**Placement Document**
**Not for Circulation**
**Serial Number [•]**

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

*(Incorporated as a public limited company under the name of Cholamandalam Investment and Finance Company Limited on August 17, 1978 in the Republic of India under the Companies Act, 1956 (Act no. 1 of 1956) and commenced its business vide certificate of commencement of business dated November 22, 1978. The name of our Company was changed to Cholamandalam DBS Finance Limited pursuant to a fresh certificate of incorporation dated April 12, 2006 and was again changed to Cholamandalam Investment and Finance Company Limited on June 2, 2010.The registered office of our Company is located at Dare House No. 2, NSC Bose Road, Parrys Chennai, 600001, Tamil Nadu.)*

Cholamandalam Investment and Finance Company Limited (the "**Company**") is issuing upto 10,526,315 equity shares of face value ₹10 each, (the "**Issue Shares**") at a price of ₹ 285.00 per Equity Share, including a premium of ₹ 275.00 per Equity Share, aggregating up to ₹ 3,000.00 million (the **"Issue"**).

**ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED**

**THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED, ("SEBI REGULATIONS") AND OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTOR WITHIN OR OUTSIDE INDIA OTHER THAN QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN SEBI REGULATIONS). THIS PLACEMENT DOCUMENT HAS NOT BEEN REVIEWED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI"), THE RESERVE BANK OF INDIA ("RBI"), BSE LIMITED (THE "BSE"), THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (THE "NSE"), (BSE AND NSE COLLECTIVELY REFERRED TO AS "STOCK EXCHANGES") OR ANY OTHER REGULATORY OR LISTING AUTHORITY AND IS INTENDED ONLY FOR USE BY QUALIFIED INSTITUTIONAL BUYERS ("QIBs"). THE ISSUE IS MEANT ONLY FOR QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.**

**YOU ARE NOT AUTHORISED TO AND MAY NOT (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.**

**INVESTMENTS IN EQUITY AND EQUITY-RELATED SECURITIES INVOLVE A CERTAIN DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY AMOUNT IN THIS ISSUE UNLESS THEY ARE PREPARED TO BEAR THE RISK OF LOSING ANY PART OR ALL OF THE AMOUNT INVESTED BY THEM. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION TITLED "RISK FACTORS" ON PAGE 40 OF THIS PLACEMENT DOCUMENT BEFORE DECIDING TO INVEST IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE ISSUE SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.**

This Placement Document has not been and will not be registered as a prospectus with the registrar of companies in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The Issue proposed to be made pursuant to this Placement Document is meant solely for QIBs on private placement basis.

The information on our Company's website or any website directly or indirectly linked to our Company's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

**Except as disclosed in this Placement Document, our Company's outstanding Equity Shares, are listed on Stock Exchanges. The closing price of Equity Shares on BSE and NSE on February 7, 2013 was ₹288.10 and ₹288.05 per Equity Share, respectively. Applications shall be made for the listing of the Issue Shares offered through this Placement Document and issued and allotted pursuant to this Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Issue Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Issue Shares.**

A copy of this Placement Document has been delivered to the Stock Exchange. A copy of this Placement Document will be filed with the Stock Exchanges in accordance with SEBI Regulations.

**THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE ISSUE SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.**

**The Issue Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Issue Shares are being offered and sold only to QIBs outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For further details, please refer to the section titled "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 151 and 156 respectively of this Placement Document.**

**This Placement Document is dated February 8, 2013.**

**Book Running Lead Managers**

| | | |
|---|---|---|
| AXIS CAPITAL | JM FINANCIAL | kotak® Investment Banking |
| **Axis Capital Limited** | **JM Financial Institutional Securities Private Limited** | **Kotak Mahindra Capital Company Limited** |

The information in this Placement Document is not complete and may be changed. This Placement Document is not an offer to sell Equity Shares and is not soliciting an offer to subscribe to the Equity Shares.

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## CERTAIN DEFINITIONS AND ABBREVIATIONS

Our Company has prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

The following list of certain capitalized terms used in this Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

The terms defined in this section shall have the meaning set forth herein, unless specified otherwise in the context thereof, and references to any statue or regulations or policies shall include amendments thereto, from time to time.

**Company Related Terms**

| Term | Description |
|---|---|
| "our Company", "the Company" or "the Issuer" | Cholamandalam Investment and Finance Company Limited |
| "our" or "we" or "us" | Cholamandalam Investment and Finance Company Limited and its Subsidiaries, unless the context otherwise requires |
| Articles/Articles of Association | The Articles of Association of our Company |
| Auditor / Statutory Auditor | The statutory auditor of our Company, M/s. Deloitte Haskins & Sells, Chartered Accountants |
| Board / Board of Directors | The Board of Directors of our Company or committees constituted thereof |
| Consolidated Summary Financial Statements | The summary statement of consolidated assets and liabilities of our Company and our Subsidiaries together with all notes and schedule thereto as at March 31, 2010, March 31, 2011, March 31, 2012 and as at September 30, 2012, the related summary statement of consolidated statement of profit and loss together with all notes and schedule thereto, and the consolidated cash flow for the financial years ended March 31, 2010, March 31, 2011 and March 31, 2012 and the six month period ended September 30, 2012, as examined by our Company's Statutory Auditor |
| Equity Shares | Equity shares of face value ₹ 10 each of our Company |
| ESOP 2007 | Employees Stock Option Scheme 2007 |
| Memorandum/Memorandum of Association | The Memorandum of Association of our Company |
| Net Business Assets | Total principal outstanding in relation to loan assets including over dues and net of interest reversal and provision for non performing assets |
| Preference Shares | Redeemable fully convertible preference shares of face value of ₹100 each |
| Promoter and Promoter Group | The promoters and promoter group of our Company as identified in the latest filings made by our Company with the Stock Exchanges |
| Standalone Summary Financial Statements | The summary statement of standalone assets and liabilities of our Company together with all notes and schedule thereto as at March 31, 2010, March 31, 2011, March 31, 2012 and as at September 30, 2012, the related summary statement of standalone statement of profit and loss together with all notes and schedule thereto and the standalone cash flow for the financial years ended March 31, 2010, March 31, 2011 and March 31, 2012 and the six month period ended September 30, 2012 as examined by our Company's Statutory Auditor |
| Subsidiaries | The subsidiaries of our Company, namely, Cholamandalam Distribution Services Limited, Cholamandalam Securities Limited and Cholamandalam Factoring Limited |

**Issue Related Terms**

| Term | Description |
|---|---|
| Allocated /Allocation | The allocation of Issue Shares following the determination of the Issue Price to Investors on the basis of Application Forms submitted by them, in consultation with the BRLMs and in compliance with Chapter VIII of the SEBI Regulations |
| Allotment/Allotted/Allot | The allotment and issue of Issue Shares pursuant to this Issue |
| Allottees | Persons to whom Issue Shares of our Company are issued and allotted pursuant to this Issue |
| Application Form | The form (including any revisions thereof) pursuant to which a QIB shall submit an Application in this Issue |
| Application(s) | An offer by a QIB pursuant to the Application Form for subscription of Issue Shares under this Issue |
| Bid Closing Date | February 8, 2013 |
| Bid Opening Date | February 6, 2013 |
| BRLMs / Book Running Lead Managers | Book running lead managers to this Issue, in this case being Axis Capital Limited, JM Financial Institutional Securities Private Limited and Kotak Mahindra Capital Company Limited |
| BSE | BSE Limited |
| CAN/Confirmation of Allocation Note | Note or advice or intimation to not more than 49 QIBs confirming the Allocation of Issue Shares to such QIBs after discovery of the Issue Price and requesting payment for the entire Issue Price for the Issue Shares allocated to such QIB |
| Cut-off Price | The Issue Price of the Issue Shares which shall be finalised by our Company in consultation with the BRLMs |
| Escrow Agreement | Escrow agreement dated February 5, 2013 executed between our Company, BRLMs and Escrow Bank |
| Escrow Bank | Axis Bank Limited |
| Escrow Account | A special bank account opened by our Company with the Escrow Bank in terms of the arrangement between our Company, the BRLMs and the Escrow Bank, into which the application monies payable by QIBs in connection with subscription to the Issue Shares shall be deposited |
| Floor Price | The floor price of ₹ 279.69 for the Issue Shares, which has been calculated in accordance with Chapter VIII of the SEBI Regulations |
| Issue | The offer and placement of up to 10,526,315 Issue Shares to QIBs, pursuant to Chapter VIII of the SEBI Regulations aggregating up to ₹ 3,000.00 million |
| Issue Price | A price of ₹ 285.00 per Issue Share |
| Issue Shares | Issue Shares of our Company being offered pursuant to this Placement Document and to be issued and allotted pursuant to this Issue |
| NSE | National Stock Exchange of India Limited |
| Pay-in Date | Last date specified in the CAN sent to QIBs, as applicable by which the consideration for the Issue Shares has to be paid |
| Placement Document | This placement document dated February 8, 2013 issued by our Company in accordance with the provisions of Regulation 84 in Chapter VIII of the SEBI Regulations |
| Placement Agreement | Placement agreement dated February 5, 2013 executed between our Company and the BRLMs |
| Preliminary Placement Document | The preliminary placement document dated February 6, 2013 issued by our Company in accordance with Chapter VIII of the SEBI Regulations |
| QIBs or Qualified Institutional Buyers | Qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations |
| RBI | The Reserve Bank of India |
| Relevant Date | The date of the meeting in which the Issue Committee of our Company (duly authorised by our Board of Directors), decides to open the Issue |
| Stock Exchanges | BSE and NSE |

**Conventional and General Terms/ Abbreviations**

| Term/Abbreviation | Full Form |
|---|---|
| AGM | Annual General Meeting |
| AIF | Alternative Investment Funds as defined in SEBI (Alternative Investment Funds) Regulations, 2012 |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BOLT | BSE On-line Trading |
| CAD | Current Account Deficit |
| CAR | Capital Adequacy Ratio |
| CDSL | Central Depository Services (India) Limited |
| Civil Code | The Code of Civil Procedure, 1908 |
| Companies Act | The Companies Act, 1956, as amended |
| Delisting Regulations | Securities Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended from time to time |
| Depositories Act | The Depositories Act, 1996 |
| Depository | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 |
| DIPP | The Indian Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India |
| DP ID | Depository Participant's Identity |
| DP/Depository Participant | A depository participant as defined under the Depositories Act, 1996 |
| DDT | Dividend Distribution Tax |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| ECS | Electronic Clearing Service |
| EEA | European Economic Area |
| EGM | Extraordinary General Meeting |
| EPS | Earnings Per Share |
| ESOP | Employee Stock Option Plan |
| FDI | Foreign Direct Investment |
| FEMA | The Foreign Exchange Management Act, 1999 |
| FII | Foreign Institutional Investor (as defined under the SEBI (Foreign Institutional Investors) Regulations,1995) registered with SEBI under applicable laws in India |
| FIPB | Foreign Investment Promotion Board |
| GDP | Gross Domestic Product |
| GIR Number | General Index Registry Number |
| GoI | Government of India |
| ICAI | Institute of Chartered Accountants of India |
| IFRS | International Financial Reporting Standards |
| IIT | Indian Institute of Technology |
| IND AS | Indian Accounting Standards (Ind AS) 101 "First-time Adoption of Indian Accounting Standards" ("**IND AS**") as notified by the Ministry of Corporate Affairs, Government of India, on February 25, 2011 |
| India | The Republic of India |
| Indian GAAP | Generally Accepted Accounting Principles followed in India |
| ISIN | International Securities Identification Number |
| IT Act | Income Tax Act, 1961 |
| LIC | Life Insurance Corporation of India |
| Listing Agreement | Equity Listing Agreement executed between our Company and the Stock Exchanges |
| MAT | Minimum Alternate Tax |
| Mn/Million | Million |
| NSDL | National Securities Depository Limited |

| Term/Abbreviation | Full Form |
|---|---|
| p.a. | Per annum |
| P/E Ratio | Price/Earnings Ratio |
| PAN | Permanent Account Number |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| PMLA | Prevention of Money Laundering Act, 2002 |
| Regulation S | Regulation S under the Securities Act |
| RoC | Registrar of Companies |
| SARFAESI Act | Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 |
| SCRA | Securities Contracts (Regulation) Act 1956, as amended |
| SCRR | Securities Contracts (Regulation) Rules 1957, as amended |
| SEBI | The Securities and Exchange Board of India |
| SEBI Act | SEBI Act, 1992, as amended |
| SEBI Regulations | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended |
| Securities Act | The U.S. Securities Act of 1933, as amended |
| SICA | Sick Industrial Companies (Special Provisions) Act, 1985, as amended |
| SRE | Standard on Review Engagement |
| STT | Securities Transaction Tax |
| Takeover Code | SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended |
| UIN | Unique Identification Number |
| USD | United States Dollars |
| US GAAP | Generally Accepted Accounting Principles in the United States of America |
| w.e.f | With effect from |

**Technical and Industry terms**

| Term/Abbreviation | Full Form/Description |
|---|---|
| AFC | Asset Financing Company |
| ALM | Asset Liability Management |
| CAGR | Capital Annual Growth Rate |
| CME | Capital Market Exposure |
| CRAR | Capital to Risk (Weighted) Assets Ratio |
| CRE | Commercial Real Estate |
| CRR | Cash Reserve Ratio |
| CV | Commercial Vehicle |
| DSA | Direct Selling Agent |
| EMI | Equated Monthly Installment |
| FMCG | Fast Moving Consumer Goods |
| FTU | First-time-users |
| IIP | Index for Industrial Production |
| IIR | Installment to Income Ratio |
| HCV | Heavy Commercial Vehicle |
| HFC | Housing Finance Company |
| LAP | Loan Against property |
| LCV | Light Commercial Vehicle |
| LFO | Large Fleet Operators |
| LTV | Loan To Value |
| MAV | Multi-Axle Vehicle |
| M&HCV/MHCV | Medium and Heavy Commercial Vehicle |
| MCV | Medium Commercial Vehicle |
| MUV | Multi Utility Vehicle |

| Term/Abbreviation | Full Form/Description |
|---|---|
| NBFC | Non-Banking Finance Company |
| NBFC-D | Deposit taking Non Banking Finance Company |
| NBFC-IDF | Non Banking Finance Company-Infrastructure Debt Fund |
| NBFC-MFI | Non Banking Finance Company- Micro Finance Institution |
| NBFC-ND | Non-Deposit taking Non Banking Finance Company |
| NBFC-ND-SI | Systematically Important Non Deposit taking Non Banking Finance Company |
| NCV | Non-commercial vehicle |
| NECS | National Electronic Clearing Service |
| NHAI | National Highways Authority of India |
| NHDP | National Highways Development Project |
| NIM | Net Interest Margin |
| NPA | Non-performing asset |
| PDI | Perpetual Debt Instrument |
| REC | Rural Electrification Corporation Limited |
| SCB | Scheduled Commercial Bank |
| SCV | Small Commercial Vehicle |
| SFO | Small fleet operators |
| SIAM | Society of Indian Automobile Manufacturers |
| SLR | Statutory Liquidity Ratio |
| SME | Small and Medium Enterprises |
| SRTO | Small Road Transport Operator |
| STU | State Transport Undertaking |
| UV | Utility Vehicle |
| VF | Vehicle Finance |

## NOTICE TO INVESTORS

Our Company accepts full responsibility for the information contained in this Placement Document and having made all reasonable enquiries, confirms, to the best of our knowledge and belief, that this Placement Document contains all information with respect to our Company and our Subsidiaries and the Equity Shares including the Issue Shares, which is material in the context of this Issue. The statements contained in this Placement Document relating to our Company and our Subsidiaries and the Equity Shares including the Issue Shares are, in all material respects, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to our Company and our Subsidiaries and the Equity Shares including the Issue Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and our Subsidiaries and the Equity Shares including the Issue Shares, the omission of which would, in the context of this Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company and our Subsidiaries to ascertain such facts and to verify the accuracy of all such information and statements.

The BRLMs have not separately verified all the information (financial, legal or otherwise) contained in this Placement Document. Accordingly, neither the BRLMs nor any of its members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the BRLMs as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with our Company, our Subsidiaries and the Equity Shares including the Issue Shares. Each person receiving this Placement Document acknowledges that such person has neither relied on the BRLMs nor on any person affiliated with any of the BRLMs in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and our Subsidiaries and the merits and risks involved in investing in the Issue Shares. Any prospective investor should not construe anything in this Placement Document as legal, business, tax, acounting or investment advice.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or the BRLMs. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

**The Issue Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the United States, the securities commission of any non-U.S. jurisdiction or any other U.S. or non U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.**

The distribution of this Placement Document and the issue of the Issue Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company, our Subsidiaries, or the BRLMs which would permit an Issue of the Issue Shares or distribution of this Placement Document in any jurisdiction, other than India. Accordingly, the Issue Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Issue Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Issue Shares in such country or jurisdiction. Please refer to the section titled "*Transfer Restrictions*" on page 156 of this Placement Document.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the BRLMs are making any representation to any offeree or purchaser of the Issue Shares regarding the legality of an investment in the Issue Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each

purchaser of the Issue Shares is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Chapter VIII of the SEBI Regulations and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of the Issue Shares also acknowledges that it has been afforded an opportunity to request from our Company and review information pertaining to our Company and the Issue Shares.

The information on our Company's website or the website of the BRLMs, does not constitute or form part of this Placement Document. This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

## REPRESENTATIONS BY INVESTORS

*All references to "you" in this section are to the prospective investors in this Issue.*

By subscribing to any Issue Share under this Issue, you are deemed to have represented to us and the BRLMs, and acknowledged and agreed as follows:

1. you are a QIB as defined in Regulation 2(1)(zd) of the SEBI Regulations and having a valid and existing registration under the applicable laws and regulations of India and undertake to acquire, hold, manage or dispose of any Issue Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;

2. if you are a resident in any other country other than India, that you are permitted by all applicable laws to acquire the Issue Shares;

3. if you are Allotted Issue Shares pursuant to this Issue, you shall not, for a period of one year from the date of Allotment, sell the Issue Shares so acquired except on the Stock Exchanges;

4. you are aware that the Issue Shares have not been and will not be registered under the SEBI Regulations or under any other law in force in India. This Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. This Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Company and the Stock Exchanges;

5. you are entitled to subscribe for the Issue Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

6. you are entitled to acquire the Issue Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in this Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Placement Document) and will honour such obligations;

7. you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company's Presentations**") with regard to our Company, the Issue Shares or this Issue; or (ii) if you have participated in or attended any Company's Presentations: (a) you understand and acknowledge that the BRLMs may not have knowledge of the statements that our Company or its agents may have made at such Company's Presentations and are therefore unable to determine whether the information provided to you at such Company's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLMs have advised you not to rely in any way on any information that was provided to you at such Company's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

8. neither we nor the BRLMs nor any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with this Issue and that participation in this Issue is on the basis that you are not and will not be a client of the BRLMs and that the BRLMs have no duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to this Issue and is in no way acting in a fiduciary capacity to you;

9. you are aware that if you are Allotted more than 5% of the Issue Shares in this Issue, our Company shall be required to disclose your name and the number of Issue Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

10. all statements other than statements of historical fact included in this Placement Document, including, without

limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;

11. you have been provided a serially numbered copy of this Placement Document and the Preliminary Placement Document and have read this Placement Document and the Preliminary Placement Document in their entirety, including, in particular, the section titled "*Risk Factors*" on page 40 of this Placement Document;

12. you are aware and understand that the Issue Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;

13. you have made, or been deemed to have made, as applicable, the representations set forth under the section of this Placement Document entitled "*Transfer Restrictions*" on page 156 of this Placement Document;

14. you understand that the Issue Shares have not been and will not be registered under the Securities Act or within any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;

15. you are, at the time the Issue Shares are purchased pursuant to Regulation S, located outside of the United States (within the meaning of Regulation S) and you are not an affiliate of our Company, or a person acting on behalf of such an affiliate;

16. you are purchasing the Issue Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S;

17. that in making your investment decision, (i) you have relied on your own examination of our Company and the terms of this Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, the Issue Shares and the terms of this Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) you have relied solely on the information contained in this Placement Document and no other disclosure or representation by our Company or any other party; and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Issue Shares;

18. you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Issue Shares and you and any accounts for which you are subscribing the Issue Shares (i) are each able to bear the economic risk of the investment in the Issue Shares; (ii) will not look to our Company and/or the BRLMs for all or part of any such loss or losses that may be suffered; and (iii) are able to sustain a complete loss on the investment in the Issue Shares;

19. the BRLMs or our Company has not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Issue Shares (including but not limited to this Issue and the use of the proceeds from the Issue Shares). You will obtain your own independent tax advice and will not rely on the BRLMs or our Company when evaluating the tax consequences in relation to the Issue Shares (including but not limited to this Issue and the use of the proceeds from the Issue Shares). You waive and agree not to assert any claim against the BRLMs or our Company with respect to the tax aspects of the Issue Shares or this Issue or as a result of any tax audits by tax authorities, wherever situated;

20. that where you are acquiring the Issue Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Issue Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

21. you are not a Promoter and are not a person related to the Promoters, either directly or indirectly and your Application does not directly or indirectly represent the Promoters or Promoter Group of our Company;

22. you have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

23. you have no right to withdraw your Application after the Bid Closing Date;

24. you are eligible to apply and hold Issue Shares so Allotted and together with any securities of our Company held by you prior to this Issue. You further confirm that your holding upon the issue and allotment of the Issue Shares shall not exceed the level permissible as per any regulation applicable to you;

25. the application form submitted by you would not at any stage including upon conversion of any Equity Shares, directly or indirectly result in triggering a requirement to make public announcement to acquire Equity Shares including the Issue Shares in accordance with the Takeover Code;

26. to the best of your knowledge and belief together with other prospective Investors in this Issue that belong to the same group or are under common control as you, the Allotment under this Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act.

    - 'control' shall have the same meaning as is assigned to it by clause (e) of Regulation 2 of the Takeover Code.

27. you shall not undertake any trade in the Issue Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Issue Shares is issued by the Stock Exchanges;

28. you are aware that applications shall be made to the Stock Exchanges after the Allotment of the Issue Shares in this Issue for approvals for listing and admission of the Issue Shares to trading on the Stock Exchanges' market for listed securities and there can be no assurance that such approvals will be obtained on time or at all;

29. you are aware and understand that the BRLMs have entered into a Placement Agreement with our Company whereby the BRLMs have, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours to seek to procure subscription for the Issue Shares;

30. that the contents of this Placement Document are exclusively the responsibility of our Company and that neither the BRLMs nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLMs or our Company or any other person and neither the BRLMs nor our Company nor any other person will be liable for your decision to participate in this Issue based on any other information, representation, warranty or statement that you may have obtained or received;

31. that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Issue Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Issue Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the BRLMs or our Company and the BRLMs will not be liable for your decision to accept an invitation to participate in this Issue based on any other information, representation, warranty or statement;

32. that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment and listing and trading of the Issue Shares;

33. you agree to indemnify and hold our Company and the BRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section. You agree that the indemnity set forth in this section shall survive the resale of the Issue Shares by or on behalf of the managed accounts;

34. that our Company, the BRLMs and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the BRLMs on its own behalf and on behalf of our Company and are irrevocable;

35. that you are eligible to invest in India and in the Issue Shares under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended, and have not been prohibited by the SEBI from buying, selling or dealing in securities;

36. that you understand that the BRLMs does not have any obligation to purchase or acquire all or any part of the Issue Shares purchased by you in this Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with this Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

37. that you are an investor who is seeking to purchase the Issue Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Issue Shares involves a high degree of risk and that the Issue Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Issue Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Issue Shares; and

38. any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Placement Document.

