 2,485.54 | 1,228.78 |
| - Liquidity Support | 11,161.50 | 1,565.58 |
| - Interest Rate Changes from Specified Rate | 895.14 | 386.82 |

Notes:

- The put option offered to investors was exercised in February 2007 for Rs. 650.18 lakhs.

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

2. Details of Assets De-recognised by way of Securitisation post February 1, 2006 during the year and included above

| Particulars | 2006-07 | 2005-06 |
|--|-------------------|---------|
| Total Number of Assets Securitized | 6,586 | - |
| | (Rupees in lakhs) | |
| Book Value of Assets Securitized | 15,484.22 | - |
| Sale Consideration Received | 15,704.08 | - |
| Gain/ (Loss) on Securitisation to be Amortised over the Life of the Securities | 219.86 | - |
| Bank Deposits provided as Collateral for: | | |
| - Credit Enhancements | 1,393.00 | - |
| - Liquidity Support | 118.05 | - |

4 Other Financial Information

Rupees in lakhs

| Particulars | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 46.95 | 220.91 |
| b) Quantitative disclosure for derivatives outstanding at Notional Principal Amount- | | |
| Interest rate derivatives | 80,432.00 | 31,000.00 |
| Currency derivatives | 13,000.00 | 13,248.00 |
| c) Foreign currency exposure not hedged by a derivative instrument or otherwise | - | - |
| Particulars | 2006-07 | 2005-06 |
| d) Net exchange difference [gain / (loss)] dealt with in the profit and loss account on foreign currency monetary items | 25.17 | (15.68) |
| e) Charge to the profit and loss account in respect of premium on forward exchange contracts and other instruments that are in substance a forward exchange contract | 361.97 | 176.89 |
| Charge deferred to be recognised in subsequent accounting periods (included in Miscellaneous Expenditure – Schedule 15) | 166.05 | 258.27 |
| f) Income from Automobile Financing comprises: | | |
| - Interest on Loans | 17,676.43 | 13,455.68 |
| - Upfront Income on: | | |
| Securitisation prior to February 1, 2006 | - | 577.55 |
| Assignment of Receivables bilaterally with Banks (Note below) | 2,700.91 | 302.35 |
| - Other Operating Income | 3,671.64 | 2,298.23 |
| | 24,048.98 | 16,633.81 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

Rupees in lakhs

| Particulars | 2006-07 | 2005-06 |
|--|-----------------|--------------|
| Income from Consumer Loans comprises: | | |
| - Interest on Loans | 5,876.21 | 37.65 |
| - Upfront Income on: | | |
| Assignment of Receivables bilaterally with Banks (Note below) | 1,206.45 | - |
| - Other Operating Income | 2,122.34 | 33.62 |
| | 9,205.00 | 71.27 |
| Note: | | |
| In recognising the upfront income on assignment of receivables bilaterally with banks, the Company has relied on professional opinion confirming assignment of receivables bilaterally with banks to be outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 1, 2006. | | |
| g) Financing Charges includes amortisation of Miscellaneous Expenditure | 687.82 | 398.82 |

5 AS – 15 Disclosure

Contribution to the group gratuity fund is based on the actuarial valuation determined as at the year end through the Life Insurance Corporation of India (LIC). LIC has certified the Projected Benefit Obligation for all the Companies covered in the Group. However, since LIC has certified the Fair Value of the Plan Assets for the Group only, the Fair Value of the Plan Assets for the Company and its subsidiaries has been estimated by the Management and relied upon by the Auditors.

Details of Actuarial Valuation as at March 31, 2007

| Particulars | Rupees in lakhs |
|---|-----------------|
| Projected Benefit Obligation as at April 1, 2006 | 86.44 |
| Service Cost | 19.02 |
| Interest Cost | 7.64 |
| Actuarial Losses / (Gains) | (12.37) |
| Benefits Paid | (11.23) |
| Projected Benefit Obligation as at March 31, 2007 | 89.50 |
| Change in Plan Assets | |
| Fair Value of Plan Assets as at April 1, 2006 | 86.39 |
| Expected Returns on Plan Assets | 7.02 |
| Employer's Contribution | 0.10 |
| Benefits Paid | (11.23) |
| Actuarial Gain / (Loss) | 2.32 |
| Fair Value of Plan Assets as at March 31, 2007 | 84.60 |
| Cost of the Defined Benefit Plan for the Year | |
| Current Service Cost | 19.02 |
| Interest on Obligation | 7.64 |
| Expected Return on Plan Assets | (5.46) |
| Net Actuarial Losses / (Gains) Recognised in the Year | (16.24) |
| Net Cost recognised in the Profit and Loss Account | 4.96 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

| Particulars | |
|--|-------|
| Assumptions | |
| Discount Rate | 7.50% |
| Future Salary Increase (%) | 5.00% |
| Expected Rate of Return on Plan Assets | 8.12% |

Notes:

- Accounting Standard (AS-15) Revised has been adopted with effect from April 1, 2006 and hence, the corresponding figures for the previous year have not been furnished.
- The expected return on plan assets is as furnished by Life Insurance Corporation of India.

