



SHRIRAM EQUIPMENT FINANCE COMPANY LIMITED

3rd Annual Report 2011-12

FORWARD LOOKING STATEMENTS

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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. M. S. Verma

Directors

Mr. R. Sridhar

Mr. Amol Jain

Mr. G. S. Sundararajan

COMPANY SECRETARY

Ms. Reema Desai

AUDITORS

M/s S. V. Ghatalia & Associates

Chartered Accountants

REGISTERED OFFICE

Mookambika Complex, 3rd Floor,

No. 4, Lady Desika Road,

Mylapore, Chennai – 600 004,

Tamil Nadu, India

DIRECTORS' REPORT

To
The Members

SHRIRAM EQUIPMENT FINANCE COMPANY LIMITED

Your Directors have pleasure in presenting their Third Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2012.

FINANCIAL HIGHLIGHTS

	Year ended March 31, 2012	(Rs. in lacs) Year ended March 31, 2011
Profit/(Loss) Before Depreciation and Taxation	7,749.40	277.27
Less: Depreciation and Amortisation	49.36	28.39
Profit Before Tax	7,700.04	248.88
Less: Provision for Taxation	2,537.78	133.18
Profit After Tax	5,162.27	115.70
Add: Balance brought forward from previous year	89.61	(1.19)
Balance available for appropriation	5,251.88	114.51
Appropriations		
Excess provision written back – Tax on Dividend	0.01	-
Statutory Reserve	1,032.50	23.15
Dividend on Preference shares	2.50	1.50
Tax on dividend	0.41	0.25
Balance carried to Balance Sheet	4,216.47	89.61

DIVIDEND

The Company has issued 25,000,000 Compulsorily Convertible Preference Shares (CCPS) of face value of Rs. 100 each carrying coupon rate of 0.01%. The Board has recommended dividend on CCPS aggregating to Rs. 2,50,000 for the Financial Year 2011-2012.

OPERATIONS:

During the year under review, the Company's income from operations was Rs. 21,010.10 lacs as against Rs. 2,016.48 lacs in the previous year 2010-11. Your Company has earned Net Profit of Rs.5,162.27 lacs as against Net Profit of Rs. 115.70 lacs for the previous year. The Profit before tax for the year under review is Rs.7,700.04 lacs as against Rs. 248.88 lacs in the previous year.

SHARE CAPITAL

During the year under review, the Company issued 100 lacs Compulsorily Convertible Preference Shares of Face value Rs. 100/- each aggregating to Rs. 10000 lacs to its Holding Company Shriram Transport Finance Company Limited.

DIRECTORS

As per Section 256 of the Companies Act, 1956, Mr. M. S. Verma would retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

THE AUDIT COMMITTEE:

The Board of Directors have constituted Audit Committee as per Section 292A of the Companies Act, 1956 consisting of the following Directors:

1. Mr. G. S. Sundararajan
2. Mr. R. Sridhar
3. Mr. Amol Jain

AUDITORS

M/s S. V. Ghatalia & Associates, Chartered Accountants, Mumbai, (Firm Registration Number- 103162W) Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from the Auditors to the effect that their reappointment, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956. The Board recommends their reappointment.

RBI GUIDELINES:

Your Company is registered as Non-Banking Finance Company (Non-Deposit Accepting). The Company had complied with all the requirements prescribed by the Reserve Bank of India applicable to it.

RBI is expected to announce in the end-June, 2012 the draft guidelines on the regulatory framework for Non-Banking Financial Companies (NBFCs), inter alia dealing with tightening capital adequacy norms and higher provisioning. It is expected that RBI will allow to NBFCs the sufficient period for migrating and to re-aligning its operations with the new regulations.

PERSONNEL:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of Directors' Report.

Name of the Employee	Designation	Gross Remuneration	Qualification	Experience in Years	Date of Commencement of Employment	Age of the Employee	Last Employment held before joining the Company
Mr. Pratap Paode	Chief Executive Officer	72.89 lacs	B. Tech	21 Years	01/06/2010	44 years	Magama Fincorp Ltd.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Pursuant to the requirement under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

- The Company has no activity involving conservation of energy or technology absorption.
- The Company does not have any Foreign Exchange Earnings.
- Outgo under Foreign Exchange : Nil

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- That such accounting policies as mentioned in Schedule 12 of the Accounts have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the period ended on that date;
- That 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;

- The Annual Accounts have been prepared on a going concern basis.

OUTLOOK

The Union Budget 2012 seeks to give further boost to infrastructure development by way of providing low cost funds for roads, power, ports, increasing private sector participation in infrastructure investment. The Reserve Bank of India (RBI) in its Annual Monetary Policy Statement for 2012-13 dated April 17, 2012, has announced reduction in the repo rate by 50 basis points from 8.5 per cent to 8 per cent with immediate effect. The industry sector is expected to perform better than the last year as leading indicators suggest turnaround in IIP growth. The overall domestic growth outlook for the current year looks a little better than last year. According to RBI's baseline projections, the GDP growth for the current year 2012-13 should be 7.3 per cent.

The normal monsoon forecast for current year 2012-13 and the improvement in macro-economic and other factors should give a fillip to your Company's growth dynamics in the coming years.

ACKNOWLEDGEMENT:

The Board of Directors expresses their deep gratitude for the co-operation and support extended to your Company by its Bankers, Members and various Government agencies.