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as **"P-Notes"**) listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by an appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations or claims on the BRLMs. FII affiliates of the BRLMs may purchase, the Issue Shares to the extent permissible under law and may issue P-Notes in respect thereof.

**Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.**

## DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminaty Placement Document and this Placement Document have been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of Preliminaty Placement Document or this Placement Document;

2. warrant that our Company's Issue Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company; and

4. it should not for any reason be deemed or construed to mean that Preliminaty Placement Document or this Placement Document have been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Issue Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against any of the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Certain Conventions

In this Placement Document, unless the context otherwise indicates or implies, references to "you," "offeree," "purchaser," "subscriber," "recipient," "investors" and "potential investor" are to the prospective investors of Issue Shares in this Issue, references to "our Company", "the Company" or the "Issuer" are to Cholamandalam Investment and Finance Company Limited.

References in this Placement Document to "India" are to the Republic of India and the "Government" or the "Central Government" or the "State Government" are to the Government of India ("**GoI**"), or the governments of any state in India, as applicable and as the case may be.

### Financial and Other Information

Our Company and its Subsidiaries prepare their financial statements in accordance with Indian GAAP. Indian GAAP differs in certain respects from accounting principles generally accepted in other countries, including IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices.

In this Placement Document, references to "USD", "$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹","Rs.", "INR" and "Rupees" are to the legal currency of India. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions and all references to "India" are to the Republic of India and its territories and possessions.

Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Fiscal" or "Fiscal year" are to the fiscal year ended on March 31.

Our Company publishes its financial statements in Rupees. Our Company's financial statements included herein have been prepared in accordance with Indian GAAP and the Companies Act. Unless otherwise indicated, all financial data in this Placement Document are derived from our Company's financial statements prepared in accordance with Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited.

The financial statements of our Company, including the Consolidated Summary Financial Statements and the Standalone Summary Financial Statements of our Company as at and for the financial years ended March 31, 2010, March 31, 2011 and March 31, 2012, and the six months period ended September 30, 2012 which have been prepared in accordance with Indian GAAP are included in "*Financial Statements*" on page 195 of this Placement Document. The limited reviewed standalone and consolidated financial statements as at and for the quarter and the nine month period ended, December 31, 2012, which have been prepared in accordance with the requirements of Clause 41 of the Listing Agreement and reviewed in accordance with Standard on Review Engagement (SRE) 2410, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India are also included elsewhere in this Placement Document.

Any discrepancies between the amounts listed and total thereof, in the tables included herein, are due to rounding off.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to businesses of our Company contained in this Placement Document consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and knowledge of the markets in which our Company competes. The statistical information included in this Placement Document relating to the various sectors in which our Company operates has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so our Company has relied on internally developed estimates.

Neither our Company nor the BRLMs have independently verified this data and neither our Company nor the BRLMs makes any representation regarding the accuracy and completeness of such data. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Company nor the BRLMs can assure potential investors as to their accuracy.

**The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.**

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "should", "will", "would", or other words or phrases of similar import. All statements regarding our Company's expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, revenue and profitability, planned projects and other matters discussed in this Placement Document that are not historical facts. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our Company's expectations include, among others:

1. Our ability to respond to slowdown in general economic growth in India and globally;
2. Our ability to manage our credit quality;
3. Interest rates and inflation;
4. Our ability to respond to any adverse changes in regulatory policies;
5. Our ability to respond to competition;
6. Our ability to respond to any adverse ratings received from credit rating agencies in India;
7. Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
8. Our ability to compete effectively and access funds at competitive cost;
9. any changes in connection with statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact our lending rates and our ability to enforce our collateral;
10. Any increase in the levels of NPA on our loan portfolio, for any reason whatsoever; and
11. Other factors discussed in this Placement Document, including those described in the section titled "*Risk Factors*" beginning on page 40 of this Placement Document.

All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant statement. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*" and "*Business*" on pages 61, 82 and 102 of this Placement Document, respectively. The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure prospective investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, our Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

Our Company assumes no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these forward-looking statements.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. Substantially, all of our Company's Directors and key managerial personnel are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India (**"Civil Code"**) on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; and
- where the judgment sustains a claim founded on a breach of any law then in force in India;

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. In addition, any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of payment and any such amount may be subject to income tax in accordance with applicable laws.

## EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. The exchange rate as at December 31, 2012 was ₹ 54.78 = USD 1 (*Source:* Reserve Bank of India). No representation is made that the Rupee amounts actually represent such amounts in U.S. dollars or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

| | **Year ended March 31** | | | |
|---|---|---|---|---|
| | **Period End** | **Average*** | **High*** | **Low*** |
| **Year Ended March 31:** | (₹ per USD 1.00) | | | |
| 2010 | 45.14 | 47.42 | 50.53 | 44.94 |
| 2011 | 44.65 | 45.58 | 47.57 | 44.03 |
| 2012 | 51.16** | 47.95 | 54.24 | 43.95 |
| | | | | |
| First Quarter Fiscal 2013 (ended June 30, 2012) | 56.31*** | 54.22 | 57.22 | 50.56 |
| Second Quarter Fiscal 2013 (ended September 30, 2012) | 52.70**** | 55.24 | 56.38 | 52.70 |
| Third Quarter Fiscal 2013 (ended December 31, 2012) | 54.78 | 54.14 | 55.70 | 51.62 |

*Source: www.rbi.org.in*
**Note: High, low and average are based on RBI reference rate*
***Note: Data as on March 30, 2012*
****Note: Data as on June 29, 2012*
*****Note: Data as on September 28, 2012*

## SUMMARY OF THE ISSUE

*The following is a general summary of this Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under "Issue Procedure", "Description of the Equity Shares" and "Placement". The information contained in "Description of the Equity Shares" shall prevail in the event of any inconsistency with the terms set out in this section.*

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| **Issuer** | Cholamandalam Investment and Finance Company Limited. |
| **Issue Size** | 10,526,315 Issue Shares aggregating up to ₹ 3,000.00 million. |
| **Issue Price** | ₹ 285.00 per Issue Share. |
| **Floor Price** | The Floor Price for this Issue calculated on the basis of Chapter VIII of the SEBI Regulations is ₹ 279.69 per Issue Share with reference to February 6, 2013 as the Relevant Date. |
| **Authority for the Issue** | This Issue has been authorized pursuant to a resolution of the Board of Directors of our Company passed on December 27, 2012.<br><br>This Issue has been authorized by a special resolution under section 192A of the Companies (Passing of the resolution by postal ballot) Rules, 2001 adopted pursuant to Section 81(1A) of the Companies Act, 1956 on February 4, 2013. |
| **Eligible Investors** | A QIB as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulations 86(1)(b) of the SEBI Regulations. |
| **Equity Shares paid-up and outstanding immediately prior to this Issue** | 132,581,426 Equity Shares |
| **Equity Shares issued and outstanding immediately after this Issue** | 143,107,741 Equity Shares |
| **Dividend** | For more information, see sections titled "*Description of the Equity Shares*", "*Dividend Policy*" and "*Taxation*" on pages 160, 60 and 164 of this Placement Document. |
| **Indian Taxation** | The IT Act is the law relating to taxes on income in India. For more information, see section titled "*Taxation*" on page 164 of this Placement Document. |
| **Listing** | Our Company has obtained an in-principle approval in terms of Clause 24(a) of the Listing Agreement for the listing of the Issue Shares on the Stock Exchanges. |
| **Transferability Restriction** | The Issue Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on the floor of Stock Exchanges.<br><br>The Issue Shares are subject to certain selling and transfer restrictions.<br><br>See sections titled "*Transfer Restrictions*" and "*Selling Restrictions*" on pages 156 and 151, respectively of this Placement Document. |
| **Pay-in Date** | Last date specified in the CAN sent to QIBs, as applicable by which the consideration for the Issue Shares has to be paid |
| **Closing Date** | The Allotment of the Issue Shares offered pursuant to this Issue is expected to be made on or about February 13, 2013 (the **"Closing Date"**). |

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| **Ranking** | The Issue Shares being issued shall be subject to the provisions of our Company's Memorandum & Articles of Association and Listing Agreement with the Stock Exchanges and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the date of Issue, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For details refer to the section titled "*Description of the Equity Shares*" on page 160 of this Placement Document. |
| **Governing Law** | The Placement Agreement will be governed by Indian law. |
| **Lock-up** | Our Company has agreed with the BRLMs that it shall not announce an intention to, without the prior written consent of BRLMs, during the period commencing on the date hereof and ending 90 days after the date of Allotment of the Issue Shares, (the "**Lock-up Period**"), directly or indirectly: (a) issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares, (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares, (c) deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, or, (d) announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or other securities, in cash or otherwise. Provided that the restrictions contained in this clause shall not apply to (i) any issuance, allotment and distribution of securities pursuant to the exercise of any stock options granted to employees of our Company or its Subsidiaries pursuant to the subsisting employee stock option scheme/s of our Company, and, (ii) this Placement.<br><br>Tube Investments of India Limited, our Promoter shall not, for the Lock-up Period, without the prior written consent of the BRLMs, directly or indirectly: (a) offer, sell, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, pledge, encumber, lend or otherwise transfer or dispose of, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares, (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares, (c) deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, or (d) announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Equity Shares, or other securities, in cash or otherwise. Provided that the foregoing restrictions are not applicable to any inter-se transfer of shares amongst the Promoters and Promoter Group. |

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| **Use of Proceeds** | The total proceeds of this Issue will be ₹ 3,000.00 million. After deducting the issue expenses, we intend to use the net proceeds of this Issue to meet the projected growth in loan disbursements and to augment the capital adequacy ratio.<br><br>For further details, refer to the section titled "*Use of Proceeds*" section on page 58 of this Placement Document. |
| **Risk Factors** | Prior to making an investment decision, Eligible Investors should consider carefully the matters discussed under the section titled "*Risk Factors*" on page 40 of this Placement Document. |
| **Security Codes:** | |
| **ISIN** | INE121A01016 |
| **NSE Code** | CHOLAFIN EQ |
| **BSE Code** | 511243 |

## SUMMARY OF BUSINESS

*In this section any reference to "our Company", "we", "us" or "our" refers to Cholamandalam Investment and Finance Company Limited, as the context may require. The following disclosures in connection with our overview, strengths and strategies should be read together with the risk factors as detailed in the section titled "Risk Factors" on page 40 of this Placement Document.*

### Overview

Our Company is a Systemically Important Non-Deposit Accepting Non Banking Financial Institution ("**NBFC"**), categorized as an Asset Financing Company, with a primary focus on retail finance in the areas of vehicle finance and home equity loans. In addition we also offer business finance and loans against gold products.

Our Promoters include individuals and entities belonging to the Murugappa group, who as on December 31, 2012 hold 62.29% of our paid-up equity share capital. The Murugappa group is a conglomerate of businesses having interests in diverse areas including engineering, abrasives, finance, general insurance, cycles, sugar, farm inputs, fertilizers, plantations, bio products and nutraceuticals.

We are one of the leading financiers in the light commercial vehicles and in the small commercial vehicles segment. The business also finances heavy commercial vehicles (**HCVs**), cars, multi utility vehicles and tractors. Our vehicle finance business operates from 461 branches as on December 31, 2012, and our primary focus is on retail customers in the semi urban and rural areas. As on September 30, 2012 our net vehicle finance assets accounted for 73.59% of our Net Business Assets on a standalone basis which grew by 54.07% from ₹56,986 million in March 31, 2011 to ₹87,801 million in March 31, 2012.

Under our home equity finance vertical, we provide loans against property, to self employed (non salaried) and non professional group who are engaged in small and medium scale industries, service providers and traders. As on December 31, 2012, our operations in this vertical were carried out of 56 locations. Our business operations for the vehicle vertical and the home equity finance vertical are co-located, thus reducing operating expenses to a large extent and increasing the operational efficiency. As on September 30, 2012 our net home equity assets accounted for 23.43% of our Net Business Assets on a standalone basis in our balance sheet. Our net home equity assets grew by 59.13% from ₹17,897 million in March 31, 2011 to ₹28,479 million in March 31, 2012

In addition we also provide business finance loans secured against asset classes such as marketable securities including shares, residential property, commercial property, current assets and loans and advances to promoters and corporates. We have also recently forayed into providing loans against gold ornaments.

We have recently diversified into the home loans segment and are examining opportunities for providing corporate finance facilities under our business finance vertical for bill /invoice discounting, working capital demand loans, bridge loans, pre-shipment credit and short/medium term loans to vendors, dealers and suppliers to Murugappa group ecosystem including existing client relationships. We are further diversified into related financial services like financial advisory, wealth management services and stock broking through our Subsidiaries.

We operate under a hub and spoke model with our branch networks connected with a centralized processing unit at Chennai through robust computerized systems. Our widespread network of branches across India has been a key driver of our growth over the years. We have added 131 new branches during the current financial year primarily in the Tier II and Tier III cities. As of December 31, 2012, we have 506 branches across 21 states in India. We have also strategically expanded our marketing network and operations by entering into partnership and preferred financing arrangements with leading automobile manufacturers /dealers in new commercial vehicle financing and alternate organised channel partners in the used commercial vehicle financing.

We had Net Business Assets on a standalone basis of ₹ 147,871 million as on September 30, 2012. The Net Business Assets on a standalone basis grew by 45.36% and stood at ₹ 122,492 million for the year ended March 31, 2012 as compared to ₹ 84,269 million for the year ended March 31, 2011. Our total income and profit after tax ("**PAT**") on a consolidated basis for the six month period ended September 30, 2012 is ₹11,716.50 million and ₹1,389.89 million, respectively. Our total income and PAT on a consolidated basis for the financial year ending March 31, 2012 is ₹18,055.51 million and ₹1,689.90 million respectively. Our Gross NPAs (standalone) as a percentage of our total credit exposure were 1.20%, 0.95%, 3.15% and 8.24%, as at September 30, 2012, March 31, 2012, 2011 and 2010

respectively, while our Net NPAs (standalone) as a percentage of our total credit exposure were 0.65%, 0.30%, 0.39% and 2.20% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively. Our capital adequacy ratio (standalone) computed on the basis of applicable RBI requirements was 18.08% as of March 31, 2012, with Tier I capital comprising 11.00% and Tier II capital comprising the balance 7.08%.

**Our Competitive Strengths**

We believe the following to be our key strengths:

***Leadership in commercial vehicle finance with presence in other verticals***

We are one of the leading financiers in the light commercial vehicles and in the small commercial vehicles segment. In the vehicle finance segment we also offer financing for heavy commercial vehicles, passenger vehicles, MUVs and tractors.

In addition we also offer home equity financing, gold loans and business finance. Through our Subsidiaries we offer investment advisory, wealth management and securities broking and depository services. We believe our wide range of products and services enables us to build stronger relationships with and increase business volumes from our clients.

***Robust financial performance***

As of September 30, 2012 and March 31, 2012 our net NPAs (standalone) constituted 0.65% and 0.30% of our total credit exposure respectively. Our Company has been able to maintain a sound asset quality through robust credit evaluation and collection process. With a view of managing our NPA levels we have strategically decided to exit the personal loans portfolio in recent years, which we believe has improved our profitability. Further, we believe that our loan recovery procedure is particularly well-suited to our target market particularly in the vehicle financing and home equity financing industry. The entire collection operation is administered through a mix of in-house collections and also through external collection agencies to ensure efficiency. We have demonstrated consistent growth in recent years. Our total income and PAT on a consolidated basis for the six month period ended September 30, 2012 is ₹11,716.50 million and ₹1,389.89 million, respectively. Our total income and PAT on a consolidated basis for the financial year ending March 31, 2012 was ₹18,055.51 million and ₹1,689.90 million respectively.

***Pan India distribution network and growing customer bank***

We have experienced rapid growth in our vehicle finance vertical and our branch network has expanded significantly. As on December 31, 2012 our Company has 506 branches compared to 375 branches as at March 31, 2012. Our extensive distribution network also allows us opportunities to cross sell products and services, particularly as we diversify into new business streams and it helps us to better penetrate in Tier II and Tier III cities. Our branch system works on the very effective hub and spoke model which enables us to increase our customer base.

***Credit Ratings and low cost of funds***

We currently are rated by ICRA, CRISIL, India Ratings and Research and CARE. The details of our current credit ratings are as follows:

| Rating Agency | Short Term rating | Secured Long Term Non Convertible Debentures Rating / (Outlook) | Unsecured Subordinated debt (Non Convertible Debentures) Rating / (Outlook) | Unsecured Perpetual debt (Perpetual Debt Instruments- Non Convertible Debentures) Rating / (Outlook) |
|---|---|---|---|---|
| ICRA | [ICRA] A1+ | [ICRA] AA (Stable) | [ICRA] AA (Stable) | [ICRA] AA – (Stable) |
| India Ratings And Research | -- | -- | IND AA - (Stable) | -- |
| CARE | -- | CARE AA | CARE AA- | CARE A+ |
| CRISIL | CRISIL A1+ | -- | -- | -- |

Our balance sheet supported by our good credit ratings enables us to get access to cost effective source of funds ranging from term loans, working capital loans, commercial paper and non-convertible debentures to subordinated debt and perpetual debt instruments.

***Well-established brand***

"Cholamandalam" is a well-established and well-recognised brand in financial services industry in India. We believe that our brand is associated with high quality services as well as our corporate values like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our business, build relationships and attract and retain talented individuals.

***Experienced management team***

Our management team includes senior executives who have vast experience in the financial services industry. We believe that the management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs combined with a strong focus on portfolio quality and profitability enables us to evolve and implement our business strategies. In house sales and collection team which is highly experienced and stable, low employee turnover also contributes to the strength of the organisation. The low employee turnover has been attributed to the positive working relationship with their direct supervisors and co-workers are likely to stay at their jobs. Another cause of low turnover is having room for advancement and hence employees believe that they can grow in their career if they continue to be associated with our Company.

***Experience of our Promoters***

Founded in 1900, the Murugappa group is one of India's leading business conglomerates. The group has varied businesses including eight Companies listed in NSE and BSE. Headquartered in Chennai, the major Companies of the Group include Carborundum Universal Ltd., Cholamandalam Investment and Finance Company Ltd., Cholamandalam MS General Insurance Company Ltd., Coromandel International Ltd., Coromandel Engineering Company Ltd., E.I.D. Parry (India) Ltd., Parry Agro Industries Ltd., Tube Investments of India Ltd., and Wendt (India) Ltd. With significant market presence in served segments including Abrasives, Auto Components, Cycles, Sugar, Farm Inputs, Fertilizers, Plantations, Bio-products and Nutraceuticals, the Group has alliances with international companies like Groupe Chimique Tunisien, Foskor, Mitsui Sumitomo, Morgan Crucible and Sociedad Química y Minera de Chile (SQM). The group has a geographical presence spanning 13 states in India and 5 continents. Brands like BSA, Hercules, Ballmaster, Ajax, Parry's, Gromor and Paramfos are from the Murugappa stable. The organization fosters an environment of professionalism and has a workforce of about 32,000 employees.

**Our Strategies**

***Continue to expand our vehicle finance vertical***

In the vehicle finance vertical, we focus on the high yield retail borrowers' segment for both new and used vehicles. We will continue to expand our reach and penetration in the retail segment of the commercial vehicles financing market by expanding our branch network and leveraging the existing customer base and manufacturer and dealer relationships. In this vertical, we will focus on consolidating and establishing our presence across diversified segments within the vehicle financing space. To achieve this, we intend to continue to increase our penetration in both the new and used commercial vehicle segments while building a healthy asset book in tractor finance. We also intend to leverage potential market opportunities to grow our cars and multi utility vehicles finance portfolio. Our vehicle finance vertical will leverage technology and training platforms to enhance productivity and efficiency to reduce cost to income ratios and optimize performance.

In the non-retail segment of the vehicle financing vertical, the business will leverage its network and relationships to generate revenues either through refinancing the assets of large operators or syndicating loans to banks and earning fees for the same.

To support growth in this vertical we would focus on managing our portfolio efficaciously and seek to ensure collection efficiency, while parallelly managing costs and reducing cost to income ratios to enhance return on assets to deliver higher spreads.

***Developing a scalable operating platform and expanding our home equity vertical***

We propose to develop a scalable operating platform for our home equity vertical by leveraging on the wide spread network and penetration of our vehicle finance operations and developing customer relationships through the diversified

Murugappa ecosystem. We propose to continue to focus on building a clean and quality portfolio through our policy of concentrating on a niche bracket of self-employed (non-professional) customer base. In order to optimize returns, we will continue to undertake initiatives such as focus on sales productivity, stringent cost control and a focus on enhanced customer engagement. We believe that our focus on optimizing returns going hand in hand with our inbuilt expertise and knowledge of our customer segment would help us ensure that we continue to optimize returns while maintaining the quality of our business assets.

Besides continued concentration on loans against property, we propose to further diversify the home equity vertical by gradually establishing our presence in the housing finance segment. We have recently forayed into the housing finance business in a small scale in the state of Tamil Nadu. We propose to explore opportunities to scale up housing finance operations in Tier I, Tier II and Tier III cities/towns. We will focus on the self- employed customer segment and seek to build expertise in assessing this customer segment and eventually establish a pan India presence in the home loans segment.

***Optimize product concentration and mix in the corporate finance vertical***

We have made a strategic decision to reduce our exposure in financing against shares and other securities and accordingly have brought down our financing against shares and other securities book in view of this realigned strategy. We propose to diversify the corporate finance vertical and are in the process of launching a pilot programme which would initially offer bill discounting, pre-shipment credit, bridge loans, working capital demand loans and short/medium term loans. The customer base for this segment in its initial phase will be targeted at vendors and dealers of associate/ group companies of Murugappa group, vendor network of our existing promoters funding customers with whom our team has a previous relationships, dealers of reputed companies with whom our vehicle finance vertical has established manufacturer tie-ups, other existing Chola ecosystem customers, and other reputed corporates.

***Outlook on our gold loan portfolio***

We started offering loans against gold from Fiscal 2012 as a pilot project. Depending upon our success in the pilot phase of our loans against gold operations, and the prevailing/emerging regulatory framework in this business, a view/outlook on this vertical will be taken going forward by our Company.