6 Segment Reporting

The business activities of the company and its subsidiaries reflected in the consolidated financial statements comprise primarily of the business of financial services. Further, the Company and its subsidiaries do not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

7 Related Party Disclosures

List of Related Parties:

- Companies holding Substantial Interest in Voting Power :** Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006).
- Key Management Person :** Mr. Atul Pande (from April 1, 2006)
Mr. M Anandan (upto March 31, 2006)

Note:

Related party relationships are as identified by management and relied upon by the auditors.

Details of Related Party transactions for the Year:

| | | Rupees in lakhs | |
|---|--|-----------------|-----------|
| Transaction | Related Party | 2006-07 | 2005-06 |
| Dividend Payments | Tube Investments of India Limited | 586.92 | 926.15 |
| | Key Management Person | - | 1.88 |
| | DBS Bank Limited | 729.59 | - |
| Rent Payments | Tube Investments of India Limited | 0.24 | - |
| | Relative of Key Management Person* | - | 3.89 |
| Sale of Intangible Assets (Copyright) | Tube Investments of India Limited - Rs. Nil (Previous Year Rs. 100 only) | - | - |
| Sale of Investments | Tube Investments of India Limited | - | 1,648.99 |
| Advances/ Deposits Given | Tube Investments of India Limited | 0.60 | - |
| Remuneration | Key Management Person (Mr Atul Pande) | 110.16 | - |
| | Key Management Person (Mr M Anandan) | - | 106.55 |
| Expenses –Reimbursed | Tube Investments of India Limited | 1.47 | 87.38 |
| | DBS Bank Limited | 33.46 | - |
| Amounts Received towards reimbursed of expenses | Tube Investments of India Limited | 1.14 | 2.00 |
| Debentures (subordinated debt issued) | DBS Bank Limited | 1,100.00 | - |
| Director's sitting fees and commission | DBS Bank Limited | 2.37 | - |
| Net Amounts Receivable/ (Due) as at Year end | DBS Bank Limited | (1,100.00) | - |
| | DBS Bank Limited Relative of Key Management Person* | (30.00) - | - 3.24 |

* Relative of Key Management Person is Mrs. Padma Anandan (wife of Mr. M. Anandan)

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

8 Earnings Per Share

Rupees in lakhs

| Particulars | Year Ended | |
|--|-----------------|-----------------|
| | 31.03.2007 | 31.03.2006 |
| Profit after Tax | 2,738.51 | 3,555.04 |
| Add/ (Less): Proportionate share in results of operations of Associate / Loss on disinvestments in Associate Company and Jointly controlled entity | - | (18.81) |
| (Less): Preference Dividend and Distribution Tax thereon | - | (77.02) |
| Adjusted Profit after tax | 2,738.51 | 3,459.21 |
| Weighted Average Number of Equity Shares | 37,946,476 | 37,946,476 |
| Earnings per share – Basic and Diluted (Rs.) | 7.22 | 9.11 |
| Face Value per Share (Rs.) | 10.00 | 10.00 |

9 Deferred Tax

The Deferred Tax position as at March 31, 2007 has arisen on account of the following:

Rupees in lakhs

| | 31.03.2007 | 31.03.2006 |
|---|---------------|---------------|
| Deferred Tax Assets | | |
| a) Provision for Sub-standard and Doubtful Receivables under Financing Activity | 437.00 | 375.04 |
| b) Provision for Credit Enhancements and Servicing Costs on Assets de-Recognised | 159.58 | 42.22 |
| c) Provision for Repossessed Stock | 83.84 | 53.96 |
| d) Others | 125.21 | 76.32 |
| (A) | 805.63 | 547.54 |
| Deferred Tax Liabilities | | |
| a) Difference between Book and Tax Written Down Values | 392.13 | 178.99 |
| b) Unamortised Miscellaneous Expenditure | 131.66 | 140.37 |
| (B) | 523.79 | 319.36 |
| Net deferred Tax Asset before Transitional Adjustment (A) - (B) | 281.84 | 228.18 |
| Deferred Tax Asset relating to AS-15 Transitional Adjustment (Refer Note 2 above) | - | 32.65 |
| Net Deferred Tax Asset after Transitional Adjustment | 281.84 | 260.83 |

Schedules Forming Part of the Consolidated Accounts

for the Year Ended March 31, 2007

20 NOTES ON CONSOLIDATED ACCOUNTS (Cont.)

10 Contingent Liabilities

(a) Counter Guarantees provided to Banks - Rs. 473.18 lakhs (2006- Rs. 460.04 lakhs)

(b) Contested Claims Not Provided for:

Rupees in lakhs

| Particulars | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax and Interest Tax | 57.90 | 252.93 |
| Income Tax matters where the Company and its subsidiaries are in appeal | 178.09 | 45.50 |
| Sales Tax matters pending before Appellate Authorities in respect of which the Company is in appeal against which a total amount of Rs. 114.96 lakhs (2006- Rs. 73.31 lakhs) has been paid under protest | 450.01 | 411.12 |
| Disputed claims against the Company lodged by various parties pending litigation (to the extent quantifiable) | 224.82 | 224.82 |

Note:

The Company is of the opinion that the above demands are not sustainable and expects a favourable outcome.