For and on behalf of Board,
For **Shriram Equipment
Finance Company Limited**

M. S. VERMA

Chairman

Date: May 7, 2012

Place: Mumbai

AUDITORS' REPORT

To
The Members of,
Shriram Equipment Finance Company Limited

1. We have audited the attached Balance Sheet of Shriram Equipment Finance Company Limited ('the Company') as at March 31, 2012 and also the Statement of Profit & Loss and the Cash Flow Statement for the year ended on that date 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;

- iii. The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
- v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of the Statement of Profit & Loss, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S.V. Ghatalia & Associates

Firm registration number: 103162W

Chartered Accountants

per Amit Kabra

Partner

Membership No.: 094533

Mumbai, May 07, 2012

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

RE: SHRIRAM EQUIPMENT FINANCE COMPANY LIMITED ('THE COMPANY')

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of giving loans and does not maintain any inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to clause 4(iii)(g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas and accordingly the question on commenting on whether there is a continuing failure to correct major weakness in the internal control system of the company does not arise.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956..
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to investor education and protection fund, sales-tax, customs duty and excise duty are not applicable to the Company
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to investor education and protection fund, sales-tax, customs duty and excise duty are not applicable to the Company
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from financial institutions.
- (xvi) 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 applied by the Company during the year for the purposes for which the loans were obtained
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company had issued 1979 debentures of Rs. 10,00,000 each, during the period covered by our audit report. The Company has created security or charge in respect of debentures issued
- (xx) The Company has not raised any money by public issue.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.V. Ghatalia & Associates**
 Firm registration number: 103162W
 Chartered Accountants
per Amit Kabra
 Partner
 Membership No.: 094533
 Mumbai, May 07, 2012

BALANCE SHEET

AS AT MARCH 31, 2012

(Rs. in lacs)

Particulars	Note No	As at March 31, 2012	As at March 31, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	26,000.00	16,000.00
(b) Reserves and surplus	4	5,272.13	112.76
(2) Non-current liabilities			
(a) Long-term borrowings	5	88,063.25	26,250.00
(b) Other Long term liabilities	8	118.33	-
(c) Long term provisions	6	675.29	119.31
(3) Current liabilities			
(a) Short-term borrowings	7	43,590.17	11,167.86
(b) Trade payables		12,508.00	15,118.60
(c) Other current liabilities	8	17,221.29	7,989.64
(d) Short-term provisions	6	400.37	253.28
		73,719.82	34,529.38
Total		193,848.82	77,011.44
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		63.53	29.50
(ii) Intangible assets		57.81	95.30
(b) Deferred tax assets (net)	10	162.61	51.98
(c) Long term loans and advances	11	120,452.97	43,976.14
(2) Current assets			
(a) Current investments	12	849.07	13,366.62
(e) Short-term loans and advances	11	72,262.80	19,483.73
(f) Other current assets	13	0.02	8.18
Total		193,848.82	77,011.44
Significant Accounting Policies	2.1		

The notes referred to above are an integral part of the financial statements

As per our report of even date
For **S.V. Ghatalia & Associates**
Firm Registration Number - 103162W
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 94533

Mumbai
May 07, 2012

For and on behalf of the Board of Directors of
Shriram Equipment Finance Company Limited

R Sridhar
Director

G.S. Sundararajan
Director

Reema Desai
Company Secretary

PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note No	(Rs. in lacs)	
		Year Ended March 31, 2012	Year Ended March 31, 2011
INCOME			
Revenue from operations	14	21,010.10	2,016.48
Other income	15	1.28	0.02
Total		21,011.38	2,016.51
EXPENDITURE			
Employee benefit expenses	16	1,721.77	603.51
Finance cost	17	9,625.70	227.09
Depreciation and amortisation	9	49.36	28.39
Other expenses	18	1,171.05	750.09
Provisions & write offs	19	743.46	158.54
Total		13,311.33	1,767.63
Profit before taxation		7,700.04	248.88
Provision for taxation			
Current tax [Including Rs.40.03 lacs Short provision of previous financial year 2010-11(Rs.184.35 for March 2011)]		2,648.41	184.35
Deferred tax		(110.63)	(51.17)
Total tax expense / (income)		2,537.78	133.18
Profit after tax from continuing operations		5,162.27	115.70
Earnings per share			
	20		
Basic (Rs.)		51.59	2.00
Diluted (Rs.)		51.59	2.00
Nominal value of equity share (Rs.)		10.00	10.00
Summary of significant accounting policies	2.1		
The notes referred to above are an integral part of the financial statements			

As per our report of even date
 For **S.V. Ghatalia & Associates**
 Firm Registration Number - 103162W
 Chartered Accountants

per **Amit Kabra**
 Partner
 Membership No. 94533

Mumbai
 May 07, 2012

For and on behalf of the Board of Directors of
Shriram Equipment Finance Company Limited

R Sridhar
 Director

G.S. Sundararajan
 Director

Reema Desai
 Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(Rs. in lacs)

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	7,700.04	248.88
Depreciation and amortisation	49.36	28.39
Profit on sale of fixed assets	(0.08)	(0.02)
Provision for standard assets	321.52	158.54
Provision for non performing asset	352.11	-
Provision for gratuity	14.04	9.78
Provision for leave encashment	14.24	20.00
Operating profit before working capital changes	8,451.24	465.58
Movements in working capital:		
Increase / (decrease) in trade payables	(2,610.60)	15,118.49
Increase / (decrease) in other liabilities	3,099.95	4,239.64
(Increase) / decrease in loans & advances	(129,045.24)	(63,459.87)
(Increase) / decrease in other assets	8.15	(8.08)
Cash generated from operations	(120,096.51)	(43,644.24)
Direct taxes paid (net of refunds)	(2,859.08)	(1.86)
Net cash from operating activities (A)	(122,955.59)	(43,646.10)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(46.42)	(153.64)
Proceeds from sale of fixed assets	0.61	0.47
Net cash from investing activities (B)	(45.81)	(153.17)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity share capital	-	790.00
Proceeds from issuance of 0.01% preference share capital	10,000.00	15,000.00
Proceeds from borrowings	105,798.09	41,165.12
Repayment of borrowings	(5,312.50)	-
Preference dividend paid	(1.50)	-
Tax on dividend	(0.25)	-
Net cash from financing activities (C)	110,483.84	56,955.12
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(12,517.56)	13,155.85
Cash and Cash Equivalents at the beginning of the period	13,366.62	210.77
Cash and Cash Equivalents at the end of the period	849.07	13,366.62
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cheques on hand	183.90	13.06
Cash on hand	2.30	-
With banks - In current accounts	662.88	8,353.56
- In bank deposits having original maturity less than 3 months	-	5,000.00
Total Cash and Cash equivalents (Note 12)	849.07	13,366.62