## SELECTED FINANCIAL INFORMATION OF OUR COMPANY

*The summary of selected financial and operating data set forth below are extracted from our Standalone Summary Financial Statements and Consolidated Summary Financial Statements for Fiscal 2010, Fiscal 2011 and Fiscal 2012 and for the six month period ended September 30, 2012 included in "Financial Statements" on page 195 of this Placement Document. The financial information included in this Placement Document does not reflect our Company's results of operations, financial position and cash flows for the future and its past operating results are no guarantee of its future operating performance. For a summary of our Company's significant accounting policies and the basis of presentation of its financial statements, see the notes to the financial statements under the section titled "Financial Statements", of this Placement Document. The selected financial and operational data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 61 of this Placement Document.*

### SUMMARY OF STANDALONE ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012, MARCH 31, 2012, MARCH 31, 2011 AND MARCH 31, 2010

**₹ in Million**

| | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Shareholders' funds** | | | | |
| Share capital | 1,326.23 | 1,326.20 | 1,193.49 | 3,664.71 |
| Reserves and surplus | 14,240.61 | 12,846.65 | 9,526.41 | 4,185.33 |
| | **15,566.84** | **14,172.85** | **10,719.90** | **7,850.04** |
| **Share application money pending allotment** | **-** | **-** | **0.27** | **-** |
| | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 72,632.90 | 71,545.50 | 56,155.16 | 24,225.56 |
| Other long-term liabilities | 416.46 | 193.69 | 295.79 | 299.40 |
| Long-term provisions | 546.84 | 529.49 | 501.79 | 416.98 |
| | **73,596.20** | **72,268.68** | **56,952.74** | **24,941.94** |
| **Current liabilities** | | | | |
| Short-term borrowings | 37,119.18 | 15,480.63 | 10,666.61 | 18,867.47 |
| Trade Payables | 943.28 | 895.17 | 556.69 | 372.50 |
| Other current liabilities | 32,885.14 | 30,330.55 | 14,743.50 | 13,450.21 |
| Short-term provisions | 977.14 | 1,158.00 | 3,142.86 | 3,908.91 |
| | **71,924.74** | **47,864.35** | **29,109.66** | **36,599.09** |
| **TOTAL** | **1,61,087.78** | **1,34,305.88** | **96,782.57** | **69,391.07** |

₹ in Million

| | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|---|
| | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | | | | |
| (i) Tangible assets | 551.11 | 494.55 | 311.86 | 111.51 |
| (ii) Intangible assets | 42.72 | 37.09 | 19.88 | 26.03 |
| | 593.83 | 531.64 | 331.74 | 137.54 |
| Non-current investments | 587.44 | 576.94 | 682.75 | 693.03 |
| Deferred tax asset (net) | 417.79 | 511.30 | 1,305.99 | 1,549.26 |
| Receivable under Financing activity | 1,00,199.86 | 83,428.99 | 54,192.62 | 34,409.59 |
| Long-term loans and advances | 542.94 | 448.64 | 584.31 | 290.75 |
| Other non-current assets | 1,263.46 | 1,217.35 | 1,045.58 | 416.17 |
| | | | | |
| | **1,03,605.32** | **86,714.86** | **58,142.99** | **37,496.34** |
| **Current assets** | | | | |
| Current investments | 1,700.00 | 40.07 | - | 1,500.23 |
| Cash and Cash Equivalents | 4,173.54 | 5,013.68 | 4,462.42 | 7,451.32 |
| Receivable under Financing activity | 48,490.89 | 39,870.03 | 31,810.01 | 20,252.39 |
| Short-term loans and advances | 231.52 | 304.97 | 591.52 | 967.06 |
| Other current assets | 2,886.51 | 2,362.27 | 1,775.63 | 1,723.73 |
| | **57,482.46** | **47,591.02** | **38,639.58** | **31,894.73** |
| **TOTAL** | **1,61,087.78** | **1,34,305.88** | **96,782.57** | **69,391.07** |

**SUMMARY OF STANDALONE PROFIT AND LOSS ACCOUNT FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2012 AND FISCAL 2012, FISCAL 2011 AND FISCAL 2010**

**₹ in Million**

| | Six months ended September 30, 2012 | Fiscal 2012 | Fiscal 2011 | Fiscal 2010 |
|---|---|---|---|---|
| Revenue from operations | 11,624.27 | 17,653.82 | 11,866.92 | 9,241.18 |
| Other income | 17.98 | 228.30 | 151.39 | 54.01 |
| | | | | |
| **Total Revenue** | **11,642.25** | **17,882.12** | **12,018.31** | **9,295.19** |
| | | | | |
| Expenses | | | | |
| - Finance Costs | 6,570.83 | 9,881.82 | 5,682.51 | 4,948.84 |
| - Business origination outsourcing | 797.24 | 1,269.34 | 867.72 | 574.69 |
| - Employee benefits expense | 690.18 | 1,103.72 | 896.91 | 765.32 |
| - Other operating expenses | 1,055.27 | 1,905.84 | 1,489.82 | 1,293.22 |
| - Depreciation and amortisation expense | 83.02 | 89.03 | 85.14 | 152.84 |
| - Provision, loan losses and other charges | 386.67 | 396.71 | 1,755.21 | 1,218.00 |
| | | | | |
| **Total expenses** | **9,583.21** | **14,646.46** | **10,777.31** | **8,952.91** |
| | | | | |
| **Profit before exceptional items and tax** | **2,059.04** | **3,235.66** | **1,241.00** | **342.28** |
| | | | | |
| Exceptional items | - | (334.60) | (239.94) | (28.94) |
| | | | | |
| **Profit before tax** | **2,059.04** | **2,901.06** | **1,001.06** | **313.34** |
| **Tax expense:** | | | | |
| - Current tax | | | | |
| - Current year - Expense | 696.20 | 365.73 | 192.19 | 206.99 |
| - Prior years - Expense/(Reversal of provision) | (124.16) | 15.22 | (56.19) | - |
| - Deferred tax | 93.51 | 794.69 | 243.27 | (47.83) |
| | 665.55 | 1,175.64 | 379.27 | 159.16 |
| | | | | |
| | | | | |
| **Profit for the year** | **1,393.49** | **1,725.42** | **621.79** | **154.18** |

₹ in Million

| | Six months ended September 30, 2012 | Fiscal 2012 | Fiscal 2011 | Fiscal 2010 |
|---|---|---|---|---|
| | | | | |
| Earnings per equity share of ₹ 10 each | | | | |
| - Basic | 10.51 | 14.39 | 5.67 | 1.79 |
| - Diluted | 10.50 | 14.39 | 5.67 | 1.79 |

## SUMMARY OF STANDALONE CASHFLOWS FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2012 AND FISCAL 2012, FISCAL 2011 AND FISCAL 2010

₹ in Million

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| ***Cash Flow from Operating Activities*** | - | | - | - | | | | |
| - | - | | - | - | | | | |
| **Net Profit Before Tax** | - | **2,059.04** | | **2,901.06** | | **1,001.06** | | **313.34** |
| | - | | | | | | | |
| **Adjustments for :-** | - | | | | | | | |
| - | - | | - | - | | | | |
| Depreciation | 83.02 | | 89.03 | | 85.14 | | 152.84 | |
| Provision / (Reversal of Provision) for Standard Assets (Net) | 82.81 | | (170.96) | | 209.70 | | (1,700.00) | |
| Provision / (Reversal of Provision)/for Non Performing Assets under Financing Activity (Net) | 13.20 | | (1,582.10) | | (909.58) | | 1,319.18 | |
| (Reversal of Provision)/Provision for Credit Enhancement and Servicing Costs on Assets De-recognised(Net) | (6.77) | | (258.80) | | (118.30) | | 133.03 | |
| (Reversal of Provision) / Provision for Diminution in Value of Investments | (10.50) | | 665.00 | | 209.54 | | (235.30) | |
| (Reversal of Provision)/Provision for Inter corporate Deposit | - | | (30.40) | | 30.40 | | - | |
| Provision/(Reversal of Provision) for Mark to Market Losses on Derivatives | - | | 29.64 | | 26.10 | | (5.80) | |
| Liability no longer required written back | - | | - | | (7.04) | | - | |
| Financing Charges | 6,570.83 | | 9,881.82 | | 5,682.50 | | 4,948.84 | |
| Provision for gratuity | 16.49 | | - | | - | | - | |
| Provision for Compensated Absences (Net) | 24.75 | | 12.33 | | 17.12 | | 7.39 | |
| Provision for Contingent Service tax claims | 5.68 | | 66.63 | | - | | - | |
| Loss / (Profit) on Sale of Fixed Assets ( Net ) | 0.14 | | (0.04) | | (112.72) | | (205.48) | |
| Loss on Repossessed Assets (Net) | 155.44 | | 161.71 | | 136.04 | | 312.02 | |
| Loss assets written off | 140.50 | | 1,722.30 | | 2,232.24 | | 389.54 | |
| Loss on assignment of receivables (Net) | - | | - | | 16.32 | | 0.47 | |
| Profit on Sale of Current Investments ( Net ) | (120.86) | | (104.76) | | (70.62) | | (174.65) | |
| Loss on sale of investment in Subsidiary companies | - | | - | | - | | 472.16 | |
| Amortisation of Premium on Acquisition of Government Securities | 0.07 | | 0.75 | | 0.74 | | 0.74 | |
| Interest on Bank Deposits | (153.28) | | (294.73) | | (355.02) | | (501.51) | |
| Interest on Investments | (0.26) | | (2.96) | | (6.71) | | (2.96) | |
| Dividend on Investments | (0.00) | | (0.00) | | (0.15) | | (0.47) | |
| | | | | | | | | |

₹ in Million

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| | | 6,801.26 | | 10,184.46 | | 7,065.70 | | 4,910.04 |
| | | | | | | | | |
| **Operating Profit Before Working Capital Changes** | | 8,860.30 | | 13,085.52 | | 8,066.76 | | 5,223.38 |
| | | | | | | | | |
| **Adjustments for :-** | | | | | | | | |
| - | - | - | - | - | | | | |
| Increase in Receivables under Financing Activity (including Repossessed Assets) | (25,786.43) | | (50,295.47) | | (37,532.10) | | (22,939.27) | |
| Increase in Other Current Assets | (201.97) | | (550.90) | | (378.96) | | 11.03 | |
| Decrease / (Increase) in Other Loans and Advances | 51.05 | | 279.29 | | (178.72) | | (418.80) | |
| Increase / (Decrease) in Current Liabilities and Provisions | 164.13 | | 227.93 | | (614.14) | | 194.18 | |
| Securitisation / Bilateral Assignment of Receivables | - | | 11,133.75 | | 3,983.97 | | 13,078.51 | |
| | | (25,773.22) | | (39,205.40) | | (34,719.95) | | (10,074.35) |
| | | | | | | | | |
| Financing Charges | (7,108.24) | | (9,205.23) | | (5,477.15) | | (5,567.48) | |
| Direct Taxes Paid | (626.65) | | (386.14) | | (357.67) | | (295.04) | |
| | | | | | | | | |
| | | (7,734.89) | | (9,591.37) | | (5,834.82) | | (5,862.52) |
| | | | | | | | | |
| **Net Cash Used in Operating Activities (A)** | | (24,647.81) | | (35,711.25) | | (32,488.01) | | (10,713.49) |
| | | | | | | | | |
| ***Cash Flow from Investing Activities*** | | | | | | | | |
| | | | | | | | | |
| Bank Deposits and Unpaid Dividend Accounts (See Note below) | 886.14 | - | 293.06 | - | 1,935.17 | | 2,571.87 | |
| Purchase of Fixed Assets | (163.16) | | (309.32) | | (353.56) | | (46.33) | |
| Sale of Fixed Assets | 0.51 | | 2.28 | | 168.91 | | 299.56 | |
| Investment in Subsidiary Companies | - | | (600.00) | | (200.00) | | (239.54) | |
| Purchase of Other Investments | (1,18,880.00) | | (1,30,100.12) | | (1,02,672.23) | | (90,526.47) | |
| Sale of Investment in Subsidiary Companies | - | | - | | - | | 434.36 | |
| Sale/ Redemption of Other Investments | 1,19,040.85 | | 1,30,204.88 | | 1,02,742.85 | | 92,252.37 | |
| Interest Received on Bank Deposits and other Investments | 433.91 | | 453.59 | | 456.21 | | 439.80 | |
| Dividend Received on Investments | 0.00 | | 0.00 | | 0.15 | | 0.47 | |
| **Net Cash From / (Used in) Investing Activities (B)** | | 1,318.25 | | (55.63) | | 2,077.50 | | 5,186.09 |
| | | | | | | | | |
| | | | | | | | | |

₹ in Million

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| - | | | | | | | | |
| ***Cash Flow from Financing Activities*** | | | | | | | | |
| | | | | | | | | |
| Long Term & Medium Term | | | | | | | | |
| - Increase in Equity Share Capital and Securities Premium (including conversion of Preference shares into Equity and net of Issue Expenses) | 0.51 | | 2,089.28 | | 2,460.52 | | - | |
| - Share Application money pending allotment | - | | - | | 0.27 | | - | |
| - Increase in Debentures | 4,260.00 | | 21,256.00 | | 8,315.00 | | (10,500.00) | |
| - (Decrease) / Increase in Term Loans from Banks and Others | (668.24) | | 8,882.04 | | 24,164.39 | | 16,170.57 | |
| - | | | | | | | | |
| Short Term | - | - | - | - | | | | |
| - Increase / (Decrease) in Bank Borrowings | 4,565.35 | | 8,264.02 | | (3,038.35) | | (1,870.90) | |
| - Increase / (Decrease) in Other Borrowings | 17,073.20 | | (3,463.45) | | (3,923.78) | | (3,701.14) | |
| | | | | | | | | |
| - Decrease in Fixed Deposits | (0.59) | | (0.78) | | (2.27) | | - | |
| | | | | | | | | |
| Dividends Paid (Including Distribution Tax) | (154.66) | | (415.92) | | (119.22) | | (1.20) | |
| | | | | | | | | |
| **Net Cash From Financing Activities (C)** | | 25,075.57 | | 36,611.19 | | 27,856.56 | | 97.33 |
| | | | | | | | | |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)** | | 1,746.01 | | 844.31 | | (2,553.96) | | (5,430.07) |
| | | | | | | | | |
| Cash and Cash Equivalents at the Beginning of the Year | | 1,361.50 | | 517.19 | | 3,071.15 | | 8,501.22 |
| Cash and Cash Equivalents at the End of the Year | | 3,107.51 | | 1,361.50 | | 517.19 | | 3,071.15 |
| | | | | | | | | |
| | | | | | | | | |
| **Note:** | | | | | | | | |
| Cash and Cash Equivalents at the End of the Year as per Balance Sheet | | 4,173.55 | | 5,013.67 | | 4,462.42 | | 7,451.32 |
| Add: Current Investments (Excluding Investments under Lien) | | 1,700.00 | | - | | - | | 1,500.23 |
| Less: Balance in Current Accounts held for Unpaid Dividends | | 2.75 | | 3.35 | | 3.33 | | 3.81 |
| Less: Bank Deposits held for More than Three Months | | 173.13 | | 499.78 | | 780.41 | | 4.32 |
| Less: Bank Deposits under Lien | | 2,590.15 | | 3,149.05 | | 3,161.49 | | 5,872.27 |
| | | 3,107.51 | | 1,361.50 | | 517.19 | | 3,071.15 |

**SUMMARY OF CONSOLIDATED ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012, MARCH 31, 2012, MARCH 31, 2011 AND MARCH 31, 2010**

₹ in Million

| | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Shareholder's funds** | | | | |
| Share capital | 1,326.23 | 1,326.20 | 1,193.49 | 3,664.71 |
| Reserves and surplus | 14,101.44 | 12,711.08 | 9,426.36 | 3,861.23 |
| | **15,427.67** | **14,037.28** | **10,619.85** | **7,525.94** |
| **Share application money pending allotment** | - | - | 0.27 | **-** |
| | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 72,632.90 | 71,545.50 | 56,155.16 | 24,825.56 |
| Other long-term liabilities | 416.46 | 193.69 | 295.79 | 299.40 |
| Long-term provisions | 547.15 | 530.08 | 519.90 | 496.00 |
| | **73,596.51** | **72,269.27** | **56,970.85** | **25,620.96** |
| **Current liabilities** | | | | |
| Short-term borrowings | 37,016.48 | 15,480.63 | 10,666.61 | 18,867.47 |
| Trade Payables | 1,024.45 | 992.39 | 671.78 | 541.22 |
| Other current liabilities | 32,896.17 | 30,335.42 | 15,336.94 | 13,614.52 |
| Short-term provisions | 1,665.77 | 1,854.27 | 3,227.56 | 3,921.38 |
| | **72,602.87** | **48,662.71** | **29,902.89** | **36,944.59** |
| **TOTAL** | **1,61,627.05** | **1,34,969.26** | **97,493.86** | **70,091.49** |
| | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | | | | |
| (i) Tangible assets | 565.40 | 512.66 | 333.33 | 144.62 |
| (ii) Intangible assets | 54.74 | 52.26 | 40.13 | 50.99 |
| | 620.14 | 564.92 | 373.46 | 195.61 |
| Goodwill on Consolidation of Subsidiaries | - | - | - | 5.89 |
| Non-current investments | 38.95 | 38.95 | 67.57 | 70.78 |

₹ in Million

| | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|---|
| Deferred tax asset (net) | 417.80 | 511.31 | 1,334.03 | 1,579.57 |
| Receivable under Financing activity | 1,00,200.20 | 83,429.57 | 54,944.07 | 34,845.54 |
| Long-term loans and advances | 595.35 | 515.83 | 676.96 | 371.58 |
| Trade Receivables | - | - | - | 0.33 |
| Other non-current assets | 1,264.05 | 1,217.35 | 1,045.58 | 418.26 |
| | | | | |
| | **1,03,136.49** | **86,277.93** | **58,441.67** | **37,487.56** |
| **Current assets** | | | | |
| Current investments | 1,720.00 | 62.74 | 32.57 | 1,670.28 |
| Trade Receivables | 50.68 | 73.70 | 66.83 | 107.87 |
| Cash and Cash Equivalents | 4,313.84 | 5,312.36 | 4,748.87 | 7,546.77 |
| Receivable under Financing activity | 49,172.23 | 40,559.51 | 31,810.02 | 20,606.60 |
| Short-term loans and advances | 343.16 | 315.16 | 608.73 | 941.20 |
| Other current assets | 2,890.65 | 2,367.86 | 1,785.17 | 1,731.21 |
| | **58,490.56** | **48,691.33** | **39,052.19** | **32,603.93** |
| **TOTAL** | **1,61,627.05** | **1,34,969.26** | **97,493.86** | **70,091.49** |

**SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2012 AND FISCAL 2012, FISCAL 2011 AND FISCAL 2010**

**₹ in Million**

| | Six months ended September 30, 2012 | Fiscal 2012 | Fiscal 2011 | Fiscal 2010 |
|---|---|---|---|---|
| | | | | |
| Revenue from operations | 11,692.54 | 17,792.94 | 12,062.63 | 9,493.73 |
| Other income | 23.96 | 262.57 | 164.59 | 71.03 |
| | | | | |
| **Total Revenue** | **11,716.50** | **18,055.51** | **12,227.22** | **9,564.76** |
| | | | | |
| Expenses | | | | |
| - Finance Costs | 6,569.62 | 9,900.22 | 5,747.13 | 4,951.31 |
| - Business origination outsourcing | 818.75 | 1,321.91 | 882.15 | 593.35 |
| - Employee benefits expense | 730.97 | 1,191.91 | 965.51 | 932.36 |
| - Other operating expenses | 1,072.31 | 1,948.76 | 1,532.33 | 1,359.76 |
| - Depreciation and amortisation expense | 89.38 | 103.83 | 100.48 | 171.47 |
| - Provision, loan losses and other charges | 380.00 | 995.67 | 1,772.21 | 1,304.57 |
| | | | | |
| **Total expenses** | **9,661.03** | **15,462.30** | **10,999.81** | **9,312.82** |
| | | | | |
| **Profit before exceptional items and tax** | **2,055.47** | **2,593.21** | **1,227.41** | **251.94** |
| Profit on disposal of subsidiaries (Net) | | | | 307.77 |
| Exceptional items | | 300.00 | - | 138.50 |
| | | | | |
| **Profit before taxation** | **2,055.47** | **2,893.21** | **1,227.41** | **698.21** |
| **PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION** | 2,055.47 | 2,893.21 | 1,227.41 | 567.84 |
| Tax expense: | | | | |
| - Current tax | | | | |
| - Current year- Expense | 696.93 | 365.84 | 206.51 | 206.89 |
| - Prior years - Expense / (Reversal of provision) | (124.16) | 14.72 | (56.19) | - |
| - MAT Credit Entitlement | (0.70) | 0.03 | (14.30) | - |
| - Deferred tax | 93.51 | 822.72 | 245.54 | (36.41) |

₹ in Million

| | Six months ended September 30, 2012 | Fiscal 2012 | Fiscal 2011 | Fiscal 2010 |
|---|---|---|---|---|
| | 665.58 | 1,203.31 | 381.56 | 170.48 |
| **PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION (A)** | **1,389.89** | **1,689.90** | **845.85** | **397.36** |
| | | | | |
| Profit from discontinuing operations before Taxation | - | - | - | 130.37 |
| | | | | |
| Tax expense of discontinuing operations | - | - | - | 0.05 |
| PROFIT FROM DISCONTINUING OPERATIONS AFTER TAXATION (B) | - | - | - | 130.32 |
| **PROFIT AFTER TAXATION (A + B)** | **1,389.89** | **1,689.90** | **845.85** | **527.68** |
| | | | | |
| Earnings per equity share: | | | | |
| - Basic | 10.49 | 14.10 | 7.73 | 7.42 |
| - Diluted | 10.48 | 14.10 | 7.73 | 7.42 |

## SUMMARY OF CONSOLIDATED CASHFLOWS FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2012 AND FISCAL 2012, FISCAL 2011 AND FISCAL 2010