11 Changes in Provisions

Rupees in lakhs

| Particulars | As at 31.03.2006 | Additional Provision | Utilisation/ Reversal | As at 31.03.2007 |
|--|---------------------|-------------------------|--------------------------|---------------------|
| Provision for Sub-standard and Doubtful Receivables under Financing Activity | 1,114.21 | 650.43 | 466.37 | 1,298.27 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 125.43 | 497.83 | 149.17 | 474.09 |
| Provision for Contested Service Tax | 69.33 | - | - | 69.33 |

12 NBFC-ND

The Company has received fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India to carry on the business of Non Banking Financial Institution without accepting deposits consequent to its decision to exit from deposit accepting activities effective November 1, 2006. Accordingly, the Company has become a Non-deposit taking Non-Banking Finance Company (NBFC-ND).

13 Previous Year Figures

Previous year's figures have been regrouped/ rearranged, where necessary.

Signatures to Schedules 1 to 20
For and on behalf of the Board

A Vellayan
Chairman

April 25, 2007
Chennai

P Sujatha
Secretary

D Arul Selvan
Vice President - Finance

Atul Pande
Managing Director

DISCLOSURE OF INFORMATION RELATING TO SUBSIDIARIES

(Vide MCA Approval No. 47/96/2007-CL-III, dated April 12, 2007)

| | Rupees in lakhs | | | | | | | |
|--|--|----------------|------------------------------------|-------------|--|---------------|----------------------------------|----------------|
| | DBS Cholamandalam Asset Management Limited | | DBS Cholamandalam Trustees Limited | | DBS Cholamandalam Distribution Limited | | Cholamandalam Securities Limited | |
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| 1. Share Capital | | | | | | | | |
| - Equity | 3500.00 | 1500.00 | 5.00 | 5.00 | 490.00 | 490.00 | 1000.00 | 1,000.00 |
| - Preference | - | 750.00 | - | - | - | - | - | - |
| 2. Reserves and Surplus | | | | | | | | |
| | (1,829.38) | (1155.59) | (2.36) | (2.90) | (60.30) | (294.72) | 143.47 | 93.03 |
| Total | 1670.62 | 1094.41 | 2.64 | 2.10 | 429.70 | 195.28 | 1143.47 | 1093.03 |
| 3. Total Liabilities* | 461.96 | 68.94 | 22.24 | 22.20 | 201.16 | 125.39 | 1398.90 | 1197.53 |
| 4. Total Assets (Including investments)+ | 2132.58 | 1163.35 | 24.88 | 24.30 | 630.86 | 320.67 | 2542.37 | 2290.57 |
| 5. Investments: | | | | | | | | |
| Current Investments | 1680.76 | 849.80 | - | - | - | - | - | - |
| Long term investments | | | | | | | | |
| - Quoted | - | - | - | - | - | - | - | - |
| - Unquoted | 112.37 | - | 4.02 | 4.02 | - | - | 630.37 | 0.25 |
| 6. Gross Income | 722.14 | 578.14 | 5.00 | 5.00 | 1330.50 | 999.36 | 949.10 | 854.88 |
| 7. Profit before Tax | (659.00) | (237.24) | 0.60 | 0.63 | 315.60 | 195.74 | 270.08 | 312.05 |
| 8. Provision for taxation | | | | | | | | |
| Current ++ | 14.79 | 12.45 | 0.07 | 0.06 | 69.78 | 15.50 | 94.42 | 101.60 |
| Deferred | - | - | - | - | 11.39 | - | 0.27 | (0.17) |
| 9. Profit after Tax | (673.79) | (249.69) | 0.53 | 0.57 | 234.42 | 180.24 | 175.39 | 210.63 |
| 10. Dividend / Proposed Dividend including dividend tax. | | | | | | | | |
| | - | - | - | - | - | - | 114.03 | 142.53 |

* Total Liabilities include: Secured loans, Unsecured loans, current Liabilities & Provisions and Deferred Tax Liability

+ Total Assets include: Net fixed assets, Investments, Current Assets, Deferred Tax Asset and Miscellaneous Expenditure

++ Includes Fringe Benefit Tax

Corporate Information

Board of Directors

A. Vellayan
Chairman

V. P. Mahendra

R. V. Kanoria

Indresh Narain

R. Krishnamurthy

N. Srinivasan

M. Anandan

Rajan Raju

Edmund Koh Kian Chew

Pranam Wahi

Atul Pande

Managing Director

Secretary

P. Sujatha

Auditors

M/s Deloitte Haskins & Sells, Chennai

Registered Office

Dare House, No.2

N.S.C Bose Road, Parrys

Chennai – 600 001

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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



Cholamandalam DBS Finance Limited
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