As per our report of even date
For **S.V. Ghatalia & Associates**
Firm Registration Number - 103162W
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 94533

Mumbai
May 07, 2012

For and on behalf of the Board of Directors of
Shriram Equipment Finance Company Limited

R Sridhar
Director

G.S. Sundararajan
Director

Reema Desai
Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

NOTE 1 CORPORATE INFORMATION

Shriram Equipment Finance Company Limited is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is registered with the Reserve Bank of India as a non-deposit taking, non-banking financial company. The company is engaged in the construction equipment finance business.

NOTE 2 BASIS OF PREPARATION

"The financial statements have been prepared in conformity with generally accepted accounting principles to comply in all material respects with the notified Accounting Standards ('AS') under Companies Accounting Standard Rules, 2006, as amended, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for the change in accounting policy explained below:"

2.1 Summary of significant accounting policies

(a) Change in accounting policy

Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year. For further details, refer note 27.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognized prospectively in the current and future years.

(c) Tangible/Intangible Fixed Assets, Depreciation/Amortisation and Impairment

Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the year till such assets are ready to be put to use.

Depreciation on tangible fixed assets

Depreciation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of the useful lives of the respective fixed assets and are greater than and equal to the corresponding rates prescribed in Schedule XIV of the Act. The assets for which higher rates used are as follows:

Particulars	Rates (SLM)	Schedule XIV rates (SLM)
Plant and Machinery	10%	4.75%
Furniture and Fixtures	10%	6.33%
Office Equipments	10%	4.75%
Computers	20%	16.21%

Leasehold improvement is amortised on SLM over the lease term subject to a maximum of 60 months.

All fixed assets individually costing Rs. 5,000/- or less are fully depreciated in the year of installation.

Depreciation on assets acquired/sold during the year is recognised on a pro-rata basis to the profit and loss account till the date of sale.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 2 BASIS OF PREPARATION (Contd.)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Amortisation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of the useful life of the intangible asset.

Particulars	Rates (SLM)
Computer Software	33.33%

Amortisation on assets acquired/sold during the year is recognised on a pro-rata basis to the profit and loss account till the date of sale.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(d) Provisioning of assets

Non performing hypothecation loans are provided for as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Provision on standard assets is made as per the notification DNBS. PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

(e) Loans

Loans are stated at the amount advanced including finance charges accrued and expenses recoverable, as reduced by the amounts received up to the balance sheet date .

(f) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(g) Revenue recognition

"Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Income from financing activities is recognised on the basis of internal rate of return..
- ii. Income recognised and remaining unrealised after installments become overdue for six months or more in case of secured loans are reversed and are accounted as income when these are actually realised
- iii. Additional finance charges / additional interest are treated to accrue only on realisation, due to uncertainty of realisation and are accounted accordingly.
- iv. Interest income on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- v. Income on Subvention is recognized as per the terms of contracts on accrual basis.
- vi. Pre-mature dealer payment discount is recognized as per the terms of the agreement.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 2 BASIS OF PREPARATION (Contd.)

(h) Employee benefits

Provident Fund

All the employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future Provident Fund benefits other than its annual contribution and recognizes such contributions as an expense in the period it is incurred.

Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date

Leave Encashment

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred

(i) Income tax

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. In situations where the Company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against the future taxable profits.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized

The un-recognized deferred tax assets are re-assessed by the Company at each balance sheet date and are recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(j) Earnings per share

"Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(k) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(l) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and cheques on hand.

(m) Borrowing costs

Borrowing cost includes interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs are charged to Profit & Loss account in the year in which they are incurred.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

	As at March 31, 2012	As at March 31, 2011
NOTE 3 SHARE CAPITAL		
Authorised		
250,000,000 (March 31, 2011 : 1,000,000) Equity Shares of Rs.10 each	25,000.00	10,000.00
75,000,000 (March 31, 2011 : 15,000,000) Preference Shares of Rs.100 each	75,000.00	15,000.00
	1,00,000.00	25,000.00
Issued, Subscribed & Fully Paid up		
Equity Shares		
10,000,000 (March 31, 2011 : 2,100,000) equity shares of Rs. 10 each fully paid up (Held by the Holding Company, Shriram Transport Finance Company Limited and its nominees)	1,000.00	1,000.00
Preference Shares		
25,000,000 (March 31, 2011 : 15,000,000) 0.01% Compulsorily Convertible Preference Shares of Rs. 100 each fully paid up. (Held by the Holding Company, ShriramTransport Finance Company Limited)	25,000.00	15,000.00
Total	26,000.00	16,000.00

	As at March 31, 2012		As at March 31, 2011	
	Numbers of shares	Rs. in lacs	Numbers of shares	Rs. in lacs
a. Reconciliation of the number of equity shares.				
Equity Shares				
Shares outstanding at the beginning of the year	100.00	1,000.00	21.00	210.00
Shares issued during the year	-	-	79.00	790.00
Shares outstanding at the beginning of the year	100.00	1,000.00	100.00	1,000.00
Preference Shares				
Shares outstanding at the beginning of the year	150.00	15,000.00	-	-
Shares issued during the year	100.00	10,000.00	150.00	15,000.00
Shares outstanding at the end of the year	250.00	25,000.00	150.00	15,000.00

b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

"During the year ended March 31 2012, the amount of per share dividend recognized as distributions to equity shareholders was Rs Nil (March 31 2011 : Rs NIL)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 3 SHARE CAPITAL (Contd.)

c. Terms of conversion/redemption of CCPS

During the year, the company allotted 10,000,000 0.01% fully convertible preference shares of Rs.100 each at a premium of Rs.Nil per share to the holding company. The amount received has enhanced the networth and will be utilized for the purpose of business operations.