**₹ in Million**

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| ***Cash Flow from Operating Activities*** | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| **Net Profit Before Tax** | | **2,055.47** | | **2,893.21** | | **1,227.41** | | **698.21** |
| Adjustments for :- | | | | | | | | |
| | | | | | | | | |
| Depreciation | 89.38 | | 103.83 | | 100.48 | | 171.47 | |
| Provisions/(reversal of provisions) for Standard Assets (Net) | 82.81 | | (170.96) | | 209.71 | | (1,700.00) | |
| Provisions/(reversal of provisions) for Non Performing Assets under Financing Activity (Net) | 4.79 | | (988.69) | | (898.64) | | 1,404.87 | |
| Provision for Other Doubtful Debts and Advances (Net) | - | | - | | - | | 0.84 | |
| Provisions/(reversal of provisions) for Credit Enhancement and Servicing Costs on Assets De-recognised(Net) | (6.77) | | (258.80) | | (118.30) | | 133.03 | |
| Provisions/(reversal of provisions) for Diminution in Value of Investments | 0.11 | | - | | - | | - | |
| Provisions for Mark to Market Losses on Derivatives | - | | 29.65 | | 26.10 | | - | |
| Provisions for Gratuity | 16.81 | | - | | - | | - | |
| Provisions for Compensated Absences(Net) | 24.94 | | 12.97 | | 17.49 | | 0.47 | |
| Provision for Contingent Service Tax claims | 5.68 | | - | | - | | - | |
| Loss on Repossessed Assets (Net) | 155.44 | | 161.71 | | 136.04 | | 312.02 | |
| Loss assets written off | 140.50 | | 1,722.30 | | 2,338.80 | | 1,336.86 | |
| Loss on Sale of Securities | - | | - | | - | | 69.42 | |
| Provision no longer required written back | - | | - | | (9.56) | | (2.54) | |
| Goodwill written off | - | | - | | 5.89 | | - | |
| Financing Charges | 6,569.62 | | 9,900.21 | | 5,747.13 | | 4,951.46 | |
| (Profit)/Loss on Sale of Fixed Assets ( Net ) | 0.12 | | 0.14 | | (112.81) | | (205.48) | |
| Profit on Sale of Current Investments ( Net ) | (121.58) | | (105.76) | | (71.15) | | (181.06) | |
| Amortisation of Premium on Acquisition of Government Securities | 0.07 | | 0.75 | | 0.74 | | 0.74 | |
| Interest & Dividend Income | (167.46) | | (333.24) | | (372.44) | | (517.24) | |
| Profit on sale of subsidiaries in Mutual Fund Business | - | | - | | - | | (307.77) | |
| | | 6,794.46 | | 10,074.11 | | 6,999.48 | | 5,467.09 |
| | | | | | | | | |
| **Operating Profit Before Working Capital Changes** | | **8,849.93** | | **12,967.32** | | **8,226.89** | | **6,165.30** |
| | | | | | | | | |

₹ in Million

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| Adjustments for :- | | | | | | | | |
| (Increase)/Decrease in Receivables under Financing Activity (including Repossessed Assets) | (25,778.08) | | (50,148.85) | | (37,715.83) | | (24,635.67) | |
| (Increase)/Decrease in Other Assets | (179.00) | | (729.89) | | (829.28) | | (41.10) | |
| (Increase)/Decrease in Loans and advances | 47.98 | | 452.34 | | 286.42 | | (344.44) | |
| (Increase)/Decrease in Current Liabilities and Provisions | 154.23 | | 181.80 | | (538.37) | | 175.33 | |
| Securitisation / Bilateral Assignment of Receivables | - | | 11,133.75 | | 3,983.97 | | 13,078.51 | |
| | | (25,754.87) | | (39,110.85) | | (34,813.09) | | (11,767.37) |
| | | | | | | | | |
| **Cash Used in Operating Activities** | | (16,904.94) | | (26,143.53) | | (26,586.20) | | (5,602.07) |
| | | | | | | | | |
| Financing charges paid | (7,107.02) | | (9,235.63) | | (5,362.96) | | (5,662.04) | |
| Direct Taxes Paid | (612.37) | (7,719.39) | (360.04) | (9,595.67) | (377.31) | (5,740.27) | (297.87) | (5,959.91) |
| | | | | | | | | |
| **Net Cash Used in Operating Activities (A)** | | **(24,624.33)** | | **(35,739.20)** | | **(32,326.47)** | | **(11,561.98)** |
| | | | | | | | | |
| ***Cash Flow from Investing Activities*** | | | | | | | | |
| | | | | | | | | |
| Bank Deposits and Unpaid Dividend Accounts (See Note below) | 1,043.70 | | 278.42 | | 1,742.42 | | 2,571.78 | |
| Purchase of Fixed Assets | (164.99) | | (316.95) | | (354.68) | | (66.45) | |
| Sale of Fixed Assets | 2.29 | | 3.37 | | 171.12 | | 314.66 | |
| Inter corporate Deposit | (97.22) | | - | | - | | - | |
| Purchase of Other Investments | (1,18,972.61) | | (1,30,328.54) | | (1,03,302.27) | | (13.79) | |
| Sale/ Redemption of Other Investments | 1,19,134.08 | | 1,30,422.11 | | 1,03,373.43 | | 1,760.02 | |
| Proceeds from sale of subsidiaries in Mutual Fund Business (Net of expense) | - | | - | | - | | 434.36 | |
| Interest & Dividend Received | 448.70 | | 488.74 | | 473.26 | | 453.56 | |
| | | | | | | | | |
| **Net Cash From Investing Activities (B)** | | 1,393.95 | | 547.15 | | 2,103.28 | | 5,454.14 |
| | | | | | | | | |
| ***Cash Flow from Financing Activities*** | | | | | | | | |
| ***Long Term & Medium Term*** | | | | | | | | |
| - Increase in Equity Share Capital and Securities Premium | 0.51 | | 2,089.28 | | 2,460.52 | | - | |
| - Share Application money pending allotment | - | | - | | 0.27 | | - | |
| - Increase/(Decrease) in Debentures | 4,260.00 | | 21,256.00 | | 8,315.00 | | (10,500.00) | |

₹ in Million

| Particulars | Six months ended September 30, 2012 | | Fiscal 2012 | | Fiscal 2011 | | Fiscal 2010 | |
|---|---|---|---|---|---|---|---|---|
| - Increase/(Decrease) in Term Loans from Banks and others | (668.23) | | 8,282.04 | | 24,014.39 | | 16,920.57 | |
| - Decrease in Fixed Deposits | (0.59) | | (1.36) | | (2.54) | | (62.79) | |
| ***Short Term*** | | | | | | | | |
| - Increase/(Decrease) in Banks Borrowings | 4,565.35 | | 8,264.02 | | (3,038.36) | | (1,870.90) | |
| - Decrease in Other Borrowings | 16,970.50 | | (3,450.00) | | (4,100.00) | | (3,701.15) | |
| Dividends Paid (Including Distribution Tax) | (154.66) | | (415.92) | | (119.28) | | (1.12) | |
| | | | | | | | | |
| **Net Cash From Financing Activities (C)** | | 24,972.88 | | 36,024.06 | | 27,530.00 | | 784.61 |
| | | | | | | | | |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)** | | **1,742.50** | | **832.01** | | **(2,693.19)** | | **(5,323.23)** |
| | | | | | | | | |
| Cash and Cash Equivalents at the Beginning of the Period/Year | | 1,388.69 | | 556.68 | | 3,249.87 | | 8,573.10 |
| Cash and Cash Equivalents at the End of the Period/Year | | **3,131.19** | | **1,388.69** | | **556.68** | | **3,249.87** |
| | | | | | | | | |
| | | | | | | | | |
| Note: | | | | | | | | |
| Cash and Cash Equivalents at the End of the Period/Year as per Balance Sheet | | 4,313.84 | | 5,312.36 | | 4,748.87 | | 7,546.77 |
| Add: Current Investments (Excluding Investments under Lien) | | 1,720.00 | | 22.67 | | 32.57 | | 1,670.28 |
| Less: Balance in Current Accounts held for Unpaid Dividends | | 2.78 | | 3.38 | | 3.36 | | 3.90 |
| Less: Bank Deposits held for More than Three Months | | 249.63 | | 740.28 | | 980.91 | | 42.75 |
| Less: Bank Deposits under Lien | | 2,650.24 | | 3,202.68 | | 3,240.49 | | 5,920.53 |
| | | 3,131.19 | | 1,388.69 | | 556.68 | | 3,249.87 |
| | | | | | | | | |

## RISK FACTORS

*An investment in equity and equity related securities involves a high degree of risk. You should carefully consider all of the information in this Placement Document, including the risks and uncertainties described below, before making an investment. Our Company's past performance may not be indicative of our future performance or results of operations. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries.*

*Any financial data included in this section, unless stated otherwise, have been extracted from the Consolidated Summary Financial Statements.*

*Additional risks not described below or not currently known to our Company or that our Company currently deems immaterial may also adversely affect the market price of the Issue Shares and that an investor could consequently lose all or a part of his investment in the Issue Shares. In particular, any potential investor in or purchaser of the Issue Shares should pay particular attention to the fact that our Company is a company governed by Indian legal and regulatory requirements which may differ from those which prevail in other countries.*

*Unless specified or quantified in the relevant risk factors detailed below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.*

***Materiality***

*Additionally, our business operations could also be affected by additional factors that are not presently known to us or that we currently consider as immaterial to our operations. The following factors have been considered for determining their materiality:*

1. *Some events may not be material individually but may be found material collectively.*

2. *Some events may have a material impact qualitatively instead of quantitatively.*

3. *Some events may not be material at present but may have material impacts in the future.*

### INTERNAL RISK FACTORS

#### Risks relating to our Company and its Business

1. ***Our financial performance is particularly vulnerable to interest rate volatility. Any fluctuations in interest rates could adversely affect our borrowing costs, interest income and net interest margins, which could adversely affect our results of operations and financial conditions.***

   Our results of operations are substantially dependent upon the level of our interest income and net interest margins. We borrow funds on both fixed and floating rates (which are primarily term loans with banks which are linked to banks base rate). We are exposed to interest rate risks as a result of lending to customers in our vehicle finance portfolio at fixed interest rates and in amounts and for periods which may differ from our funding sources. Volatility in interest rates can materially and adversely affect our financial performance and cash flows. In a rising interest rate environment, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin can be adversely impacted. Additional risks arising from increasing interest rates, among others, include increases in the rates of interest charged on various loans in our loan portfolio, which could result in the extension of loan maturities and higher monthly installments due from borrowers which, in turn, could result in higher rates of default; reductions in the volume of commercial vehicle loans as a result of clients' inability to service high interest rate payments.

   Accordingly, our operations are susceptible to fluctuations in interest rates. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the

monetary policies of the RBI, de-regulation of the financial services sector in India, domestic and international economic and political conditions, inflation and other factors. Rise in inflation, and consequent changes in Bank rates, Repo rates and Reverse Repo rates by the RBI has led to an increase in interest rates on loans provided by banks and financial institutions, and market interest rates in India have been volatile in recent periods.

2. ***Our business requires substantial capital, and any disruption in funding sources would have a material adverse effect on our liquidity, financial condition and/or cash flows.***

Our funding requirements historically have been met from a combination of term loans from banks, issuance of secured and unsecured non-convertible debentures, and issue of commercial paper, as well as through securitization and assignment of our loan portfolio. Thus, our business will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the regulatory environment, liquidity in the markets, policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of NBFCs, and our current and future results of operations and financial condition.

Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. As an NBFC, we also face certain restrictions on our ability to raise money from international markets which may further constrain our ability to raise funds at attractive rates. Such conditions may lead to a disruption in our primary funding sources at competitive costs and would have a material adverse effect on our liquidity, financial condition and/or cash flows.

3. ***If we are unable to manage the level of NPAs in our loan assets, our financial position and results of operations may suffer.***

Our Gross NPAs (standalone) as a percentage of our total credit exposure were 1.20%, 0.95%, 3.15%, 8.24% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively, while our Net NPAs (standalone) as a percentage of our total credit exposure were 0.65%, 0.30%, 0.39% and 2.20% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively. As our loan portfolio matures, we may experience greater defaults in principal and/or interest repayments. Thus, if we are not able to control or reduce our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations and/or cash flows may be adversely affected. Furthermore, our current provisions may not be adequate when compared to the loan portfolios of other financial institutions. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of Gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, there may be an adverse impact on our results of operations and/or cash flows.

The current provisioning norms adopted by our Company are in conformity with the minimum provisioning requirements of the RBI. In future, if the RBI norms stipulate higher provisioning requirements then our Company could be required to make such additional provisions which could have an adverse impact on the profitability of our Company. Further, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected.

4. ***Our Vehicle Finance business is predominantly focused on new and pre-owned light and small commercial vehicles and any adverse developments in this sector would adversely affect our results of operations.***

As on September 30, 2012 our net vehicle finance assets accounted for 73.59% of our Net Business Assets on a standalone basis. Our net vehicle finance assets predominantly comprised of commercial vehicle loans. As we focus on providing financing for light and small commercial vehicles, our asset and NPA portfolios have, and will likely continue in the future to have, a high concentration of new commercial vehicle financing arrangements. Our business is, therefore, entirely dependent on various factors that impact this customer segment, such as the demand for transportation services in India, changes in Indian regulations, growth in agriculture, natural disasters and calamities, and macroeconomic environment in India and globally. Also, individual borrowers generally are less financially resilient than larger corporate borrowers or fleet owners, and, as a result, can be more adversely affected by declining economic conditions. Such factors may result in a decline in the sales or value of new and pre-owned commercial vehicles. Correspondingly, the demand for

finance for pre-owned and new commercial vehicles may decline, which in turn may adversely affect our financial condition, the results of our operations and/or cash flows. Further, the ability of commercial vehicle owners and/or operators to perform their obligations under existing financing agreements may be adversely affected if their businesses suffer as a result of the aforesaid factors.

5. ***High levels of customer defaults could adversely affect our business, financial condition, results of operations and/or cash flows.***

We are subject to customer default risks including default or delay in repayment of principal or interest on our loans. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition, results of operations and/or cash flows will be adversely impacted.

Majority of our customers in our portfolio belong to semi urban and rural regions. In addition, our customer portfolio consists of individuals and SME segment customers, and individual borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they can be more adversely affected by declining economic conditions. The owners and/or operators of commercial vehicles financed by us often do not have any credit history supported by tax returns and other related documents which would enable us to assess their creditworthiness. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation on the part of our customers. Furthermore, unlike several developed economies, a nationwide credit bureau has only recently become operational in India, so there is less financial information available about the creditworthiness of individuals, particularly our client segment who are mainly from the low income group and who typically have limited access to other financing sources. It is therefore difficult to carry out precise credit risk analyses on our clients. Although we follow certain procedures to evaluate the credit profile of our customers at the time of sanctioning a loan, we generally rely on the referrals from the local trucking community and value of the commercial vehicle provided as underlying collateral rather than on a stringent analysis of the credit profile of our customers. We cannot be certain that our risk management controls and measures will at all times be adequate or that additional risk management policies for individual borrowers will not be required. Failure to continuously monitor the loan contracts, particularly for individual borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations, financial condition and/or cash flows.

6. ***We may not be able to recover, on a timely basis or at all, the full value of collateral or amounts which are sufficient to cover the outstanding amounts due under defaulted loans.***

As a security interest for the financing facilities provided by us to our customers, the vehicles purchased by our customers are hypothecated in our favour. The value of the vehicle, however, is subject to depreciation, deterioration, and/or reduction in value on account of other extraneous reasons, over the course of time. Consequently, the realizable value of the collateral for the credit facility provided by us, when liquidated, may be lower than the outstanding loan from such customers. Any default in repayment of the outstanding credit obligations by our customers may expose us to losses. Furthermore, in the case of a default, we typically repossess the commercial vehicles financed and sell such vehicles through auctions. The hypothecated vehicles, being movable property, may be difficult to locate or seize in the event of any default by our customers. There can also be no assurance that we will be able to sell such vehicles provided as collateral at prices sufficient to cover the amounts under default. In addition, there may be delays associated with such process. A failure or delay to recover the expected value from sale of collateral security could expose us to a potential loss. Any such losses could adversely affect our financial condition, results of operations and/or cash flows. Furthermore, enforcing our legal rights by litigating against defaulting customers is generally a slow and potentially expensive process in India. Accordingly, it may be difficult for us to recover amounts owed by defaulting customers in a timely manner or at all. The recovery of monies from defaulting customers may be further compounded by the fact that we do not generally insist on, or receive post dated cheques as security towards the timely repayment of dues from customers to whom we have provided loans. Further if we are unable to sell any repossessed vehicles provided as security for such loans, at commercially favourable prices, in a timely manner or at all, we may not recover the costs of maintaining such repossessed vehicles and our operations, cash flows and profitability could be adversely affected.

7. ***The primary security for the loans disbursed by our Company in the home equity finance vertical is the underlying property. We may not be able to realize the expected value of the collateral on loans due to fluctuating real estate prices and/or enforce the security in a timely manner or at all in the event of default and this may have a material adverse effect on our business, results of operations and financial condition.***

The primary security for the loans disbursed by our Company in our home equity finance vertical is the underlying property and the value of this security is largely dependent on housing market conditions prevalent at that time. The value of the collateral on the loans disbursed by our Company may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. Failure to recover the expected value of collateral could expose our Company to losses and, in turn, result in a material adverse effect on our business, results of operations and financial condition.

8. ***A decline in our Company's capital adequacy ratio could restrict our growth prospects.***

As per RBI Notification as amended up to July 2, 2012– "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007" dated July 1, 2011, our Company is required to maintain a minimum capital ratio, consisting of Tier I and Tier II capital, which shall not be less than 15% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items w.e.f. March 31, 2011. Our capital adequacy ratio (standalone) computed on the basis of applicable RBI requirements was 18.08% as of March 31, 2012, with Tier I capital comprising 11.00% and Tier II capital comprising the balance 7.08%. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favourable to us or at all, and this may adversely affect the growth of our business.

9. ***As on the date of this Placement Document our Company has applied for but not received consents from all relevant lenders in connection with initiating and consummating this Issue.***

Our financing agreements and documents in connection with loan facilities availed from some of our lenders require our Company to obtain consent from the relevant lender for effecting any change in the capital structure or issuing any fresh capital. As on the date of this Placement Document, our Company has applied for but not received such consents in connection with initiating and consummating this Issue from some of the relevant lenders. Although our Company does not believe this to be materially significant to affect this Issue or our results of operations, our failure to receive such consents in a timely manner or at all could adversely affect our reputation, financial condition and profitability should any lender initiate action for any alleged non-compliance in this regard.

10. ***The loans availed by our customers in the home equity finance vertical can be used for various purposes and we may not have any control over such usage. This may result in a failure by the customers to repay the loans in a timely manner or at all and this may have a material adverse effect on our business, results of operations and financial condition.***

Our home equity finance vertical provides loans against property predominantly to self-employed non-professional customers who are engaged in business activity such as manufacturing, trading or services. The purpose for which the loan is obtained by our customers differs from customer to customer. We do not have any direct control over how the customer actually puts the loan proceeds to use, after availing the loan. Although, our credit appraisal system conducts a due diligence during its underwriting process and exercises caution in its lending, any usage of loan proceeds for various purposes which are outside our control, may impact his repayment capacity to our loan. Any failure to repay such loan may have an adverse effect on our business, prospects and financial conditions.

11. ***Prepayment by our customers may result into portfolio attrition which may have a material adverse effect on our business, results of operations and financial condition.***

Customers from time to time approach us for prepayment of their loan facilities, either to reduce their debt burden, or to avail a similar loan from our competitors at more attractive terms. Particularly in our home equity finance vertical where loans are provided against property with tenors that extends up to 15 years, such prepayments are relatively more likely. The incidence of customers attempting to switch their loans to competitors is based on market conditions, primarily the lending rates currently prevailing in the market. The

business takes several steps to mitigate the prepayment risk which include offering the customers additional top up loans proactively and improving customer relations through better engagement, however prepayments by our customers reduce the size of our business assets and can adversely impact our interest income. Any decrease of our interest income may have a material adverse effect on our business, results of operations and financial condition.

***12. RBI has in the past imposed a penalty on our Company in connection with certain regulatory violations for which our Company has sought compounding.***

Our Company received a letter from the Reserve Bank of India ("**RBI**") directing the Company to seek approval from the Foreign Investment Promotion Board ("**FIPB**") with respect to issuance of shares with detachable warrants. FIPB granted a post facto approval subject to compounding by the RBI. Pursuant to the receipt of this approval, our Company sought compounding from RBI for contravention of the Regulation 2(ii), 4 and 6(1) of Notification no. FEMA 20/2000-RB as our Company failed to obtain the specific and prior approval of FIPB before issue of convertible detachable warrants along with rights issue of equity shares to a person resident outside India. The compounding application was disposed off vide RBI order dated October 1, 2010 imposing a penalty of ₹ 0.5 million on our Company which has been paid as directed by RBI. Any such penalties or contraventions by our Company in future could adversely affect our reputation, operations and profitability.

***13. Various legal proceedings have been initiated against our Company. An unfavourable outcome in connection with the aforesaid proceedings, would inter-alia require us to make appropriate additional provisions in connection with the same in our financial statements, which in turn could adversely affect our business, results of operations and financial condition.***

Our Company is defending legal proceedings which are pending at different levels of adjudication before various courts and tribunals. In case of an unfavorable decision, we may face losses and may have to make additional provisions in our financial statements, which could increase our expenses and our liabilities, which in turn, may have a material adverse effect on our business, results of operations and financial condition.

For further details of the legal proceedings which materially affect our financial condition and results of operations, please refer to the section titled "*Legal Proceedings*" on page 173 of this Placement Document.

***14. The Reserve Bank of India has, vide a letter dated January 30, 2013 ("Inspection Report"), issued the findings and observations of its inspection of our books of accounts and other records relating to our financial position as at March 31, 2011. Any unfavourable outcome in relation to the aforesaid inspection and or the Inspection Report could adversely affect our operations and profitability.***

The Reserve Bank of India conducts an annual inspection of our books of accounts and other records relating to our financial position every year under Section 45N of the Reserve Bank of India Act, 1934. For the financial year ended March 31, 2011, the inspection was conducted between November 21, 2011 and December 29, 2011. Pursuant to the inspection, the Reserve Bank of India, vide a letter dated January 30, 2013, has made some observations in connection with certain reporting and policy approvals. Our Company is in the process of responding to the aforesaid Inspection Report. Any adverse outcome in connection with the aforesaid Inspection Report, including any further correspondence / action as may be required pursuant to our responses, could adversely affect our operations and profitability.

***15. We provide loans against securities to our customers, the repayment of which is secured by a pledge of securities held by such customers. If we have to enforce such pledges and if at the time of such enforcement the market value of the pledged securities have fallen to a level where we are unable to recover the monies lent by us, along with interest accrued thereon and associated costs, the results of our operations would be adversely affected.***

Our loans against securities involve offering loans secured by a pledge of securities held by our customers. In case of any shortfall in margins in connection with the securities pledged as collaterals, we typically call upon the relevant customer to provide further collateral to make up for the deficit in such margins or repay the loan amount with interest accrued thereon to the extent of such deficit. In case we are unable to recover the full margin of the collaterals in certain cases we also sell the securities pledged as collaterals. Although we believe that we generally maintain a sufficient margin in the collateral value, if we have to enforce such pledges and if

at the time of such enforcement, due to adverse market conditions, the market value of the pledged securities have fallen to a level where we are unable to recover the monies lent by us, along with interest accrued thereon and associated costs, the results of our operations would be adversely affected.