Issued, Subscribed and Paid up capital includes 25,000,000, 0.01% Compulsory Convertible Preference Share ('CCPS') of Rs.100/-each, fully paid up, which, by virtue of put / call option with holders / Company, are convertible at any time commencing from the end of the third year but not later than the tenth year from the date of the allotment of the CCPS, at a price to be determined by the merchant banker as per the terms of the issue.

At the end of the tenth year from the allotment of the CCPS, the outstanding CCPS on which no put option or call option are exercised by the holder or the company as the case may be, shall be automatically and compulsorily converted into equity shares. The price at which the CCPS shall be converted into equity shares shall be fixed by a merchant banker to be appointed for this purpose with the mutual consent of the company and the holder. In the event of liquidation of the company before conversion / redemption of CCPS, the holders of CCPS will have priority over equity shares in the payment of dividend and repayment of capital.

	As at March 31, 2012		As at March 31, 2011	
	Numbers of shares	% holding in the class	Numbers of shares	% holding in the class
d. Details of shareholders holding more than 5% shares in the company				
Equity shares of Rs. 10 each fully paid				
Holding Company, Shriram Transport Finance Company Limited and its nominees (in lacs)	100	100%	100	100%
CCPS of Rs. 10 each fully paid				
Holding Company, Shriram Transport Finance Company Limited (in lacs)	250	100%	150	100%

As per records of the company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

(Rs. in lacs)

	As at March 31, 2012	As at March 31, 2011
NOTE 4 RESERVES AND SURPLUS		
Other Reserves		
Statutory Reserve		
Balance as per last account	23.15	-
Add: Transfer from statement of Profit and Loss	1,032.50	23.15
Closing Balance	1,055.65	23.15
Surplus in statement of Profit and Loss		
Balance as per last account	89.61	(1.19)
Add: Profit for the current year	5,162.27	115.70
Add: Excess provision written back - tax on dividend	0.01	-
Less: Appropriations		
Dividend on Preference shares (amount per share Rs.0.01 (March 31, 2011: Rs.0.01))	(2.50)	(1.50)
Tax on Preference dividend	(0.41)	(0.25)
Transfer to statutory reserve as per section 45-1C of the RBI Act, 1934	(1,032.50)	(23.15)
Net Surplus in statement of Profit and Loss	4,216.48	89.61
Total reserve and surplus	5,272.13	112.76

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)				
	As at March 31, 2012		As at March 31, 2011	
	Non Current portion	Current maturities*	Non Current portion	Current maturities*
NOTE 5 LONG TERM BORROWINGS				
Subordinated debts (unsecured)				
i) From banks	2,000.00	-	-	-
ii) From other than banks	7,670.00	-	-	-
Redeemable non convertible debentures (secured)	19,790.00	-	-	-
Less: Unamortised discount	(3,056.36)	-	-	-
	16,733.64			
Term loans from from banks (secured)	20,937.50	10,000.03	26,250.00	3,750.00
Loans & advances from Holding Company (Unsecured)	40,722.11			
Total	88,063.25	10,000.03	26,250.00	3,750.00

* Amount disclosed under the head current liabilities

A) NCD -Secured

Privately Placed Redeemable Non-Convertible Debenture of Rs. 1,000,000/- each

Terms of repayment

(Rs. in lacs)

i) Long term borrowing

RATE OF INTEREST	As at March 31, 2012	As at March 31, 2011	Redeemable at par on
10.20%	2,500.00	-	27-Jan-15
10.75%	8,150.00	-	10-Nov-14
10.75%	500.00	-	23-Oct-14
10.45%	1,500.00	-	19-Dec-13
10.45%	610.00	-	9-Dec-13
10.00%	460.00	-	14-Aug-13
10.00%	2,140.00	-	30-Apr-13
TOTAL	15,860.00	-	

Terms of repayment

ii) Long term borrowing

(Rs. in lacs)

RATE OF INTEREST	As at March 31, 2012	As at March 31, 2011	Redeemable at premium on
10.20%	1,000.00	-	23-Jan-15
10.75%	1,630.00	-	1-Dec-14
10.37%	500.00	-	13-Sep-13
10.37%	500.00	-	12-Jun-13
9.95%	300.00	-	31-May-13
TOTAL	3,930.00	-	

Nature of Security

Secured by an exclusive charge by way of hypothecation of specific movable assets being fixed / current assets relating to hypothecation loans

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	Non Current portion	Current maturities*	Non Current portion	Current maturities*
Total non-convertible debentures- secured				
(i) + (ii)	19,790.00	-	-	-
Less: issued to related parties	-	-	-	-
Net	19,790.00	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 5 LONG TERM BORROWINGS (Contd.)
B) Subordinated Debt -Unsecured

i) Privately Placed Subordinated debts of Rs. 1000,000/- each

Terms of repayment as on March 31, 2012
Long term borrowing

(Rs. in lacs)

Redeemable at par (from the date of the Balance Sheet)	Rate of interest			Total
	<10%	>=10% <12%	>=12% <14%	
	Amount	Amount	Amount	Amount
Over 60 months	-	500.00	6,670.00	7,170.00
48-60 Months	-	-	2,500.00	2,500.00
36-48 Months	-	-	-	-
24-36 months	-	-	-	-
12-24 months	-	-	-	-
Total	-	500.00	9,170.00	9,670.00

C) Term loans from Banks -Secured

As at March 31, 2012

Terms of repayment

(Rs. in lacs)

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	11.25% to 12.35%	16 installments quarterly frequency	10,937.50	5,000.00
24-36 months	11.00% to 12.25%	3 installments yearly frequency	10,000.00	5,000.03
Grand Total			20,937.50	10,000.03

(Rs. in lacs)

Nature of Security	As at March 31, 2012
a) Secured by an exclusive charge by way of hypothecation of specific movable assets being fixed / current assets relating to hypothecation loans	30,937.53
Total	30,937.53

As at March 31, 2011

Terms of repayment

(Rs. in lacs)

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
36-48 months	11.25% to 12.35%	16 installments quarterly frequency	11,250.00	3,750.00
24-36 months	11.00% to 12.25%	3 installments yearly frequency	15,000.00	-
Grand Total			26,250.00	3,750.00

(Rs. in lacs)

Nature of Security	As at March 31, 2012
a) Secured by an exclusive charge by way of hypothecation of specific movable assets being fixed / current assets relating to hypothecation loans	30,000.00
Total	30,000.00

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	LongTerm	Short Term	LongTerm	Short Term
NOTE 6 PROVISIONS				
i) Provision for employee benefits				
For gratuity	22.97	0.85	9.44	0.34
For leave encashment and availment	-	34.25	-	20.00
ii) Others				
For standard assets [Refer note 2.1(d)]	300.21	179.85	109.87	48.67
For non-performing assets	352.11	-	-	-
For income tax [(net of advance for income tax Rs.Nil Lacs (March 31, 2011 Rs.2 Lacs)]	-	182.52	-	182.52
For dividend on Preference shares	-	2.50	-	1.50
For tax on Preference dividend	-	0.41	-	0.25
Total	675.29	400.37	119.31	253.28

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	NOTE 7 SHORT TERM BORROWING			
From banks (secured) - Loans repayable on demand				
Cash credit		26,090.17		-
Working capital demand loan		10,000.00		-
Loans & advances from Holding Company (Unsecured)		-		11,167.86
From financial institutions (Secured) - Loans repayable on demand				
Working capital demand loan		7,500.00		-
Total		43,590.17		11,167.86

(Rs. in lacs)

(a) Working capital demand loan	As at March 31, 2012		As at March 31, 2011	
	Secured by hypothecation of specific assets covered under hypothecation loan agreements		17,500.00	
Total		17,500.00		-

(Rs. in lacs)

(b) Cash Credit from bank	As at March 31, 2012		As at March 31, 2011	
	Secured by hypothecation of specific assets covered under hypothecation loan agreements		26,090.17	
Total		26,090.17		-

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	LongTerm	Short Term	LongTerm	Short Term
NOTE 8 OTHER CURRENT LIABILITIES				
Current maturities of Long term debt	-	10,000.03	-	3,750.00
Interest accrued but not due	118.33	450.44	-	32.88
Temporary credit balance in bank accounts	-	6,645.24	-	4,146.69
Service Tax Payable	-	34.80	-	46.11
Statutory dues pertaining to employees	-	28.60	-	10.55
Tax deducted at source	-	62.19	-	3.41
Total	118.33	17,221.29	-	7,989.64

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 9 TANGIBLE AND INTANGIBLE FIXED ASSETS

(Rs.in lacs)

Particulars	Tangible Assets					Total	Intangible Assets Computer Software
	Land - Freehold	Plant and Equipment	Office Equipment	Furniture & Fixtures	Leasehold Improvement		
Gross Block							
As at April 1, 2010	-	-	-	-	-	-	-
Additions	-	37.39	1.01	-	0.94	39.34	114.30
Deletions	-	0.47	-	-	-	0.47	-
Adjustment	-	-	-	-	-	-	-
As at March 31, 2011	-	36.92	1.01	-	0.94	38.87	114.30
Additions	0.51	43.30	0.23	0.87	0.51	45.42	1.00
Deletions	-	0.87	-	-	-	0.87	-
Adjustment	-	-	-	-	-	-	-
As at March 31, 2012	0.51	79.35	1.24	0.87	1.45	83.42	115.30
Depreciation							
As at April 1, 2010	-	-	-	-	-	-	-
Charge for the year	-	8.98	0.29	-	0.12	9.39	19.00
Deletions	-	0.02	-	-	-	0.02	-
Adjustment	-	-	-	-	-	-	-
As at March 31, 2011	-	8.96	0.29	-	0.12	9.37	19.00
Charge for the year	-	10.43	0.09	0.03	0.31	10.86	38.49
Deletions	-	0.34	-	-	-	0.34	-
Adjustment	-	-	-	-	-	-	-
As at March 31, 2012	-	19.05	0.38	0.03	0.43	19.89	57.49
Net Block							
As at March 31, 2011	-	27.96	0.72	-	0.82	29.50	95.30
As at March 31, 2012	0.51	60.30	0.86	0.84	1.02	63.53	57.81

(Rs. in lacs)

	As at March 31, 2012	As at March 31, 2011
NOTE 10 DEFERRED TAX ASSETS (NET)		
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis	21.36	6.60
Provision for standard assets	155.76	52.66
Gross deferred tax assets (B)	177.12	59.26
Deferred tax liabilities		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	14.51	7.28
Gross deferred tax liabilities (A)	14.51	7.28
Net deferred tax assets (B-A)	162.61	51.98