***16. We are exposed to operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, agents, customers or third parties, failure to comply with internal procedure and inaccurate appraisal of credit or financial worth of customers, which could harm our results of operations and financial position.***

A significant portion of our collections from our customers in the vehicle finance segment is in cash. Large cash collections expose us to the risk of loss, fraud, misappropriation or unauthorized transactions by our employees responsible for dealing with such cash collections. While we have taken insurance policies and coverage for cash in safes and in transit and undertake measures to detect and prevent any unauthorized transaction, fraud or misappropriation by our representatives and officers, this may not be sufficient to prevent or deter such activities in all cases, which may adversely affect our operations, profitability and/or cash flows. There have been reported instances of misappropriation or cash rotation by our employees. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill.

We may be affected by failure of employees to comply with internal procedures and inaccurate appraisal of credit or financial worth of our clients. Inaccurate appraisal of credit may allow a loan sanction which may eventually result in a bad debt on our books of accounts. In the event we are unable to check the risks arising out of such lapses, our business and results of operations may be adversely affected.

***17. Our significant indebtedness and the conditions and restrictions imposed by our financing arrangements could restrict our ability to conduct our business and operations in the manner we desire.***

As of September 30, 2012 and March 31, 2012, we had outstanding secured debt on a consolidated basis of ₹ 103,011.25 million and ₹ 97,734.13 million, respectively and consolidated unsecured debt of ₹ 36,557.50 million and ₹ 16,707.00 million, respectively and we will continue to incur additional indebtedness in the future. Most of our borrowings are secured by our business assets which includes movable and immovable assets. Our significant indebtedness could have adverse consequences, including but not limited to the following:

- a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted or our cost of borrowings may increase due to sudden adverse market conditions, including decreased availability of credit or fluctuations in interest rates;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness are at variable interest rates;
- there could be a material adverse effect on our business, financial condition, results of operations and/or cash flows if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

***18. We may be unable to comply with covenants and conditions under our borrowing arrangements or to obtain necessary consents required thereunder in connection with borrowings availed of/to be availed of by our Company. This could lead to termination of our credit facilities, accelerated repayment of all amounts due thereunder, enforcement of any security provided and trigger of cross default provisions. Any of the above actions taken by the relevant lender could adversely impact our credit rating, financial condition and results of operations.***

Some of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. Specifically, under some of our financing agreements, we require, and may be unable to obtain, consents from the relevant lenders for, among others, the following matters: entering into any scheme of merger; spinning-off of a business division; selling or transferring all or a substantial portion of our assets; making any change in ownership or control or constitution of our Company; making amendments in our Memorandum and Articles of Association; creating any further security interest on the assets upon which the existing lenders have a prior charge; and raising funds by way of any fresh capital issue. Our financing agreements also typically contain certain financial covenants including the requirement to maintain, among others, specified debt-to-equity ratios, debt-to-net worth ratios, or Tier I to Tier II capital ratios that may be higher than statutory or regulatory requirements. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time.

A failure to observe the covenants under our financing arrangements or to obtain necessary consents required thereunder may lead to the termination of our credit facilities, acceleration of all amounts due under such facilities and the enforcement of any security provided. Any acceleration of amounts due under such facilities may also trigger cross default provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Further, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. Any of these circumstances could adversely affect our business, credit rating, financial condition, results of operations and/or cash flows. Moreover, any such action initiated by our lenders could result in the price of our Equity Shares being adversely affected.

***19. We face increasing competition in our business which may result in declining margins if we are unable to compete effectively.***

Our primary competition historically in the vehicle finance sector has been private unorganized financiers who principally operate in the local market. However, the significant growth in the vehicle finance segment in recent periods has resulted in various banks and NBFCs increasing their focus on this sector, particularly for new vehicle finance. In addition, interest rate deregulation and other liberalization measures affecting the vehicle finance sector, together with increased demand for capital, have resulted in an increase in competition.

All of these factors have resulted in us facing increased competition from other lenders in the vehicle finance sector, including commercial banks and other NBFCs. Our ability to compete effectively will depend, to some extent, on our ability to raise low-cost funding in the future. Furthermore, as a result of increased competition in the vehicle finance sector, vehicle finance products are becoming increasingly standardized and variable interest rate and payment terms and lower processing fees are becoming increasingly common in the vehicle finance sector in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive vehicle finance industry. Increasing competition may have an adverse effect on our net interest margin and other income, and, if we are unable to compete successfully, our market share may decline.

If we are unable to compete effectively with other participants in the vehicle finance, future financial performance and the trading price of our Equity Shares has been adversely affected.

Further our Company faces competition from other organisations operating in the loans against property industry in India, including without limitation to scheduled commercial banks and other NBFCs. The sector has also seen a lot of interest from new entrants who have commenced their loans against property business in recent times. The seeming attractiveness of and growth opportunities in the loans against property industry have resulted in increased competition from other lenders in the loans against property market, including scheduled commercial banks and other NBFCs. Our ability to compete effectively with such lenders will depend, to some extent, on our ability to raise low cost funding in the future and to lend at competitive rates to maintain our profitability. If we are unable to compete effectively with other participants in the loans against property industry, our business and future financial performance may be adversely affected.

Furthermore, as a result of increased competition in the loans against property industry in India, loans against property are becoming increasingly standardised and terms such as waiver of prepayment penalty, floating rate interest options, lower processing fees and monthly rest periods are becoming increasingly common. The loans against property business had seen a trend of reducing fees and other income in the past few years. Such continuing trends either due to competition or due to regulation could result in reduced profitability from such business. There can be no assurance that our Company will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive loans against property industry. Increasing competition may also result in slower growth and/or a reduction in our NIM, and consequently may have an adverse effect on our business, results of operations and financial condition.

***20. As part of our business strategy we assign or securitize a portion of our loan assets to banks and other institutions. Any changes in the assignment/securitization markets and/or statutory/regulatory requirements and/or decisions of courts could adversely affect our ability to enter into such transactions which could adversely affect our operations and profitability.***

As part of our means of raising and/or managing our funds, we assign or securitize a portion of the receivables from our loan portfolio to banks and other institutions. Such assignment or securitization transactions are conducted on the basis of our internal estimates of our funding requirements, which may vary from time to time. We may also from time to time be required to furnish various bank and corporate guarantees and comply with other credit enhancement requirements in connection with such transactions. In case of any adverse changes in the markets which affect assignment/securitization of assets and/or delinquencies in connection with credit enhancements provided by us could adversely affect our profitability and financial condition.

Further, any change in statutory and/regulatory requirements in relation to assignments or securitizations by financial institutions, including the requirements prescribed by RBI and the Government of India, and/or decisions of courts in India in connection with such transactions could adversely affect our ability to enter into such transactions which could have an adverse impact on our ability to raise finances and our profitability.

***21. We may not be able to successfully sustain our growth strategy.***

In recent years, we have experienced substantial growth in our disbursements, from ₹ 57,307 million in Fiscal 2011 to ₹ 88,886 million in Fiscal 2012 and for the six months ended September 30, 2012 our Company had disbursed ₹51,973 million. Our growth strategy includes growing our business assets and expanding our customer base. There can be no assurance that we will be able to sustain our growth strategy successfully or that we will be able to expand further or diversify our product portfolio. If we grow our business assets too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition.

We also face a number of operational risks in executing our growth strategy. We have experienced rapid growth in our vehicle finance business, our branch network has expanded significantly, recently we have added 131 branches from April 1, 2012 to December 31, 2012 and as on December 31, 2012 our Company has 506 branches. Most of our branches cater to Tier II and Tier III cities. Our rapid growth exposes us to a wide range of increased risks, including business risks, such as the possibility that a number of our impaired loans may grow faster than anticipated, as well as operational risks, fraud risks and regulatory and legal risks. It will also place significant demands on our management, financial and other resources and will require us to continuously develop and improve our operational, financial and internal controls. Moreover, our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, maintaining effective risk management policies, continuing to offer products which are relevant to our target base of clients, developing managerial experience to address emerging challenges and ensuring a high standard of client service. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

***22. We may not be able to successfully diversify our product portfolio.***

We have expanded our product portfolio to provide, in addition to commercial vehicle financing, home equity finance / home loans, business financing and gold financing. Furthermore, we intend to enter into certain new lines of business as part of our growth strategy.

We cannot assure that such diversification or expansion of operations will yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to obtain necessary statutory and/or regulatory approvals and licenses in connection with such proposed business as well as, our ability to effectively recruit, retain and motivate appropriate managerial talent, our relative inexperience in the gold financing sector and ability to compete with banks and other NBFCs that are already well established in this market segment, as well as our ability to effectively absorb additional infrastructure costs.

New businesses will require significant capital investments and commitments of time from our senior management, there also can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Our inability to effectively manage any of these issues could materially and adversely affect our business and impact our future financial performance and/or cash flows.

***23. Major part of our Company's branch network for our home equity finance vertical is concentrated in Urban areas we are exposed to geographical risks which may affect our business, results of our operations and financial condition.***

Our home equity finance vertical lends money primarily to self-employed non-professionals engaged either in trading, services or small time manufacturing activity. Our target customer segment is generally situated in urban centers which have a high level of economic activity. The potential for our business is high in markets which are industrious, have a high level of economic activity and are significant contributors to the nations GDP. The business runs the risk of being concentrated in certain pockets of the country that have a high contribution to the nations GDP. Any impact on the economic activity of any such location due to natural causes or otherwise can adversely impact the quality of the portfolio in such locations.

***24. We may experience difficulties in expanding our business into new regions and markets in India.***

As part of our growth strategy, we continue to evaluate attractive growth opportunities to expand our business into new regions and markets in India. Factors such as competition, culture, regulatory regimes, business practices and customs and customer requirements in these new markets may differ from those in our current markets, and our experience in our current markets may not be applicable to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete not only with banks and other NBFCs but also the local unorganized or semi-organized private financiers, who are more familiar with local regulations, business practices and customs, and have stronger relationships with customers.

If we plan to expand our geographical footprint, our business may be exposed to various additional challenges, including obtaining necessary governmental approvals, identifying and collaborating with local business and partners with whom we may have no previous working relationship; successfully gauging market conditions in local markets with which we have no previous familiarity; attracting potential customers in a market in which we do not have significant experience or visibility; being susceptible to local taxation in additional geographical areas of India; and adapting our marketing strategy and operations to different regions of India in which different languages are spoken. Our inability to expand our current operations may adversely affect our business prospects, financial conditions, results of operations and/or cash flows.

***25. Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and lending markets and, as a result, would negatively affect our net interest margin and our business.***

The availability of capital is also dependent on our short-term and long-term credit ratings. Ratings reflect a rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. For details of our credit rating please refer to the section titled "*Business*" on page 102 of this Placement Document.

Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and debt markets and, as a result, would negatively affect our net interest margin and our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added

to any additional financing or refinancing arrangements in the future. The ratings provided by CRISIL, ICRA, India Rating and/or CARE may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions. Any such adverse development could adversely affect our business, financial condition, results of operations and/or cash flows.

***26. System failures or inadequacy and security breaches in computer systems may adversely affect our business.***

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services.

Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security.

Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we are located.

***27. We may not be able to maintain our current levels of profitability if we are unable to maintain or expand our relationships with our customers.***

Our business strategy involves a relatively high level of ongoing interaction with our customers. We believe that this involvement is an important part of developing our relationship with our customers, identifying new cross-selling opportunities and monitoring our performance. However, this level of involvement also entails higher levels of costs and also requires a relatively higher gross spread, or margin, on the finance products we offer in order to maintain profitability. There can be no assurance that we will be able to maintain our current levels of profitability if the gross spreads on our finance products were to reduce substantially, which could adversely affect our results of operations and/or cash flows.

***28. We face asset-liability mismatches which could affect our liquidity and consequently may adversely affect our operations, profitability and/or cash flows.***

We face potential liquidity risks due to varying periods over which our assets and liabilities mature. As is typical for NBFCs, a portion of our funding requirements is met through medium and short-term funding sources such as bank loans, working capital demand loans, cash credit, short term loans and commercial papers. However, a large portion of our vehicle finance loan assets mature over a medium term while our home equity loan assets mature over a long term. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn may adversely affect our operations, financial performance and/or cash flows. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers.

***29. The trade mark/service mark and brand in connection with the "Cholamandalam/ Chola" brand is not owned by our Company.***

Our holding company, Tube Investments of India Limited is currently the registered owner of the brand and trade mark/service mark "Cholamandalam" / "Chola". Our Company has entered into a license agreement with Tube Investments of India Limited for using the brand and trade mark/service mark "Cholamandalam"/"Chola". Suspension/cancellation or revocation of the aforementioned license agreement could result in an inability to use the brand and trade mark/service mark "Cholamandalam" / "Chola" which could adversely affect our goodwill, business and profitability.

***30. We have certain contingent liabilities not provided for in our financials statements which may adversely affect our financial condition.***

As of September 30, 2012, we had certain contingent liabilities not provided for. As of September 30, 2012 the aggregate amount of consolidated contingent liability was as follows:

| Particulars | Amount (₹ in Million) |
|---|---|
| Counter guarantees provided to banks | 11.97 |
| Contested claims not provided for:- | |
| Income tax and Interest Tax issues where the company is in appeal | 220.23 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax | 20.44 |
| Service Tax issues pending in respect of which the company is under appeal | 2.29 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Service Tax | 5.08 |
| Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal | 38.42 |
| Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable) | 155.39 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 39.44 |

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected.

***31. More stringent regulatory norms / guidelines from the regulatory / statutory authorities in India could impact the business operations of our Company.***

We are regulated principally by and have reporting obligations to key regulators like RBI, SEBI and MCA. We are also subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework governing us may continue to change as India's economy and commercial and financial markets evolve. In recent years, existing NBFC related rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's asset finance sector.

Compliance with many of the regulations applicable to our operations may involve significant costs and otherwise may result in restrictions on our operations. If the interpretation of the regulators and authorities vary from our interpretation, we may be subject to penalties and the business of our Company could be adversely affected. There can be no assurance that changes in these regulations and the enforcement of existing and future rules by governmental and regulatory authorities will not adversely affect our business and future financial performance.

***32. Our Promoters have significant control in our Company, which will enable them to influence the outcome of matters submitted to shareholders for approval, and their interests may differ from those of other holders of Equity Shares.***

As of December 31, 2012, our Promoters, beneficially owned 62.29% of our share capital. Please refer to the section titled "*Capital Structure*". Our Promoter has the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent

a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company's best interest. In addition, for so long as our Promoter continues to exercise significant control over our Company, it may influence the material policies of our Company in a manner that could conflict with the interests of our other shareholders. The Promoter group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

***33. We have entered into certain related party transactions.***

We have entered into transactions with related parties, within the meaning of AS 18 as notified by the Companies (Accounting Standards) Rules, 2006. For further information on our related party transactions, within the meaning of AS 18 as notified by the Companies (Accounting Standards) Rules, please refer to the section titled *"Financial Information"* on page 195 of this Placement Document. Such transactions may give rise to current or potential conflicts of interest with respect to dealings between us and such related parties. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour.

***34. Our success depends in large part upon our management team and key personnel and our ability to attract, train and retain such talent.***

Our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, developing managerial experience to address emerging challenges and ensuring a high standard of client service. In order to be successful, we must attract, train, motivate and retain highly skilled employees, especially area managers, branch managers and product executives. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us. Hiring and retaining qualified and skilled managers are critical to our future, as our business model depends on our credit-appraisal and asset valuation mechanism, which are personnel-driven operations. Moreover, competition for experienced employees in the vehicle finance sector can be intense. While we have an incentive structure and an Employee Stock Option Scheme designed to encourage employee retention, our inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business, future financial performance and/or cash flows.

***35. Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business.***

We require certain statutory and/or regulatory permits and approvals for our business. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in a timely manner or at all, and/or on favourable terms and conditions. Failure by us to comply with the terms and conditions to which such permits or approvals are subject, and/or to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

***36. Our insurance coverage may not adequately protect us against all losses.***

We maintain such insurance coverage that we believe is adequate for our operations. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We maintain general liability insurance coverage, including coverage for errors or omissions. We also maintain a directors' liability insurance to cover actions taken by our Board of Directors. We cannot, however, assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

***37. The fund requirement and deployment mentioned in the Objects of the Issue have not been appraised by any bank or financial institution.***

After deducting the issue expenses, we intend to use the net proceeds of this Issue to meet the projected growth in loan disbursements and to augment the capital adequacy ratio. For further details, please refer to the section titled "*Use of Proceeds*" on page 58 of this Placement Document. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The management will have significant flexibility in applying the proceeds received by us from this Issue.

**EXTERNAL RISK FACTORS**

***Risks relating to India***

***38. Our performance and growth are dependent on the performance of the Indian and global economic conditions. A slowdown in economic growth in India as well as globally may have an adverse effect on our business, results of operation and financial condition.***

Our financial performance and the quality and growth of our business depend significantly on the health of the overall Indian economy and on international economy as well as international, national and regional economic factors. Any slowdown in the Indian economy as well as economic conditions internationally could adversely affect our business, financial performance and the trading price of the Equity Shares. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our business could be adversely impacted. The economy could also be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, inflation or threat thereof, changes in interest rates, commodity and energy prices and various other factors. General economic conditions may affect the financial stability of our customers and prospective customers. Any slowdown in either the Indian economy or the global economy may have an adverse effect on our business, results of operations and financial condition.

***39. Public companies in India, including our Company, may be mandated to prepare financial statements under the IFRS or a variation thereof, namely IND AS. The transition to IND AS is still unclear and may negatively affect the financial results of our Company.***

Public companies in India, including our Company, may be required to prepare their annual and interim financial statements under IFRS or a variation thereof. Recently, the ICAI has released a near final version of the Indian Accounting Standards (Ind AS) 101 "First-time Adoption of Indian Accounting Standards" ("**IND AS**"). The Ministry of Corporate Affairs, Government of India, on February 25, 2011 has notified that the IND AS will be implemented in a phased manner and the date of such implementation will be notified at a later date. As on the date of this Placement Document the Ministry of Corporate Affairs, Government of India has not yet notified the date of implementation of the IND AS. There is currently a significant lack of clarity on the adoption of and convergence with IND AS and we currently do not have a set of established practices on which to draw on in forming judgments regarding its implementation and application. We are therefore not able to determine with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, IND AS has fundamental differences with the IFRS and therefore financial statements prepared under IND AS may differ substantially from financial statements prepared under IFRS. There is no way to predict that our financial condition, results of operations, cash flows or changes in income/expenditure reporting etc. will not appear materially different under IND AS, Indian GAAP or IFRS in comparison to the present reporting. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, will not affect our reported results of operations, financial condition and failure to successfully adopt IND AS in accordance with prescribed statutory and/or regulatory requirements within the timelines as may be prescribed, and this may have an adverse effect on our financial reports/reporting and results of operations.

***40. Political instability or changes in the policies formulated by the Government of India from time to time could affect the liberalization of the Indian economy and adversely affect our business, results of operations and financial condition.***

Our Company is incorporated in India and entire portion of our Company's fixed assets and human resources is located in India. Our Company's business, and the market price and liquidity of the Equity Shares may be adversely affected by changes in foreign exchange rates and regulations, interest rates, government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. In recent years, India has been following a course of economic liberalization and our Company's business could be significantly influenced by economic policies followed by the Central Government. The current coalition-led Central Government, which came to power in May 2001, has announced policies and taken initiatives that support the economic policies that have been pursued by previous Central Governments.

However, the present Central Government is a multi-party coalition, so there can be no assurance that it will be able to generate sufficient cross-party support to continue to implement any liberalization policies adopted by the previous Central Government or that such policies will continue in the future. Government corruption, scandals and protests against liberalization, which have occurred in the past, could slow the pace of liberalization and deregulation. The rate of economic liberalisation in India could change in future, and statutory/regulatory requirements and/or policies the general economic environment in India, foreign investment, the securities market, currency exchange and other matters affecting our business and/or investment in our securities could change as well. Any significant change in liberalisation and deregulation of policies in India could adversely affect business and economic conditions in India generally and our Company's business, operations and profitability in particular.

***41. Civil unrest, acts of violence including terrorism or war involving India and other countries could materially and adversely affect the financial markets and our business.***

Civil unrest, acts of violence including terrorism or war, may negatively affect the Indian markets where our Equity Shares will be traded and also materially and adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately materially and adversely affect our business. Diplomatic relations between the GoI and neighboring countries have suffered post the terrorist attacks on November 26, 2008. While the GoI has been trying to engage in conciliatory efforts any further tension or deterioration of relations might result in investor concern about stability in the region, which could materially and adversely affect the price of the Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business, financial condition, results of operations and the price of the Equity Shares.

***42. The market value of an investor's investment may fluctuate due to the volatility of the Indian securities markets.***

The prices of our Equity Shares on the stock exchange/s may fluctuate as a result of several factors, including:

- volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- our profitability and performance;
- performance of our competitors in the Indian NBFC industry and the perception in the market;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal, environmental and other regulations;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures; and
- the present state of our development.

Further, there can be no assurance the prices at which our Equity Shares have historically traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

***43. There are restrictions on daily movements in the price of our Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time***

There can be two types of circuit breakers applicable to the stocks listed on the Stock Exchanges (i) daily "price based circuit breaker" which specifies the band within which the price of a particular stock is allowed to move freely and (ii) index based market wide circuit breaker which applies to a stock at three stages of the index movement either way at 10%, 15% and 20%. While the daily price based circuit breaker is applicable to a stock depending on whether it is traded in F&O segment, an index based market wide circuit breaker is applicable to all the stocks listed on all the Stock Exchanges. Further, the daily "price based circuit breaker" operates independently of the index based market wide circuit breakers imposed by SEBI on Indian stock exchanges.

Our Company is subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of our Equity Shares and other securities. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on stock exchanges. The percentage limits on our Company's circuit breakers are set by the Stock Exchanges. The Stock Exchanges do not inform our Company of the percentage limit of such circuit breakers and may change it without our Company's knowledge. This circuit breaker effectively limits the upward and downward movements in the price of our Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of an investor to sell our Equity Shares or the price at which investors may be able to sell their Equity Shares at a particular point in time. There cannot be any assurance that the Stock Exchanges will not halt trading due to the index-based market-wide circuit breaker in future and closure of, or trading stoppage on, any of the Stock Exchanges could adversely affect the trading price of our Equity Shares.