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	LongTerm	Short Term	LongTerm	Short Term
NOTE 11 LOANS AND ADVANCES				
Secured, considered good				
Hypothecation loans	1,19,690.59	71,805.54	43,948.52	19,467.57
Unsecured, considered good				
Loan to body Corporate	-	334.85	-	-
Doubtful				
Secured hypothecation loan	505.72	-	-	-
Security Deposits				
Unsecured, considered good	36.67	-	27.62	-
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good				
Manufacturer subvention receivable	-	95.49	-	-
Others	9.32	26.21	-	13.72
Other loans & advances (Unsecured considered good)				
Prepaid expenses	-	0.72	-	2.44
Advance Tax [Net of provision Rs. 2,648.50 Lacs (31st March 2011 Rs.184.35 Lacs)]	210.67	-	-	-
Total	1,20,452.97	72,262.80	43,976.14	19,483.73

Includes current maturities of long term loans and advances

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	NOTE 12 CASH AND BANK BALANCES			
Cash & cash equivalents				
i) Balances with scheduled banks in:				
Current accounts		662.88		8,353.56
ii) Deposit accounts				
Bank deposits with original maturity of less than 3 months		-		5,000.00
iii) Cheques on hand		183.90		13.06
iv) Cash on hand		2.30		-
Total		849.07		13,366.62

(Rs. in lacs)

	As at March 31, 2012		As at March 31, 2011	
	NOTE 13 OTHER CURRENT ASSETS			
Interest accrued on fixed deposits		0.02		8.18
Total		0.02		8.18

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

NOTE 14 REVENUE FROM OPERATIONS	As at March 31, 2012	As at March 31, 2011
Interest income on		
-loan portfolio and related charges	20,915.13	2,002.83
-deposits with banks	94.44	13.65
Other financial services	0.52	-
Bad debt recovery		
Total	21,010.10	2,016.48

(Rs. in lacs)

NOTE 15 OTHER INCOME	As at March 31, 2012	As at March 31, 2011
Profit on sale of assets (net)	0.19	0.02
Miscellaneous income	1.09	-
Total	1.28	0.02

(Rs. in lacs)

NOTE 16 EMPLOYEE BENEFIT EXPENSES	As at March 31, 2012	As at March 31, 2011
Salaries, other allowances and bonus	1,655.63	586.49
Gratuity expenses	12.47	3.32
Contribution to provident and other funds	47.23	11.60
Staff welfare expenses	6.43	2.11
Total	1,721.77	603.51

(Rs. in lacs)

NOTE 17 FINANCE COST	As at March 31, 2012	As at March 31, 2011
Interest expense		
Debentures	538.36	-
Subordinated debts	306.02	-
Loans from banks	4,296.60	33.56
Loans from institutions and others	2,590.04	-
Commercial paper	1,558.14	-
Other borrowing costs		
Professional charges - resource mobilisation	220.73	-
Processing charges on loans	115.80	193.53
Total	9,625.70	227.09

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

NOTE 18 OTHER EXPENSES	As at March 31, 2012	As at March 31, 2011
Rent	132.02	31.86
Electricity expenses	15.44	2.51
Registration & filing expenses	74.10	120.01
DSA Commission	332.50	137.31
Bank charges	34.33	9.08
Repairs & maintenance		
- Others	33.72	25.75
Rates & taxes	39.32	0.87
Printing & stationery	11.78	8.77
Travelling & conveyance	224.45	53.17
Advertisement	7.46	305.58
Brokerage	0.11	5.38
Business Promotion	62.59	5.82
Directors' sitting fees	0.60	-
Insurance	16.36	-
Communication expenses	81.77	11.65
Payment to auditor		
As Auditor:		
- Audit fees	10.73	9.93
- Tax audit fees	2.10	-
- Out of pocket	0.15	-
Legal & professional charges	21.03	3.29
Loss on sale of fixed assets (net)	0.11	-
Data center management service	50.47	-
Miscellaneous expenses	19.91	19.14
Total	1,171.05	750.09

(Rs. in lacs)

NOTE 19 PROVISIONS & WRITE OFFS	As at March 31, 2012	As at March 31, 2011
Provision for non performing assets	352.11	-
Provision for standard assets (Refer Note (d) of Note 2.1)	321.52	158.54
Bad debts written off	69.83	-
Total	743.46	158.54

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

(Rs. in lacs)

NOTE 20 EARNING PER SHARE (EPS)	As at March 31, 2012	As at March 31, 2011
Profit/(Loss) after tax (A)	5,162.27	115.70
Less: Dividend on convertible preference share & taxes thereon	2.91	1.75
Net profit/(loss) for calculation of basic EPS	5,159.36	113.96
Weighted average number of equity shares for calculating Basic EPS (B) in lacs	100.00	57.12
Weighted average number of equity shares for calculating Diluted EPS (C) in lacs	100.00	57.12
Basic earnings per equity share (Face value of Rs. 10/- per share) (A) / (B)	51.59	2.00
Diluted earnings per equity share (Face value of Rs. 10/- per share) (A) / (C)	51.59	2.00
Weighted average number of equity shares for calculating Basic EPS	100.00	57.12
Effect of dilution:		
Add : Convertible preference share : In absence of the rate at which, 0.01% Compulsorily Convertible Cumulative Preference shares shall be converted, its effect on diluted EPS has not been worked out.	-	-
Weighted average number of equity shares in calculating Diluted EPS	100.00	57.12

NOTE 21 GRATUITY AND OTHER POST EMPLOYMENT BENEFIT PLANS

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Consequent to the adoption of revised AS 15 'Employee Benefits' issued under Companies Accounting Standard Rules, 2006, as amended, the following disclosures have been made as required by the standard:

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(Rs. in lacs)

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
Current service cost	8.64	9.78
Interest cost on benefit obligation	0.78	Nil
Expected return on plan assets	Not applicable	Not applicable
Net actuarial (gain) / loss recognised in the year	3.04	-6.46
Past service cost	Nil	Nil
Net benefit expense	12.46	3.32

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 21 GRATUITY AND OTHER POST EMPLOYMENT BENEFIT PLANS (CONTD.)