***44. You may be subject to Indian taxes arising out of capital gains. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as result of which no Securities Transaction Tax, ("STT"), has been paid, will be subject to capital gains tax in India.***

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, do not limit India's ability to impose tax on capital gains. As a result, residents of certain countries may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

***45. Foreign investors are subject to foreign investment restrictions under Indian law that limit our Company's ability to attract foreign investors, which may adversely impact the market price of our Equity Shares and also the ability of our Company to raise foreign capital.***

Under the foreign exchange regulations currently in force in India, transfers of Equity Shares between non-residents and residents are freely permitted (subject to certain restrictions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of Equity Shares, which are sought to be transferred is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of Equity Shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. Our Company cannot assure investors that any required approval from the RBI or any other statutory and/or regulatory authority or agency can be obtained on any particular terms or at all. Similarily, such regulatory restrictions limit our Company's financing sources and hence could constrain its ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, our Company

cannot assure you that the required approvals will be granted to it without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our Company's business growth, financial condition and results of operations

***46. There is no guarantee that the Issue Shares issued pursuant to this Issue will be listed on the Stock Exchanges in a timely manner or at all.***

In accordance with Indian law and practice, permission for listing and trading of the Issue Shares issued pursuant to this Issue will not be granted until after such Issue Shares have been issued and allotted. Such approval will require all other relevant documents authorising the issuing of Issue Shares to be submitted. There could be a failure or delay in listing the Issue Shares on the Stock Exchanges. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Issue Shares. Further, historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

## MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

As on date, 132,581,426 of our Equity Shares are subscribed and paid up.

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of our Equity Shares on the BSE and NSE and the number of Equity Shares traded on the days such high and low prices were recorded, for the Fiscal years 2012, 2011 and 2010.

**a. BSE**

| Fiscal Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ In Million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ In Million) | Average price for the year (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| 2013** | 288.50 | January 3, 2013 | 124,623 | 36.38 | 160.05 | June 5, 2012 | 1,363 | 0.22 | 215.19 |
| 2012 | 185.05 | March 30, 2012 | 12,406 | 2.29 | 108.85 | December 22, 2011 | 678 | 0.07 | 147.60 |
| 2011 | 194.70 | November 11, 2010 | 2,944 | 41.43 | 91.25 | April 1, 2010 | 833 | 8.81 | 157.28 |
| 2010 | 95.10 | March 26, 2010 | 519,215 | 50.97 | 25.60 | April 1, 2009 | 17,111 | 0.44 | 62.90 |

*Source: www.bseindia.com*
** Average of the daily closing prices*
*** Calculated from April 1, 2012 till February 1, 2013*

**b. NSE**

| Fiscal Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ In Million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ In Million) | Average price for the year (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| 2013** | 288.30 | January 10, 2013 | 88,347 | 25.41 | 160.05 | June 5, 2012 | 3,695 | 0.60 | 215.29 |
| 2012 | 188.2 | March 30, 2012 | 50,395 | 9.39 | 108.05 | December 22, 2011 | 7,158 | 0.776 | 154.18 |
| 2011 | 194.75 | November 11, 2010 | 636,920 | 126.29 | 91.20 | April 1, 2010 | 183,868 | 17.029 | 157.50 |
| 2010 | 95.70 | March 26, 2010 | 1,021,403 | 100.41 | 25.30 | April 1, 2009 | 34,198 | 0.876 | 62.90 |

*Source: www.nseindia.com*
** Average of the daily closing prices*
*** Calculated from April 1, 2012 till February 1, 2013*

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of our Equity Shares on the BSE and NSE and the number of Equity Shares traded on the days such high and low prices were recorded, in each month during the last six months preceding the date of filing of this Placement Document:

**c. BSE**

| Month, Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in Million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in Million) | Average price for the month (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| January 2013 | 288.5 | January 3, 2013 | 124,623 | 36.38 | 270.75 | January 28, 2013 | 312,916 | 85.26 | 281.06 |
| December 2012 | 280.6 | December 26, 2012 | 137,277 | 37.59 | 241.85 | December 15, 2012 | 4,181 | 10.25 | 262.54 |
| November 2012 | 247.35 | November 30, 2012 | 22,616 | 5.60 | 225.5 | November 1, 2012 | 1,304 | 0.29 | 232.66 |
| October 2012 | 238.1 | October 26, 2012 | 17,857 | 4.25 | 220.85 | October 31, 2012 | 12,253 | 2.79 | 229.44 |
| September 2012 | 220.8 | September 14, 2012 | 11,543 | 2.56 | 202.45 | September 5, 2012 | 11,540 | 2.34 | 214.34 |
| August 2012 | 227.35 | August 22, 2012 | 2,8096 | 6.40 | 205 | August 30, 2012 | 614 | 0.12 | 212.73 |

*Source: www.bseindia.com*
** Average of the daily closing prices*

**d. NSE**

| Month, Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in Million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in Million) | Average price for the month (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| January 2013 | 288.3 | January 10, 2013 | 88,347 | 25.41 | 270.9 | January 28, 2013 | 12,515 | 3.41 | 281.65 |
| December, 2012 | 279.95 | December 26, 2012 | 123,213 | 34.34 | 241.7 | December 5, 2012 | 32,091 | 7.88 | 262.44 |
| November 2012 | 248.35 | November 30, 2012 | 82,856 | 20.45 | 225.8 | November 1, 2012 | 9,208 | 2.06 | 232.71 |
| October 2012 | 239 | October 26, 2012 | 47,797 | 11.38 | 220.55 | October 31, 2012 | 111,685 | 24.87 | 229.98 |
| September 2012 | 221.1 | September 14, 2012 | 34,782 | 7.70 | 203.55 | September 5, 2012 | 4,383 | 0.90 | 214.54 |
| August 2012 | 226.6 | August 22, 2012 | 79,672 | 17.81 | 204.2 | August 27, 2012 | 7,880 | 1.62 | 212.53 |

*Source: www.nseindia.com*
** Average of the daily closing price*

The closing prices of our Equity Shares on NSE and BSE on December 28, 2012, the trading day immediately following the day on which the resolution of the Board to approve this Issue was passed, were ₹ 269.05 and ₹ 269.60 per Equity Share respectively.

## USE OF PROCEEDS

The total proceeds of this Issue will be ₹ 3,000.00 million. After deducting the Issue expenses of approximately ₹ 62.50 million, the net proceeds of this Issue will be approximately ₹ 2,937.50 million.

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of this Issue to meet the projected growth in loan disbursements and to augment the capital adequacy ratio.

As permissible under applicable laws, our management will have flexibility in deploying the proceeds received by our Company from this Issue. Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

## CAPITALISATION

The following table sets forth our Company's capitalisation as of September 30, 2012 which has been extracted from our Company's Consolidated Summary Financial Statements which were prepared in accordance with Indian GAAP and shows the effect of adjusting for this Issue. This capitalisation table should be read together with "*Selected Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and related notes included elsewhere in this Placement Document.

**Capitalisation Statement as at September 30, 2012**

**(₹ in million)**

| | | As at September 30, 2012 | |
|---|---|---|---|
| | | Consolidated Financial Statement | |
| **S.No** | **Particulars** | **Unadjusted** | **Adjusted** |
| | | | |
| **A** | **Indebtedness** | | |
| | | | |
| | | | |
| | Secured Borrowings (including Short Term Borrowings and Current portion of Long term Borrowings) | 103,011.25 | 103,011.25 |
| | | | |
| | Unsecured Borrowings (including Short Term Borrowings and Current portion of Long term Borrowings) | 36,557.50 | 36,557.50 |
| | | | |
| | ***Total Indebtedness (A)*** | **139,568.75** | **139,568.75** |
| | | | |
| **B** | **Shareholders' Funds** | | |
| | | | |
| 1 | Share Capital | 1,326.23 | 1,431.49 |
| 2 | Reserves and Surplus | 14,101.44 | 16,996.18 |
| | | | |
| | ***Total Shareholders' Funds (B)*** | **15,427.67** | **18,427.67** |
| | | | |
| | | | |
| | **Capitalisation as at 30 September 2012 (A+B)** | **154,996.42** | **157,996.42** |

***Note**: The figures stated above have been arrived at on the basis of figures extracted from the audited financial Statements of our Company as at September 30, 2012 and has been adjusted to give effect to the issue of the Issue Shares based on the determination of Issue Price of ₹285.00 per Issue Share.*

*Post September 30, 2012, 23,444 Equity Shares have been alloted to the employees of our Company pursuant to exercise of 23,444 stock options under ESOP 2007.*

## DIVIDEND POLICY

The declaration of final dividend will be recommended by the Board of Directors and approved by the shareholders at their discretion and payment of interim dividend is determined by the Board at their discretion, and will depend on a number of factors, including but not limited to our Company's revenues, profits, cash flows, financial condition (including capital position) and other factors. The declaration and payment of equity dividend would be governed by the applicable provisions of the Companies Act and Articles of Association of our Company.

The following table details the dividend declared by our Company on the Equity Shares for the Fiscals 2012, 2011, and 2010.

| **Particulars** | **Fiscal 2012** | | **Fiscal 2011** | **Fiscal 2010** |
|---|---|---|---|---|
| | **Final** | **Interim** | | |
| Face value of Equity Shares (₹ per share) | 10 | 10 | 10 | 10 |
| Rate of dividend (%) | 10 | 15 | 15 | 10 |
| Dividend per Equity Share (₹) | 1.00 | 1.50 | 1.50 | 1.00 |
| Total dividend declared (₹ in million) | 132.56 | 178.95 | 178.93 | 66.41 |
| Tax on total dividend paid (₹ in million) | 21.50 | 29.03 | 29.03 | 11.00 |
| Number of Equity Shares | 132,557,982 | 119,299,095 | 119,289,009 | 66,406,334 |

*Note: Our Company has vide resolution dated January 18, 2013 passed by the Board of Directors of our Company declared interim dividend at the rate of ₹ 2.50 per Equity Share to the shareholders holding Equity Shares as on January 31, 2013 being the record date fixed for this purpose.*

*The amounts paid as dividend in the past are not necessarily indicative of the dividend amounts, if any, payable or to be paid in the future. Investors are cautioned not to rely on past dividends as an indication of our fututre performance or of any investment in the Equity Shares.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with our Consolidated Summary Financial Statements, including the notes thereto. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" on pages 40 and 16, respectively, of this Placement Document, which discuss a number of factors or contingencies that could affect our financial condition and results of operations.*

*In this section any reference to "our Company" refers to Cholamandalam Investment and Finance Company Limited on a standalone basis and "our Group", "we", "us" or "our" refers to Cholamandalam Investment and Finance Company Limited and/or its Subsidiaries, on a consolidated basis, as the context may require. Unless stated otherwise, the financial data in this section is as per our Consolidated Summary Financial Statements, as set forth in "Financial Statements" in this Placement Document.*

### OVERVIEW

Our Company is a Systemically Important Non-Deposit Accepting Non Banking Financial Institution ("**NBFC**"), categorized as an Asset Financing Company, with a primary focus on retail finance in the areas of vehicle finance and home equity loans. In addition we also offer business finance and loans against gold products.

Our Promoters include individuals and entities belonging to the Murugappa group, who as on December 31, 2012 hold 62.29% of our paid-up equity share capital. The Murugappa group is a conglomerate of businesses having interests in diverse areas including engineering, abrasives, finance, general insurance, cycles, sugar, farm inputs, fertilizers, plantations, bio products and nutraceuticals.

We are one of the leading financiers in the light commercial vehicles and in the small commercial vehicles segment. The business also finances heavy commercial vehicles (**HCVs**), cars, multi utility vehicles and tractors. Our vehicle finance business operates from 461 branches as on December 31, 2012, and our primary focus is on retail customers in the semi urban and rural areas. As on September 30, 2012 our net vehicle finance assets accounted for 73.59% of our Net Business Assets on a standalone basis which grew by 54.07% from ₹56,986 million in March 31, 2011 to ₹87,801 million in March 31, 2012.

Under our home equity finance vertical, we provide loans against property, to self employed (non salaried) and non professional group who are engaged in small and medium scale industries, service providers and traders. As on December 31, 2012, our operations in this vertical were carried out of 56 locations. Our business operations for the vehicle vertical and the home equity finance vertical are co-located, thus reducing operating expenses to a large extent and increasing the operational efficiency. As on September 30, 2012 our net home equity assets accounted for 23.43% of our Net Business Assets on a standalone basis in our balance sheet. Our net home equity assets grew by 59.13% from ₹17,897 million in March 31, 2011 to ₹28,479 million in March 31, 2012

In addition we also provide business finance loans secured against asset classes such as marketable securities including shares, residential property, commercial property, current assets and loans and advances to promoters and corporates. We have also recently forayed into providing loans against gold ornaments.

We have recently diversified into the home loans segment and are examining opportunities for providing corporate finance facilities under our business finance vertical for bill /invoice discounting, working capital demand loans, bridge loans, pre-shipment credit and short/medium term loans to vendors, dealers and suppliers to Murugappa group ecosystem including existing client relationships. We are further diversified into related financial services like financial advisory, wealth management services and stock broking through our Subsidiaries.

We operate under a hub and spoke model with our branch networks connected with a centralized processing unit at Chennai through robust computerized systems. Our widespread network of branches across India has been a key driver of our growth over the years. We have added 131 new branches during the current financial year primarily in the Tier II and Tier III cities. As of December 31, 2012, we have 506 branches across 21 states in India. We have also strategically expanded our marketing network and operations by entering into partnership and preferred financing arrangements with leading automobile manufacturers /dealers in new commercial vehicle financing and alternate organised channel partners in the used commercial vehicle financing.

We had Net Business Assets on a standalone basis of ₹ 147,871 million as on September 30, 2012. The Net Business Assets on a standalone basis grew by 45.36% and stood at ₹ 122,492 million for the year ended March 31, 2012 as compared to ₹ 84,269 million for the year ended March 31, 2011. Our total income and profit after tax ("**PAT**") on a consolidated basis for the six month period ended September 30, 2012 is ₹11,716.50 million and ₹1,389.89 million, respectively. Our total income and PAT on a consolidated basis for the financial year ending March 31, 2012 is ₹18,055.51 million and ₹1,689.90 million respectively. Our Gross NPAs (standalone) as a percentage of our total credit exposure were 1.20%, 0.95%, 3.15% and 8.24%, as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively, while our Net NPAs (standalone) as a percentage of our total credit exposure were 0.65%, 0.30%, 0.39% and 2.20% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively. Our capital adequacy ratio (standalone) computed on the basis of applicable RBI requirements was 18.08% as of March 31, 2012, with Tier I capital comprising 11.00% and Tier II capital comprising the balance 7.08%.

## SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The business of our Company is subject to various risks and uncertainties, including those discussed in the section titled "*Risk Factors*" in this Placement Document.

Our financial condition and results of operations are affected by numerous factors, of which the following are of particular importance:

### *Interest rates and inflation*

Interest rates have a substantial effect on our cost of funding, our business volumes and our profit margins. The interest rate spread between our borrowing rate and lending rate, and specifically our ability to maintain stable interest rate margins in times of interest rate volatility and intense market competition, contributes directly to our Net Interest Margins.

Our business is vulnerable to interest rate risk and volatility in interest rates which could adversely affect our income from our operations and our financial performance and adversely affect our profitability. Our revenue from financing activity constituted 95.00% of our total revenue for the year ended March 31, 2012.

Interest rates in India are typically correlated with inflation rates, as RBI has historically sought to mitigate rising inflation by raising interest rates. Headline Wholesale Price Index (WPI) inflation (year on year) in India was 7.2% (provisional) in December 2012. (*Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013*). The RBI has raised the benchmark repurchase and reverse repurchase rates a few times in the recent past. Recently RBI announced a decrease in each of the repurchase and reverse repurchase rates by 25 basis points on January 29, 2013.

Notwithstanding our attempts to balance our interest rate risk, rising interest rates may affect our NIM if we are unable to raise our lending rates in line with the increase in our cost of funds.

### *Credit quality*

Credit quality is a key driver of our results of operations, as quality loans help to reduce the risk of losses from loan impairment. We believe that our ability to control our NPAs and maintain the credit quality of our portfolio is a function of our strong risk management policies and credit evaluation framework. We have put in place well documented procedures regarding credit appraisal and loan disbursement and have instituted ongoing monitoring mechanisms in order to strengthen our credit quality. For an overview of our credit appraisal and loan disbursement process and associated company policies, see the section titled "*Business*" in this Placement Document.

Our Gross NPAs (standalone) as a percentage of our total credit exposure were 1.20%, 0.95%, 3.15%, 8.24% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively, while our Net NPAs (standalone) as a percentage of our total credit exposure were 0.65%, 0.30%, 0.39% and 2.20% as at September 30, 2012, March 31, 2012, 2011 and 2010, respectively. We expect the size of our loan assets to continue to increase in the future as we expand our branch network in India and offer new products and going forward, consequently we may have additional NPAs. Our level of NPAs is a function of our credit quality, which is further dependent upon our credit appraisal processes and recovery procedures. In addition, whilst we shall continue to provide loans in the future and increase our loan portfolio. If we suffer from increases in the level of final credit losses, or in the event we are not able to maintain the asset quality this may result in increase in the level of nonperforming assets, which would adversely affect our future financial performance.

***Demand for vehicle finance***

Our vehicle finance business contributed 68.95%, 65.22% and 50.00% of our total revenue of our Company for the financial years ended March 31, 2012, 2011 and 2010, respectively. Although our strategy is to actively grow our other lines of business including home equity finance and business finance, our vehicle finance business will continue to constitute a significant portion of our revenues and operating profit and any lack of demand in automobile sector or decline in our vehicle finance business will have a material adverse affect on our financial condition and operating results and may in addition hamper our Company's future growth.

The growth in demand for commercial vehicles and utility vehicles is driven by:

• Increase in economic activity necessitating movement of goods;
• Regulatory framework restricting usage of certain category of vehicles / loading factor / age of vehicles;
• Freight rates, fuel costs;
• Competitive pricing;
• A reduction in excise duties;
• Lower EMIs owing to lower rates and longer tenures; and
• Increase in the availability of finance.

Hence, any adverse impact of any of the conditions above can result in a decline in the sales of vehicles in India which in turn could result in lower disbursals for vehicle finance by our Company which may adversely affect our business and results of our operations.

***Ability to maintain low cost of funds***

One of our strengths lies in our ability to raise funds at competitive rates. With the growth of our business, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors including our ability to maintain our credit ratings. During the year, ICRA retained its positive outlook on the ratings. The rating indicates that the prospect of timely servicing of the interest and principal as per terms is the best. While our borrowing costs have been competitive in the past due to our ability to structure innovative debt products, credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. An increase in our cost of funds may put additional pressures on our margins and may adversely impact our business, our future financial performance.

Recent trends have indicated an upward movement in the borrowing cost and in the competitive scenario we may be constrained to pass on the increase in the cost of borrowing to our end customers, and if this is not feasible it will result in increased pressure on our margins.

***Ability to maintain low operating cost***

Our operations are centrally controlled out of Chennai. From our centralized office we provide the operational support and handle transaction processes, and with most of our key business processes being managed in-house, historically we have been able to operate at lower operating costs efficiently. Our operating and other expenses including staff cost and business origination outsourcing expenses as percentage of our gross total revenue for the financial years ended March 31, 2012, 2011 and 2010 was 25.29%, 28.46%, 31.96% respectively. As we expand, we may be required to outsource some of our non-core activities in order to manage growth and scalability for example, we have outsourced some of our non-core activities like verification, business sourcing, repossession and data entry.

***General economic growth in India and globally***

As an asset finance company with operations limited to India, our financial results and results of operations are affected by the economic conditions in India. The Indian economy could be adversely affected by factors such as a downturn in the global economy, higher oil and other commodities prices, high inflation, late arrival of monsoons and natural calamities, amongst various other factors. In the past, India has experienced periods of sustained high economic growth, particularly through Fiscal 2008, which in turn resulted in higher levels of home equity loans disbursements during such periods. Disbursements in home equity loans slowed down in Fiscal 2009 as a result of the global economic downturn. India witnessed higher economic growth in Fiscals 2010 and 2011, also aided by a partial recovery of the global credit markets. As a result, there was an increase in home equity loan disbursements in Fiscals 2010 and 2011.

***Competition***

We have been facing competition, particularly from the banking sector / new entrants in the NBFC sector and our growth will depend on our ability to compete effectively. We play an active role in providing credit to the unorganized sector and small consumers at the local level. However, several foreign banks in India and Indian banks have over the last few years entered retail lending in a focused manner, increasing the competition in this segment. As the banks have access to lower cost funds, wider network and greater resources than we do, our performance would be dependent on our ability to maintain low cost of funds and our ability to provide effective and quick service to our customers. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. While we believe that we have historically been able to offer competitive interest rates for our loans, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer the same at rates that are lower than ours. In such a situation retaining our customers will depend on our ability to offer competitive rates failing which we may lose existing as well as potential customers to such competitors resulting in a decline of our market share, which may in turn impact our revenues and margins

**CRITICAL ACCOUNTING POLICIES**

Our Consolidated Summary Financial Statements have been prepared in accordance with Indian GAAP and the Companies Act. The financial statements are prepared under the historical cost convention, on the accounting principles of a going concern and as per applicable accounting standards. Our significant accounting policies are set forth in the section titled *"Financial Statements"* on page 195 of this Placement Document. Indian GAAP requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and the understanding of our financial condition and results of operations. The preparation of our financial statements requires us to make difficult and subjective judgments in selecting appropriate estimates and assumptions, which affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry and information available from other outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

a) **Accounting Convention**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards notified by the Government of India / issued by the ICAI, as applicable, and the relevant provisions of the Companies Act, 1956.

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

b) **Use of Estimates**

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

c) **Cash flow Statement**

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

are segregated based on the available information.

d) **Revenue Recognition**

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

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

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

For Bilateral assignment of receivables:

Up to the year ended March 31, 2011, the difference between the book value of the assets assigned and the sale consideration is taken to revenue after netting off incidental expenses to be incurred, provision for contingent losses arising from credit enhancements (if cash collateral is provided) and costs to be incurred in servicing the contracts.

From April 1, 2011, Interest spread on bilateral assignment or securitisation of receivables is recognized on accrual basis over the tenor of the underlying assets.

Loss if any in respect of securitisation and assignment is recognized upfront. Income from non financing activity is recognized as per the terms of the respective contract on accrual basis.

Interest income on bonds and deposits is recognized on accrual basis.

Profit / loss on sale of investments is recognised at the time of sale or redemption. Dividend Income is recognized when the right to receive dividend is established.

e) **Fixed Assets, Depreciation and Impairment**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

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

| **Asset Description** | **Estimated Useful Life** |
|---|---|
| Buildings | 20 years |
| Plant and Machinery<br>-Computer Equipment<br>-Others | <br>3 years<br>5 years |
| Office Equipment | 5 years |
| Furniture and Fixtures<br>-Improvement toLeasehold Premises<br>-Others | <br>Lease Period or 5 years, whichever is lower<br>5 years |
| Vehicles | 5 years |
| Intangible Assets – Computer Software | License Period or 3 years, whichever is lower |

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

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

f) **Investments**

Investments which are long term in nature, are stated at cost. Provision is made for diminution in value if it is of nature other than temporary. Premium on acquisition of Government securities is amortised over the balance tenure.

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

g) **Receivables under Financing Activity and Provisioning**

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

(i) Unearned income; and

(ii) Installments appropriated up to the year-end.