Balance sheet

Details of provision for gratuity

(Rs. in lacs)

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
Defined benefit obligation	23.82	9.78
Fair value of plan assets	Not applicable	Not applicable
	23.82	9.78
Less: Unrecognised past service cost	Nil	Nil
Plan asset / (liability)	23.82	9.78

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in lacs)

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
Opening defined benefit obligation	9.78	Nil
Interest cost	0.78	Nil
Current service cost	8.64	9.78
Transfer from Holding Company	1.97	6.46
Actuarial (gains) / losses on obligation	3.04	-6.46
Employers Contribution	-0.40	Nil
Closing defined benefit obligation	23.81	9.78

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
	%	%
Investment with insurer	Not Applicable	Not Applicable

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
Discount Rate	8.00%	8.00%
Increase in compensation cost	5.0%	5.0%
Employee Turnover	10.0%	10.0%

The estimates of future salary increases, considered in actuarial valuation, are on account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the Current and previous year are as follows:

(Rs. in lacs)

PARTICULARS	GRATUITY	
	As at March 31, 2012	As at March 31, 2011
Defined benefit obligation	23.82	9.78
Plan assets	Not applicable	Not applicable
Surplus / (deficit)	23.82	9.78
Experience adjustments on plan liabilities	4.32	Not applicable
Experience adjustments on plan assets	Not applicable	Not applicable

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 22 LEASES

The Company has taken various office premises, furniture and fixtures, under operating lease. The lease payments recognized in the profit & loss account are Rs.132.02 lacs (March 31, 2011: Rs. 31.86/- lacs). Certain agreements provide for cancellation by either party and certain agreements contain clause for escalation and renewal of agreements. The non-cancellable operating lease agreements are for a period of 24 months. There are no restrictions imposed by lease arrangements. There are no sub leases.

The future minimum lease payments in respect of non-cancellable operating lease as at the balance sheet date are summarized below:

PARTICULARS	(Rs. in lacs)	
	As at March 31, 2012	As at March 31, 2011
Minimum Lease Payments		
Not later than one year	61.88	38.80
Later than one year but not later than five years	137.50	163.70
Later than five years	Nil	Nil

NOTE 23 SEGMENT INFORMATION

The Company is engaged in financing activities. It operates in a single business and geographical segment

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 24 RELATED PARTY DISCLOSURES

Related Party where control exists	
Holding Company	Shriram Transport Finance Company Limited
Other Related Parties	
Enterprises having significant influence over the Company	Shriram Holdings (Madras) Private Limited Newbridge India Investments II Limited Shriram Ownership Trust
Fellow Subsidiary Company	Shriram Automall India Limited
Key management personnel	Mr. Pratap Paode, CEO

(Rs.in lacs)

Particulars	Holding Company		Fellow Subsidiary Company		Key Management Personnel		Total	
	March 31,2012	March 31,2011	March 31,2012	March 31,2011	March 31,2012	March 31,2011	March 31,2012	March 31,2011
Payments/Expenses								
Employee Benefits for key management personnel	-	-	-	-	72.89	-	72.89	-
Payment of Interest to Holding	2,590.04	-	-	-	-	-	2,590.04	-
Dividend on Preference shares @	2.50	-	-	-	-	-	2.50	-
Payments to Fellow Subsidiary @	-	-	7.17	0.12	-	-	7.17	0.12
Payment for Administrative expenses								
Telephone	23.63	-	-	-	-	-	23.63	-
Electricity	11.37	-	-	-	-	-	11.37	-
Courier	16.16	-	-	-	-	-	16.16	-
Rent Paid	80.39	-	-	-	-	-	80.39	-
Salary Paid	19.29	-	-	-	-	-	19.29	-
Bank Charges	33.76	-	-	-	-	-	33.76	-
Receipts/Income								
Subscription to Equity Shares \$	-	790.00	-	-	-	-	-	790.00
Subscription to 0.01% Compulsorily Convertible Preference shares \$	10,000.00	15,000.00	-	-	-	-	10,000.00	15,000.00
Receipt from Fellow Subsidiary \$	-	-	-	0.12	-	-	-	0.12
Guarantees given by Holding Company \$	-29,900.00	30,000.00	-	-	-	-	-29,900.00	30,000.00
Loan taken from Holding Company \$	29,554.25	11,165.12	-	-	-	-	29,554.25	11,165.12
Administrative Expenses incurred by Holding Company \$								
Registration & filing fees	73.98	-	-	-	-	-	73.98	0.00
Other administrative expenses	16.36	-	-	-	-	-	16.36	0.00
Balance Outstanding at year end								
Equity Share Capital	1,000.00	1,000.00	-	-	-	-	1,000.00	1,000.00
Compulsorily Convertible Preference Share Capital	25,000.00	15,000.00	-	-	-	-	25,000.00	15,000.00
Loan From Holding Company	40,722.11	11,167.86	-	-	-	-	40,722.11	11,167.86
Preference Dividend Payable	2.50	1.50	-	-	-	-	2.50	1.50
Interest Payable	301.77	-	-	-	-	-	301.77	-
Administrative Expenses Payable	25.05	-	-	-	-	-	25.05	-
Receivable from fellow subsidiary	-	-	7.17	0.12	-	-	7.17	-
Guarantees given by Holding Company	100.00	30,000.00	-	-	-	-	100.00	30,000.00