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

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

h) **Repossessed Assets**

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

i) **Retirement and Other Benefits**

(i) Defined Contribution Plan

Provident Fund: Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund, based on the statutory provisions as per the Employee Provident Fund Scheme, are charged to Statement of Profit and loss.

Superannuation: Our 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). Our 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.

(ii) Defined Benefit Plan & Long Term Compensated Absences

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

Our Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. Our 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.

Our Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined every year by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the profit and loss account in the year in which they occur.

(iii) Other Employee Benefits

Other employee benefits include short term accumulated compensated absences which 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.

j) **Foreign Currency Transactions**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the balance sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the profit and loss account.

Our 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 are 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.

k) **Derivative Transactions**

Our Company generally enters into derivative transactions for hedging purposes only. Income from derivative transactions is recognised on accrual basis. Such derivative instruments are marked to market wherever required as at the balance sheet date and provision for losses, if any, is dealt with in the profit and loss account.

l) **Lease Accounting**

Lease payments including cost escalation for assets taken on operating lease are recognised in the Profit and Loss Account over the lease term in accordance with AS-19, Leases issued by the Institute of Chartered Accountants of India.

m) **Service Tax Input Credit**

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

n) **Taxation**

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

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

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

deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

o) **Deferred Compensation Costs**

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

p) **Provisions, Contingent Liabilities and Contingent Assets**

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

Contingent liability is disclosed for -

(i) Possible obligations which will be confirmed only by future events not wholly within the control of our 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.

q) **Prepaid Finance Charges**

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

r) **Share issue expenses**

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

**Change in Accounting Policy**

Up to March 31, 2011, the Company was recognising upfront income on bilateral assignment of receivables based on professional opinion confirming that bilateral assignment of receivables is outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 1, 2006.

During the year ended March 2012, our Company has, by way of bilateral assignment, sold loan receivables aggregating to ₹ 7,088.35 million. The interest spread arising there from is accounted over the residual tenor of the receivables sold as against upfront recognition of such interest spread in earlier years. For the year ended March 31, 2012, income from operations and profit before tax would have been higher by ₹ 269.92 million and Profit after Tax would have been higher by ₹ 161.95 million had our Company recognized the said interest spread upfront as in previous year. This change is also in line with the draft revised guidelines on Securitization transaction issued by Reserve Bank of India in September 2011.

**DESCRIPTION OF PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE**

**Revenue**

Our income consists of revenue from operations and other income.

***Revenue from operations***

Our revenue from operations comprises income from (a) interest on automobile financing, loan against immovable property, loans against securities, loans against gold, consumer loans, other loans, interest spread on assignment/ securitization; (b) other operating revenue from automobile financing, loans against immovable property, loans against securities, loans against gold, consumer loans and other loans; (c) interest on bank deposits placed as a collateral towards assets derecognised; (d) Stock broking, depository services and allied services; (e) retail distribution operations; (f) profit on sale of current investments and (g) income on non financing activity.

***Other income***

Other income consists of income from interest on deposits, dividend income, rent and profit on sale of fixed assets and miscellaneous income.

**Expenditure**

Our expenditure comprises finance costs, business and origination outsourcing, employee benefits expense, other operating expenses, depreciation and amortisation expense, provision, loan losses and other charges.

*Finance costs*

Finance costs constitutes of (a) interest expense on debentures, bank loans, fixed deposits, inter-corporate deposits, other loans and (b) discount on commercial papers.

*Business and origination outsourcing*

Business and origination outsourcing comprises of expenses incurred towards our feet-on-street network, brokerage paid to dealer and dealer executives, technical and legal expenses for home equity, field investigation expenses, stamping charges, branch operations costs.

*Employee benefit expense*

Employee benefit expense constitutes of salaries, bonus and commission, contribution to provident and other funds and staff welfare expenses.

*Other operating expenses*

Other operating expenses comprises a number of items, including, rent, professional/consultancy charges, advertising expenses, business development expenses, auditor's remuneration, printing and stationery, information technology expenses, sitting fees to directors, commission to directors, rates and taxes, insurance, communication charges, lease rental expenses, travelling and conveyance expenses, electricity charges, vehicle maintenance, office maintenance and repairs and miscellaneous expenses.

*Depreciation and amortization expenses*

(i) 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.

(ii) 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 ₹ 5,000 or less are fully depreciated in the year of purchase.

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

*Provision, loan losses and other charges*

Our Company is required, after taking into account the time lag between an account becoming non-performing, and its recognition as such, the realization of the security, and the erosion of over time in value of the security charged, to make provisions against sub-standard, doubtful and loss assets as per the directions issued by RBI. Our Company maintains a provision against NPA assets which are over and above the provisioning requirements prescribed by the RBI.

In terms of the requirement of the circular dated January 17, 2011 issued by the RBI, our Company is also required to make a general provision at 0.25% of the outstanding standard assets. The provisions on standard assets are not reckoned for arriving at net NPAs. The provisions towards standard assets are not needed to be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet. In terms of the aforementioned RBI requirements, our Company is allowed to include the 'General Provisions on Standard Assets' in Tier II capital which together with other 'general provisions/ loss reserves' will be admitted as Tier II capital only up to a maximum of 1.25% of the total risk-weighted assets. As on September 30, 2012 our Company has made provisions of ₹ 421.56 million for standard assets which is in line with the RBI required provision.

Loan losses consist of loan assets written off and loss on repossessed assets.

## TAXATION

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.

## RESULTS OF OPERATIONS

The following table sets forth for the financial year ended March 31 2012, 2011 and 2010, indicating certain items from our Consolidated Summary Financial Statements with respect to our results of operations:

| Particulars | For the year ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2010 | |
| | ₹in million | As a% of Total Revenue | ₹ in million | As a% of Total Revenue | ₹ in million | As a% of Total Revenue |
| **INCOME** | | | | | | |
| Revenue from operations | 17,792.94 | 98.55% | 12,062.63 | 98.65% | 9,493.73 | 99.26% |
| Other Income | 262.57 | 1.45% | 164.59 | 1.35% | 71.03 | 0.74% |
| **Total Revenue** | **18,055.51** | | **12,227.22** | | **9,564.76** | |
| **EXPENSES** | | | | | | |
| Finance Costs | 9,900.22 | 54.83% | 5,747.13 | 47.00% | 4,951.31 | 51.77% |
| Business Origination Outsourcing | 1,321.91 | 7.32% | 882.15 | 7.21% | 593.35 | 6.20% |
| Employee Benefit Expenses | 1,191.91 | 6.60% | 965.51 | 7.90% | 932.36 | 9.75% |

| Particulars | For the year ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2010 | |
| | ₹in million | As a% of Total Revenue | ₹ in million | As a% of Total Revenue | ₹ in million | As a% of Total Revenue |
| Other Operating Expenses | 1,948.76 | 10.79% | 1,532.33 | 12.53% | 1,359.76 | 14.22% |
| Depreciation and Amortisation Expense | 103.83 | 0.58% | 100.48 | 0.82% | 171.47 | 1.79% |
| Provisioning, loan losses and other charges | 995.67 | 5.51% | 1,772.21 | 14.49% | 1,304.57 | 13.64% |
| **Total Expenses** | **15,462.30** | **85.64%** | **10,999.81** | **89.96%** | **9,312.82** | **97.37%** |
| **PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX** | **2,593.21** | **14.36%** | **1227.41** | **10.04%** | **251.94** | **2.63%** |
| Profit on disposal of subsidiaries (Net) | - | - | - | - | 307.77 | 3.22% |
| Exceptional Items | 300.00 | 1.66% | - | - | 138.50 | 1.45% |
| **Profit before Taxation** | **2,893.21** | **16.02%** | **1,227.41** | **10.04%** | **698.21** | **7.30%** |
| **PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION** | **2,893.21** | **16.02%** | **1,227.41** | **10.04%** | **567.84** | **5.94%** |
| Tax Expense : | 1,203.31 | 6.66% | 381.56 | 3.12% | 170.48 | 1.78% |
| Current Year- Expense | 365.84 | 2.03% | 206.51 | 1.69% | 206.89 | 2.16% |
| Prior Years- Expense/ (Reversal of provision) | 14.72 | 0.08% | (56.19) | (0.46%) | - | - |
| MAT Credit Entitlement | 0.03 | Negligible | (14.30) | (0.12%) | - | - |
| Deferred Tax | 822.72 | 4.56% | 245.54 | 2.01% | (36.41) | (0.38%) |
| **PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION (A)** | **1,689.89** | **9.36%** | **845.85** | **6.92%** | **397.36** | **4.15%** |
| Profit from discontinuing operations before Taxation | - | - | - | - | 130.37 | 1.36% |
| Tax expense of discontinuing operations | - | - | - | - | 0.05 | Negligible |
| **PROFIT FROM DISCONTINUING OPERATIONS AFTER TAXATION (B)** | **-** | **-** | **-** | **-** | **130.32** | **1.36%** |
| **PROFIT AFTER TAXATION (A+B)** | **1,689.89** | **9.36%** | **845.85** | **6.92%** | **527.68** | **5.52%** |

## Results for Fiscal 2012 compared to Fiscal 2011

### Total revenue

Our total revenue increased by 47.67% from ₹12,227.22 million in Fiscal 2011 to ₹18,055.51 million in Fiscal 2012 primarily due to a significant increase in our revenue from operations.

*Revenue from operations*

Our revenue from operations increased by 47.50% from ₹12,062.63 million in Fiscal 2011 to ₹17,792.94 million in Fiscal 2012 due to a significant increase in our interest income from financing activity by 54.57% from ₹9,809.62 million in Fiscal 2011 to ₹15,162.66 million in Fiscal 2012.

*Income from financing activity*

The income from our financing activity increased by 48.74% from ₹11,726.78 million in Fiscal 2011 to ₹17,442.06 million in Fiscal 2012 pursuant to an increase in disbursals of 55.10% from ₹ 57,307 million in Fiscal 2011 to ₹ 88,886 million in Fiscal 2012. Increase in interest income can be split as follows:

- An increase in the interest income from automobile financing by 60.42% from ₹6,705.17 million in Fiscal 2011 to ₹10,756.35 million in Fiscal 2012.
- An increase in interest income from loan against immovable property increased by 63.48% from ₹ 1,926.16 million in Fiscal 2011 to ₹3,148.94 million in Fiscal 2012
- An increase in the interest income from loan against securities increased by 46.1% from ₹ 598.08 million in Fiscal 2011 to ₹ 873.80 million in Fiscal 2012.

Further, there was an increase in the operating revenues which can be attributed primarily to an increase in the other operating revenue from automobile financing by 33.30% from ₹ 1,269.93 million in Fiscal 2011 to ₹1,692.82 million in Fiscal 2012 and a marginal increase in the other operating revenue from loan against securities increased by 7.63% from ₹ 18.40 million in Fiscal 2011 to ₹ 19.80 million in Fiscal 2012.

As stated above, there was a change in accounting policy of the Company, namely, the interest spread arising from bilateral assignment, sold loan receivables in Fiscal 2012 was accounted over the residual tenor of the receivables sold as against upfront recognition of such interest spread in earlier years. For Fiscal 2012 income from operations and profit would have been higher had our Company recognized the said interest spread upfront as in previous year.

*Other Income*

Our other income increased by 59.53% from ₹164.59 million in Fiscal 2011 to ₹262.57 million in Fiscal 2012. This is primarily due to an increase in the interest income from investments which increased by 123.71% from ₹ 19.19 million in Fiscal 2011 to ₹ 42.93 million in Fiscal 2012 and a substantial increase in miscellaneous income which increased by 657.30% from ₹ 28.64 million in Fiscal 2011 to ₹216.89 million in Fiscal 2012. The substantial increase in the miscellaneous income was due to gain on premature redemption of commercial paper and inclusion of reversal of provision of credit enhancement on consumer loan assets derecognized.

**Total expenditure**

Our total expenditure increased by 40.57% from ₹ 10,999.81 million in Fiscal 2011 to ₹ 15,462.30 million in Fiscal 2012 primarily due to an increase in finance costs and business origination outsourcing.

*Finance Costs*

Our finance costs increased by 72.26% from ₹ 5,747.13 million in Fiscal 2011 to ₹ 9,900.22 million in Fiscal 2012, primarily due to higher borrowings and general increase in our borrowing costs. Consequently, there was an increase in our interest expense on debentures which increased by 85.92% from ₹ 1,721.06 million in Fiscal 2011 to ₹ 3,199.78 million Fiscal 2012 and an increase in the interest expense on bank loans by 95.40 % from ₹ 2,790.41 million in Fiscal 2011 to ₹ 5,452.55 million in Fiscal 2012. Interest on debentures and loans from scheduled commercial banks contributed 32.32% and 55.08% of our finance costs for Fiscal 2012. The aforementioned increases can be attributed to an increase in our total borrowings by 42.89% from ₹80,089.07 million as at March 31, 2011 to ₹114,441.43 million as at March 31, 2012, which consequently lead to an increase in our finance costs.

*Business origination outsourcing*

Our expenditure due to business origination outsourcing increased by 49.85% from ₹ 882.15 million in Fiscal 2011 to ₹ 1,321.91 million in Fiscal 2012, primarily due to an increase in the number of loans originated during Fiscal 2012.

*Employee benefit expenses*

Our employee benefit expenses increased by 23.45% from ₹ 965.51 million in Fiscal 2011 to ₹ 1,191.91 million in Fiscal 2012, primarily due to an increase in salaries, bonus and commissions paid to employees by 21.70% from ₹

889.05 million in Fiscal 2011 to ₹ 1,081.94 million in Fiscal 2012. The increase in salaries and wages was on account of revision in salaries as well as an increase in our number of employees from 1,185 as at March 31, 2011 to 1,535 as at March 31, 2012.

*Other operating expenses*

Our other expenses increased by 27.18% from ₹ 1,532.33 million in Fiscal 2011 to ₹ 1,948.76 million in Fiscal 2012, primarily on account of increase in rental expenses, rates and taxes and advertisement expenses.

Our rental expenses increased by 23.00% from ₹ 167.62 million in Fiscal 2011 to ₹ 206.17 million in Fiscal 2012 primarily on account of an expansion of our branch network from 236 locations as at March 31, 2011 to 375 locations as at March 31, 2012.

Our expenses due to rates and taxes substantially increased by 1,625.99% from ₹ 12.12 million in Fiscal 2011 to ₹ 209.19 million in Fiscal 2012 primarily on account of an increase in service tax.

Our advertisement expenses increased by 110.5% from ₹ 35.54 million in Fiscal 2011 to ₹ 74.81 million in Fiscal 2012 primarily on account of promotional activities for the new branches.

*Depreciation and amortization expenses*

Depreciation and amortization expenses increased by 3.33% from ₹ 100.48 million in Fiscal 2011 to ₹ 103.83 million in Fiscal 2012.

*Provision, loan losses and other charges*

Provision, loan losses and other charges reduced significantly by 43.82% from ₹1,772.21 million in Fiscal 2011 to ₹995.67 million in Fiscal 2012, on account of an improvement of our asset quality which resulted in reduction of loss assets written off and provisions for non-performing assets.

*Exceptional Item*

In Fiscal 2009 our Company instituted a capital reduction, pursuant to which our Company has carved out from the share premium an amount of ₹3,235.30 million as a standard assets provision to mainly take into account losses incurred for personal loan business. Of this, ₹1,000.00 million was adjusted against actual loan losses in Fiscal 2009 and ₹ 1,700.00 million was reversed in Fiscal 2010 on account of specific provision made for non performing personal loans. In the Fiscal 2012, the balance of ₹300.00 million, out of the aforementioned provision, was reversed and included as an exceptional item.

*Profit before Taxation*

In light of the above, our profit before taxation increased by 135.72% from ₹1,227.41 million in Fiscal 2011 to ₹2,893.21 million in Fiscal 2012.

**Net profit for the period**

As a result of the above factors, our Company's net profit increased by 99.79% from ₹ 845.85 million in Fiscal 2011 to ₹ 1,689.90 million in Fiscal 2012.

**Comparison of Fiscal 2011 and Fiscal 2010**

**Total revenue**

Our total revenue increased by 27.84% from ₹ 9,564.76 million in Fiscal 2010 to ₹ 12,227.22 million in Fiscal 2011 primarily due to a significant increase in our revenue from operations.

*Revenue from operations*

Our revenue from operations increased by 27.06% from ₹ 9,493.73 million in Fiscal 2010 to ₹ 12,062.63 million in

Fiscal 2011 due to a significant increase in our interest income from financing activity by 31.41% from ₹ 7,465.19 million in Fiscal 2010 to ₹ 9,809.62 million in Fiscal 2011. The increase in our interest income is due to increase in our interest income from automobile financing, and our home equity financing. The growth of our business was primarily due to the increase in disbursals.

*Income from financing activity*

Our income from financing activity increased by 32.49% from ₹ 8,587.35 million in Fiscal 2010 to ₹ 11,377.48 million in Fiscal 2011 due to an increase in the income from automobile financing by 59.21% from ₹ 797.66 million in Fiscal 2010 to ₹ 1,269.93 million in Fiscal 2011 and an increase in the income from loan against immovable property by 34.82% from ₹ 207.34 million in Fiscal 2010 to ₹ 279.53 million in Fiscal 2011.

*Other Income*

Our other income substantially increased by 131.72% from ₹ 71.03 million in Fiscal 2010 to ₹ 164.59 million in Fiscal 2011. This is primarily due to profit of sale in fixed assets amounting to ₹ 112.81 million.

**Total expenditure**

Our total expenditure increased by 18.11% from ₹ 9,312.82 million in Fiscal 2010 to ₹ 10,999.81 million in Fiscal 2011 primarily due to an increase in finance costs, provision loan losses and other charges and business origination outsourcing.

*Finance Costs*

Our finance costs increased by 16.07% from ₹ 4,951.31 million in Fiscal 2010 to ₹ 5,747.13 million in Fiscal 2011, primarily due to an increase in our interest expense on debentures which increased by 13.33% from ₹ 1,518.62 million in Fiscal 2010 to ₹ 1,721.06 million in Fiscal 2011and increase in the interest expense on bank loans by 44.47% from ₹1,931.47 million in Fiscal 2010 to ₹ 2,790.41 million Fiscal 2011.

Interest on debentures and loans from scheduled commercial banks contributed 29.95% and 48.55% of our Finance Costs for Fiscal 2011.

*Business origination outsourcing*

Our expenditure due to business origination outsourcing increased by 48.67% from ₹ 593.35 million in Fiscal 2010 to ₹ 882.15 million in Fiscal 2011, primarily due to an increase in the number of loans originated during Fiscal 2011.

*Employee benefit expenses*

Our employee benefit expenses increased by 3.56% from ₹ 932.36 million in Fiscal 2010 to ₹ 965.51 million in Fiscal 2011, primarily due to an increase in salaries and wages paid to employees by 3.43% from ₹ 859.54 million in Fiscal 2010 to ₹ 889.04 million in Fiscal 2011. The increase in salaries and wages was on account of revision in salaries as well as an increase in our number of employees from 1,096 as at March 31, 2010 to 1,185 as at March 31, 2011.

*Other operating expenses*

Our other operating expenses increased by 12.69% from ₹ 1,359.76 million in Fiscal 2010 to ₹ 1,532.33 million in Fiscal 2011, primarily on account of increase in lease rental expenses and rates and taxes.

An increase in the operating expenses may be attributed to our lease rental expenses which did not exist in Fiscal 2010 and amounted to ₹ 47.58 million in Fiscal 2011 primarily on account of an increase in expansion of our branch network from 171 locations as at March 31, 2010 to 236 locations as at March 31, 2011.

Our expenses due to rates and taxes increased by 52.84% from ₹ 7.93 million in Fiscal 2011 to ₹ 12.12 million in Fiscal 2012 primarily on account of an increase in service tax.

*Provision, loan losses and other charges*

Our expenses due to provision, loan losses and other charges increased by 35.85% from ₹ 1,304.57 million in Fiscal 2010 to ₹ 1,772.21 million in Fiscal 2011, primarily on account of loss assets written off and increase in provisions released for NPA on write off.

Our expenses due to loss assets written off, substantially increased by 500.4% from ₹ 389.54 million in Fiscal 2010 to ₹ 2,338.80 million in Fiscal 2011 primarily due to stress on our personal loan portfolio.

Our expenses in connection with net provision for standard assets substantially increased from reversal of ₹ 1,700.00 million in Fiscal 2010 to a charge of ₹ 209.70 million in Fiscal 2011. Notably, our expenses relating to provisioning for NPA decreased by 52.41% from ₹ 2,585.33 million in Fiscal 2010 to ₹ 1,230.42 million in Fiscal 2011.

*Profit before Taxation*

In light of the above, our profit before taxation increased by 75.79% from ₹698.21 million in Fiscal 2010 to ₹1,227.41 million in Fiscal 2011.

**Net profit/(loss) for the period**

As a result of the above factors, our Company's net profit increased by 60.30% from ₹ 527.68 million in Fiscal 2010 to ₹845.85 million in Fiscal 2011.

**FINANCIAL CONDITION**

**Total Assets**

The following table sets forth the principal components of our total assets as of March 31, 2012, March 31, 2011, and March 31, 2010

***(₹in million)***

| **Particulars** | **As at March 31, 2012** | **As at March 31, 2011** | **As at March 31, 2010** |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed Assets | 564.92 | 373.46 | 195.61 |
| Tangible Assets | 512.66 | 333.33 | 144.62 |
| Intangible Assets | 52.26 | 40.13 | 50.99 |
| Goodwill on consolidation of Subsidiaries | - | - | 5.89 |
| Non current investments | 38.95 | 67.57 | 70.78 |
| Deferred Tax Asset (Net) | 511.31 | 1,334.03 | 1,579.57 |
| Receivables under financing activity | 83,429.57 | 54,944.07 | 34,845.54 |
| Long term loans and advances | 515.83 | 676.96 | 371.58 |
| Trade Receivables | - | - | 0.33 |
| Other non-current assets | 1,217.35 | 1,045.58 | 418.26 |
| **Total non-current assets** | **86,277.93** | **58,441.67** | **37,487.56** |

| Particulars | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|
| **Current Assets** | | | |
| Current investment | 62.74 | 32.57 | 1,670.28 |
| Trade Receivables | 73.70 | 66.83 | 107.87 |
| Cash and cash equivalent | 5,312.36 | 4,748.87 | 7,546.77 |
| Receivable under financing activity | 40,559.51 | 31,810.02 | 20,606.60 |
| Short term loans and advances | 315.16 | 608.73 | 941.20 |
| Other current assets | 2,367.86 | 1,785.17 | 1,731.21 |
| **Total current assets** | **48,691.33** | **39,052.19** | **32,603.93** |
| **Total** | **134,969.26** | **97,493.86** | **70,091.49** |

**Comparison as at March 31, 2012 and as at March 31, 2011**

Our total assets increased by 38.44% from ₹ 97,493.86 million as at March 31, 2011 to ₹ 134,969.26 million as at March 31, 2012. This increase was primarily due to an increase in non- current assets from ₹ 58,441.67 million as at March 31, 2011 to ₹ 86,277.93 million as at March 31, 2012 and an increase in total current assets from ₹ 39,052.19 million as at March 31, 2011 to ₹ 48,691.33 million as of March 31, 2012.