@ Denotes Payments

\$ Denotes Receipts

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 25 ADDITIONAL DISCLOSURES REQUIRED BY RESERVE BANK OF INDIA:
a) Capital Risk to Asset Ratio ("CRAR")

PARTICULARS	As at March 31, 2012	As at March 31, 2011
(i) CRAR (%)	21.16%	25.40%
(ii) CRAR – Tier I Capital (%)	16.14%	25.15%
(iii) CRAR – Tier II Capital (%)	5.02%	0.25%

b) The Company has no exposure to Real Estate Sector directly or indirectly.
c) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as on 31st March, 2012:

(Rs.in lacs)

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	10,000.03	0.00	1,250.00	1,250.00	41,090.17	20,937.50	1,000.00	1,000.00	76,527.70
Borrowings From others	0.00	0.00	0.00	0.00	0.00	40,722.11	21,290.00	6,170.00	68,182.11
Assets									
Advances	9,701.48	5,531.40	5,467.69	16,717.01	35,007.60	1,08,533.13	11,378.35	-	1,92,336.67
Deposits / Short term Deposits									

NOTE 26 MICRO, SMALL AND MEDIUM ENTERPRISE

The Company has initiated the process of identification of suppliers registered under Micro, Small and Medium Enterprise Development Act, 2006, by obtaining confirmations from all suppliers. Information has been collated only to the extent of information received as at balance sheet date.

Based on the information available with the Company there are no suppliers who are registered as micro, small or medium enterprise under "The Micro, Small and Medium Enterprises Development Act, 2006" as at 31st March, 2012.

PARTICULARS	As at March 31, 2012	As at March 31, 2011
The principal amount remaining unpaid to supplier as at the end of the period	Nil	Nil
The interest due thereon remaining unpaid to supplier as at the end of the period	Nil	Nil
The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the period	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued during the period and remaining unpaid at the end of the period	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 27 PREVIOUS YEAR FIGURES

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet. The following is a summary of the effects that revised schedule VI had on presentation of balance sheet of the company for the year ended 31 March 2011:

				(Rs.in lacs)	
Pre-revised Schedule VI				Revised Schedule VI	Nature of Adjustment
Heading	Amount	Adjustment	Amount	Heading	
SOURCES OF FUNDS				EQUITY AND LIABILITIES	
Sources of funds				Shareholder's fund	
Share capital	16,000.00	-	16,000.00	Share capital	
Reserves and surplus	112.76	(0.00)	112.76	Reserves and Surplus	
	16,112.76	(0.00)	16,112.76		
Loan Funds				Non-Current Liabilities	
Secured loan	30,000.00	(3,750.00)	26,250.00	Long-term borrowings	Refer working note 1
Unsecured loan	11,167.86	(11,167.86)	-	Other Long Term Liabilities	Refer working note 2
	-	119.31	119.31	Long term provisions	Refer working note 3
	-	-	-	Other Long Term Liabilities	Refer working note 4
	41,167.86	(14,798.55)	26,369.31		
Current Liabilities & Provisions				Current Liabilities	
	-	11,167.86	11,167.86	Short-term borrowings	Refer working note 2
Current Liabilities	19,358.24	(11,368.60)	7,989.64	Other Current Liabilities	Refer working note 5
Provisions	372.59	(119.31)	253.28	Short Term Provisions	Refer working note 3
		15,118.60	15,118.60	Trade payables	
	19,730.83	14,798.55	34,529.38		
	77,011.45	0.00	77,011.45		
APPLICATION OF FUNDS				ASSETS	
Fixed assets				Non-current assets (NCA)	
Net Block	124.80	(95.30)	29.50	Fixed Asset	
	-	95.30	95.30	Tangible	
	124.80	(0.00)	124.80	Intangible	
Deferred tax asset (net)	51.98	-	51.98	Deferred tax asset (net)	
Current assets, loans and advances				Current assets	
Assets under financing activities	63,416.10	(43,932.37)	19,483.73	Short-term loans and advances	
Cash and Bank Balances	13,366.62	-	13,366.62	Cash and cash equivalents	
Other current assets	8.18	-	8.18	Other current assets	
Other loans and advances	43.77	(43.77)			
		43,976.14	43,976.14	Long- term loans and advances	Refer working note 6
	76,886.64	(0.00)	76,886.64		
	77,011.45	(0.00)	77,011.44		

(Rs.in lacs)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

NOTE 27 PREVIOUS YEAR FIGURES (CONTD.)

	(Rs.in lacs)
WORKING NOTES	
1.Long term Borrowings	
Secured Loan as per pre revised Schedule VI	30,000.00
Less: Current maturities of Long term debt	3,750.00
Add :Non current portion of unsecured loan	11,167.86
	37,417.86
2.Short term borrowing	
Unsecured loan as per pre revised Schedule VI	11,167.86
Less:Non current portion of unsecured loan	11,167.86
	-
3.Long term provisions	
Provisions as per pre revised Schedule VI	372.59
Less: Short term provision	253.28
	119.31
4.Other long term liability	
Interest accrued but not due on long term borrowings	-
5.Other Current Liabilities	
Current Liabilities as per pre revised Schedule VI	19,358.24
Less:Trade payable	15,118.60
Add:Current maturities of Long term debt	3,750.00
Less:Other long term liability	-
	7,989.64
6.Long term loans and advances	
Asset under financing activities as per pre revised Schedule VI	63,416.10
Add: other loans & advances as per pre revised Schedule VI	43.77
Less: Short term loans & advances	19,483.73
	43,976.14



SHRIRAM EQUIPMENT FINANCE COMPANY LIMITED