*Non-current assets*

The increase in our non-current assets was primarily due to an increase in the receivables under financing activity which increased by 51.84% from ₹ 54,944.07 million as at March 31, 2011 to ₹ 83,429.57 million as at March 31, 2012. The increase in receivables under financing activity was due to increase in automobiles financing business which increased by 60.12% from ₹ 33,948.28 million as at March 31, 2011 to ₹ 54,359.27 million as at March 31, 2012.

*Current assets*

The increase in our current assets was primarily due to an increase in receivables under financing activity which increased by 27.51% from ₹ 31,810.02 million as at March 31, 2011 to ₹ 40,559.51million as at March 31, 2012. The increase in receivables under financing activity was due to increase in automobiles financing business which increased by 45.39% from ₹ 22,524.26 million as at March 31, 2011 to ₹ 32,748.00 million as at March 31, 2012 and due to addition of new business of gold financing which contributed ₹ 413.13 million as at March 31, 2012.

**Comparison as of March 31, 2011 and as of March 31, 2010**

Our total assets increased by 39.10 % from ₹ 70,091.49 million as at March 31, 2010 to ₹ 97,493.86 million as at March 31, 2011. This increase was primarily due to an increase in non-current assets from ₹ 37,487.56 million as at March 31, 2010 to ₹ 58,441.67 million as at March 31, 2011 and an increase in total current assets from ₹ 32,603.93 million as at March 31, 2010 to ₹ 39,052.19 million as of March 31, 2011.

*Non-current assets*

The increase in our non-current assets was primarily due to an increase in receivables under financing activity which increased by 57.68% from ₹ 34,845.54 million as of March 31, 2010 to ₹ 54,944.07 million as of March 31, 2011. The increase in receivables under financing activity was due to increase in automobile financing business which increased by 89.75 % from ₹ 17,891.36 million as of March 31, 2010 to ₹ 33,948.28 million as of March 31, 2011.

*Current assets*

The increase in our current assets was primarily due to an increase in receivables under financing activity which increased by 54.37% from ₹ 20,606.60 million as of March 31, 2010 to ₹ 31,810.02 million as of March 31, 2011. The increase in receivables under financing activity (current) was due to increase in automobile financing business which increased by 77.58 % from ₹ 12,683.66 million as of March 31, 2010 to ₹ 22,524.26 million as of March 31, 2011.

**Total Liabilities**

The following table sets forth the principal components of our total liabilities as of March 31, 2012, March 31, 2011, and March 31, 2010

***(₹in million)***

| **Particulars** | **As at March 31, 2012** | **As at March 31, 2011** | **As at March 31, 2010** |
|---|---|---|---|
| **Non Current Liabilities** | | | |
| Long-term borrowings | 71,545.50 | 56,155.16 | 24,825.56 |
| Other long term liabilities | 193.69 | 295.79 | 299.40 |
| Long-term provisions | 530.08 | 519.90 | 496.00 |
| **Total Non- Current Liabilities** | **72,269.27** | **56,970.85** | **25,620.96** |
| **Current Liabilities** | | | |
| Short-term borrowings | 15,480.63 | 10,666.61 | 18,867.47 |
| Trade payables | 992.39 | 671.78 | 541.22 |
| Other current liabilities | 30,335.42 | 15,336.94 | 13,614.52 |
| Short-term provisions | 1,854.27 | 3,227.56 | 3,621.38 |
| **Total Current Liabilities** | **48,662.71** | **29,902.89** | **36,944.59** |
| **Total** | **1,20,931.98** | **86,873.74** | **62,565.55** |

Our total liabilities increased by 39.20% from ₹ 86,873.74 million as at March 31, 2011 to ₹ 1,20,931.98 million as at March 31, 2012 and by 38.85% from ₹ 62,565.55 million as at March 31, 2010 to ₹ 86,873.74 million as at March 31, 2011.

**Comparison as of March 31, 2012 and as of March 31, 2011**

**Non-current liabilities**

Our non-current liabilities increased by 26.85 % from ₹ 56,970.85 million as of March 31, 2011 to ₹ 72,269.27 million as at March 31, 2012. The increase in our non-current liabilities was primarily on account of increase in long term borrowings and long term provisions.

*Long term borrowings*

Our long term borrowings increased by 27.41% from ₹ 56,155.16 million as of March 31, 2011 to ₹ 71,545.50 million as of March 31, 2012. The rise in long term borrowings was on account of higher borrowings by our Company, which was primarily utilised to disburse vehicle loan finance and home equity finance.

Long term borrowings comprise redeemable non convertible debentures, term loans from scheduled commercial banks and secured foreign currency loans from banks.

*Long term provisions*

Our long term provisions increased by 1.96 % from ₹ 519.90 million as of March 31, 2011 to ₹ 530.08 million as of March 31, 2012.The increase in our long term provisions was on account of increase in provisioning for non-performing assets and provisioning for standard assets. The provisions for NPAs (standalone) increased by 92.62% from ₹ 131.74 million as of March 31, 2011 to ₹ 253.76 million as of March 31, 2012.

**Current liabilities**

Our current liabilities increased by 62.74% from ₹ 29,902.89 million as of March 31, 2011 to ₹ 48,662.71 million as of March 31, 2012. The increase in our current liabilities was primarily on account of increase in short term borrowings and other current liabilities.

*Short term borrowings*

Short term borrowings represents unsecured rupee term loans from scheduled commercial banks, working capital demand loans and cash credit from banks which are secured by floating charge on assets under hypothecation and other current assets.

*Other current liabilities*

Other current liabilities represents current maturities of long term borrowings, interest accrued but not due, income received in advance receipts, unclaimed dividend, fixed deposits, advances from customers and others and other liabilities. Our other current liabilities increased by 97.79% from ₹ 15,336.94 million as of March 31, 2011 to ₹30,335.42 million as of March 31, 2012. The increase in our other current liabilities was mainly on account of increase in current maturities of our long term borrowings.

Our current maturities of long term borrowings was ₹ 27,415.00 million and ₹ 13,267.30 million, as at March 31, 2012 and March 31, 2011 respectively.

**Comparison as of March 31, 2011 and as of March 31, 2010**

**Non-current liabilities**

Our non-current liabilities increased by 119.79% from ₹ 25,920.96 million as of March 31, 2011 to ₹56,970.85 million as at March 31, 2012. The increase in our non-current liabilities was primarily on account of increase in long term borrowings.

*Long term borrowings*

Our long term borrowings increased by 126.20% from ₹ 24,825.56 million as of March 31, 2010 to ₹ 56,155.16 million as of March 31, 2011. The rise in long term borrowings was on account of higher borrowings by our Company, which was utilised to disburse vehicle loan finance and home equity finance.

Long term borrowings comprise redeemable non convertible debentures, term loans from scheduled commercial banks and secured foreign currency loans from banks.

**Current liabilities**

Our current liabilities decreased by 19.06 % from ₹ 36,944.59 million as of March 31, 2010 to ₹ 29,902.89 million as of March 31, 2011. The decrease in our current liabilities was primarily on account of decrease in short term borrowings.

*Short term borrowings*

Short term borrowings represents unsecured rupee term loans from scheduled commercial banks, working capital demand loans and cash credit from banks which are secured by floating charge on assets under hypothecation and other current assets.

**Shareholders Funds**

Shareholders funds comprise of share capital and reserves and surplus. The following table sets out the shareholders funds as of March 31, 2012, 2011 and 2010.

| Particulars | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|
| Shareholders Funds (₹ in million) | 14,037.28 | 10,619.85 | 7,525.94 |

Increase in shareholders funds for each of the above mentioned periods is on account of retained earnings and allotment and issuance of shares at a premium pursuant to exercise of stock options in Fiscal 2012 and preferential allotments in Fiscal 2011 and Fiscal 2012.

**CONTINGENT LIABILITIES**

The contingent liabilities of our Company not provided for as of September 30, 2012 are as mentioned in the table below:

| Particulars | Amount (₹ in Million) |
|---|---|
| Counter guarantees provided to banks | 11.97 |
| Contested claims not provided for:- | |
| Income tax and Interest Tax issues where the company is in appeal | 220.23 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax | 20.44 |
| Service Tax issues pending in respect of which the company is under appeal | 2.29 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Service Tax | 5.08 |
| Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal | 38.42 |
| Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable) | 155.39 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 39.44 |

For further details, please refer to the section titled "*Financial Statements*" on page 195 of this Placement Document.

**OFF-BALANCE SHEET ARRANGEMENTS**

Except for assets which are assigned or securitized by our Company to banks and other financial institutions, we have no other off-balance sheet arrangements which materially affect the results of our operations or profitability.

**RELATED PARTY TRANSACTIONS**

For details in relation to the related party transactions, please refer to the section titled "*Financial Statements"* on page 195 of this Placement Document.

**QUALITATIVE DISCLOSURE ABOUT MARKET RISKS**

As a lending institution, our operations are exposed to market risks. Some of the key risks include (i) competition risks; (ii) policy risks; (iii) exposure risks; (iv) funding risks; (v) credit risks; (vi) asset liability mismatch risks; and (vii) yield risks. Our Company has developed internal policies in order to mitigate such risks. For further details, please refer to the section titled "*Business*" on page 102 of this Placement Document.

**Significant Economic Changes that Materially Affected or are Likely to Affect Income from Continuing Operations**

Except as described in the section titled "*Industry Overview*" on page 82 of this Placement Document, to our knowledge, there are no significant economic changes that materially affected or are likely to affect our income from continuing operations.

**Future Relationship between Costs and Income**

Other than as described in the sections "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 40 and 61 of this Placement Document, respectively, to our knowledge, there are no known factors which will have a material adverse impact on our operations and finances.

**New Products or Business Segments**

We have entered into new business segments in the three preceding Fiscal years for details please refer to the section titled "*Business"* on page 102 of this Placement Document.

**Seasonality of Business**

We do not believe our business to be seasonal.

**Competitive Conditions**

Please refer to the sections titled "*Business"*, "*Industry Overview*" and "*Risk Factors*" on pages 102, 82 and 40, respectively of this Placement Document, for discussions regarding competition.

**Transactions with Related Parties**

We have engaged in the past, and may engage in the future, in transactions with related parties, including with our affiliates and certain key management members on an arm's length basis.

For a description of our related party transactions, please refer to the section titled *"Financial Statements*" on page 195 of this Placement Document.

**Effect of New Accounting Pronouncements**

There are no recent accounting pronouncements that were not yet effective as at March 31, 2012 that will result in a change in our Company's significant accounting policies.

Public companies in India, including our Company, may be required to prepare their annual and interim financial statements under IFRS or a variation thereof. Recently, the ICAI has released a near final version of the Indian Accounting Standards (Ind AS) 101 "First-time Adoption of Indian Accounting Standards" ("**IND AS**"). The Ministry of Corporate Affairs, Government of India, on February 25, 2011 has notified that the IND AS will be implemented in a phased manner and the date of such implementation will be notified at a later date. As on the date of this Placement Document the Ministry of Corporate Affairs, Government of India has not yet notified the date of implementation of the IND AS. There is currently a significant lack of clarity on the adoption of and convergence with IND AS and we currently do not have a set of established practices on which to draw on in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, IND AS has fundamental differences with the IFRS and therefore financial statements prepared under IND AS may differ substantially from financial statements prepared under IFRS. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially different under IND AS, Indian GAAP or IFRS. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, will not affect our reported results of operations, financial condition.

**MATERIAL DEVELOPMENTS POST BALANCE SHEET DATE SEPTEMBER 30, 2012**

- Our Company allotted 8,484 fully paid up Equity Shares of ₹ 10 each under the ESOP 2007 scheme vide resolution passed by the Compensation & Nomination Committee dated January 2, 2013;

- Our Company allotted 6,374 fully paid up Equity Shares of ₹ 10 each under the ESOP 2007 scheme vide resolution passed by the Compensation & Nomination Committee dated January 25, 2013; and

- Our Company has vide resolution dated January 18, 2013 passed by the Board of our Company declared interim

dividend at the rate of ₹ 2.50 per Equity Share to the shareholders holding Equity Shares as on January 31, 2013, being the record date fixed for the purpose.

- Our Board of Directors approved the unaudited standalone and consolidated limited reviewed financial information of our Company as at and for the quarter ended and nine month period ended December 31, 2012 at their meeting held on January 18, 2013, (as prepared and submitted to the Stock Exchanges in accordance with Clause 41 of the Listing Agreement. For details please refer to the section titled "*Financial Statements*" on page 195 of this Placement Document.

## INDUSTRY OVERVIEW

*The information in this section is derived from various government publications and other industry sources. Neither we, nor any other person connected with the issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.*

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### GLOBAL ECONOMY

Global economic conditions improved modestly in the third quarter of 2012, with global growth increasing to about 3 percent. The main sources of acceleration were emerging market economies, where activity picked up broadly as expected, and the United States, where growth surprised on the upside. Global financial conditions improved further in the fourth quarter of 2012. Global growth is projected to increase during 2013, as the factors underlying soft global activity are expected to subside. However, this upturn is projected to be more gradual than in the October 2012 World Economic Outlook (WEO) projections. Growth in emerging market and developing economies is on track to build to 5.5 percent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010–11. Supportive policies have underpinned much of the recent acceleration in activity in many economies. But weakness in advanced economies will weigh on external demand, as well as on the terms of trade of commodity exporters, on an assumption of lower commodity prices. Moreover, the space for further policy easing has diminished, while supply bottlenecks and policy uncertainty have hampered growth in some economies (for example, Brazil, India). Activity in Sub-Saharan Africa is expected to remain robust, with a rebound from flood-related output disruptions in Nigeria contributing to acceleration in overall growth in the region in 2013. *(Source: International Monetary Fund (IMF), World Economic Outlook (WEO) Database, January 23, 2013 update)*

### INDIAN ECONOMY

***Output***

Industrial growth has remained subdued since July 2011 due to weak global demand, weak supply linkages, high input costs and sluggish investment activity. During 2012-13 (April-November) industrial growth slowed to 1.0%. Barring a spike in October 2012 due to a favorable base effect and festival-related pick-up in production, growth has been disappointing across sectors.

The industrial sector was mainly affected by the contraction in the output of capital goods and the mining sector. Subdued investment activity has led to the decline of capital goods production, while regulatory and environmental issues have affected the output of the mining sector. Excluding capital goods, the growth rate of overall index for industrial production (IIP) during April-November 2012 was 3.0%. Truncated IIP (96% of the IIP), calculated by the Reserve Bank of India by excluding the volatile items, shows higher growth than the overall IIP for the same period. *(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

| Sectoral Growth Rates of GDP (2004-05 prices) | | | | | | | | (%) |
|---|---|---|---|---|---|---|---|---|
| | 2010-11(QE) | 2011-12 (RE) | 2011-2012 | | | | 2012-2113 | |
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Agriculture, forestry & fishing | 7.0 | 2.8 | 3.7 | 3.1 | 2.8 | 1.7 | 2.9 | 1.2 |
| Industry | 6.8 | 2.6 | 6.5 | 2.7 | 0.9 | 0.7 | 0.8 | 1.2 |
| Services | 9.2 | 8.5 | 9.3 | 8.5 | 8.7 | 7.5 | 7.4 | 7.1 |
| **GDP at factor cost** | **8.4** | **6.5** | **8.0** | **6.7** | **6.1** | **5.3** | **5.5** | **5.3** |

(QE): Quick Estimate; (RE): Revised Estimate; Source: Central Statistics Office

*(Source: RBI 'Macroeconomic and Monetary Developments - Second Quarter Review 2012-13' dated October 29, 2012).*

***Macroeconomic Outlook***

The 22nd round of the Survey of Professional Forecasters conducted by the Reserve Bank of India, forecasts slower growth in 2012-13 revising its median growth projection downwards to 5.5%. Forecasts suggest gradual recovery with higher projected GDP growth in 2013-14 while the average WPI inflation is projected to gradually moderate in the coming year. The twin deficits are expected to improve in 2013-14 with the CAD as a percentage of GDP projected to moderate to 3.5% and the central government fiscal deficit as a percentage of GDP projected to fall to 5.3%. The latest round of Inflation Expectations Survey of Households (IESH) conducted among 5,000 households across 16 cities (of which 4 cities are covered for the first time in this round) and 7 occupational categories during November 30 to December 7, 2012, indicates that the perception of current inflation as well as the expectations on future inflation have increased marginally (quarter on quarter) in the third quarter of 2012-13. However, the percentage of respondents expecting a higher rise in prices in the fourth quarter of 2012-13 as well as in the third quarter of 2013-14 has decreased as compared with the last round of the survey. Output gap may start closing in 2013-14, although at a slow pace. On current assessment, growth in 2012-13 is likely to fall below the Reserve Bank of India's baseline projection of 5.8% set out in the Second Quarter Review (October 2012). The IIP recorded a dismal growth of 1.0% during April-November 2012. The full year growth may fall even below last year's. However, the output gap could start closing in 2013-14 on the back of some revival in investment demand. The improvement would, inter alia, hinge on inflation receding which will support higher consumption. *(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

Although, inflation is likely to moderate to below the baseline projection of 7.5% for March 2013 set in the October policy, the direct and indirect impact of the recent increase in diesel prices would exert some upward pressure on overall price level. Suppressed inflation continues to pose a significant risk to the inflation trajectory in 2013-14 and as some of these risks materializes, inflation path may turn sticky. Amidst the large current account deficit (CAD), the possibility of currency depreciation and its pass-through to domestic prices constitutes an additional risk that cannot be glossed over. On the other hand, as fundamentals improve, it could impart strength to the rupee. This can have a favourable impact on inflation. *(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

***Monetary and Liquidity Conditions***

During the current financial year, growth has slowed markedly, even as inflation remained above the Reserve Bank of India's comfort level. Monetary Policy has responded to this evolving growth-inflation dynamics through calibrated easing. After lowering the cash reserve ratio (CRR) by 125 basis points (bps) during Q4 of 2011-12, the Reserve Bank frontloaded a reduction in its repo rate by 50 bps in April 2012. Even as elevated inflation and the twin deficits have severely restricted the space for further easing of the policy rate since April 2012, subsequent measures were directed towards ensuring adequate liquidity to facilitate a turnaround in credit deployment to productive sectors for supporting growth. As part of liquidity management measures, the CRR was reduced in two stages by a further 50 bps in a pre-emptive manner to ease monetary and liquidity conditions. Also, the statutory liquidity ratio (SLR) of scheduled commercial banks (SCBs) was reduced to improve the credit conditions facing the private sector. *(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

| Effective since | Reverse Repo | Repo Rate | Cash Reserve Ratio* | Statutory Liquidity Ratio |
|---|---|---|---|---|
| May 3, 2011 | 6.25% (+0.50%) | 7.25% (+0.50%) | 6.00% | 24.00% |
| June 16, 2011 | 6.50% (+0.25%) | 7.50% (+0.25%) | 6.00% | 24.00% |
| July 26, 2011 | 7.00% (+0.50%) | 8.00% (+0.50%) | 6.00% | 24.00% |
| September 16, 2011 | 7.25% (+0.25%) | 8.25% (+0.25%) | 6.00% | 24.00% |
| October 25, 2011 | 7.50% (+0.25%) | 8.50% (+0.25%) | 6.00% | 24.00% |
| January 28, 2012 | 7.50% | 8.50% | 5.50%(-0.50%) | 24.00% |
| March 10, 2012 | 7.50% | 8.50% | 4.75% (-0.75%) | 24.00% |
| April 17, 2012 | 7.00% (-0.50%) | 8.00% (-0.50%) | 4.75% | 24.00% |
| August 11, 2012 | 7.00 | 8.00 | 4.75 | 23.00% (-1.00%) |
| September 22, 2012 | 7.00 | 8.00 | 4.50 (-0.25%) | 23.00 |
| November 3, 2012 | 7.00 | 8.00 | 4.25(-0.25%) | 23.00 |

Figures in parentheses indicate change in policy rates in percentage
* : Per cent of Net Demand and Time Liabilities.
*(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

The total flow of financial resources to the commercial sector for the financial year so far (up to January 11, 2013) was higher compared with the corresponding period of the previous year. The increase in flow has been accounted for by both bank and non-bank sources, though the latter played a dominant role. Among the domestic sources, non-food credit and non-SLR investment by SCBs, net issuance of commercial paper, net credit by housing finance companies, systemically important non-deposit taking NBFCs, witnessed large increase compared to corresponding period previous year. Foreign sources of funding (up to December 2012), also recorded marginal increase compared with the previous year, mainly on account of a higher external commercial borrowings/foreign currency convertible bonds and short-term credit from abroad. However, FDI, which is considered to be the most stable source of capital inflows, witnessed a decline during the period. *(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

**Flow of Financial Resources to the Commercial Sector**

(₹ billion)

| | April-March | | | April 1 to Jan 11 | |
|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2011-12 | 2012-13 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **A. Adjusted Non-Food Bank Credit (NFC)** | **4,786** | **7,110** | **6,764** | **3,953** | **4,397** |
| i) Non-Food Credit | 4,670 | 6,815 | 6,525 | 3,705 | 4,058 |
| *of which: petroleum and fertiliser credit* | *100* | *-243* | *171* | *7* | *0 ^* |
| ii) Non-SLR Investment by SCBs | 117 | 295 | 239 | 248 | 338 |
| **B. Flow from Non-banks (B1+B2)** | **5,850** | **5,341** | **5,338** | **4,154** | **5,232** |
| *B1. Domestic Sources* | *3,652* | *3,011* | *3,034* | *1,913* | *2,951* |
| 1. Public issues by non-financial entities | 320 | 285 | 45 | 40 | 103 * |
| 2. Gross private placements by non-financial entities | 1,420 | 674 | 558 | 328 | 442 P+ |
| 3. Net issuance of CPs subscribed to by non-banks | 261 | 68 | 100 | 393 | 778 * |
| 4. Net Credit by housing finance companies | 285 | 428 | 530 | 248 | 387 ^ |
| 5. Total gross accommodation by 4 RBI regulated AIFIs - NABARD, NHB, SIDBI & EXIM Bank | 338 | 400 | 469 | 215 | 184 * |
| 6. Systemically important non-deposit taking NBFCs (net of bank credit) | 607 | 795 | 912 | 480 | 716 + |
| 7. LIC's net investment in corporate debt, infrastructure and Social Sector | 422 | 361 | 419 | 210 | 341 * |
| *B2. Foreign Sources* | *2,198* | *2,330* | *2,304* | *2,241* | *2,281* |
| 1. External Commercial Borrowings / FCCB | 120 | 555 | 421 | 309 | 406 * |
| 2. ADR/GDR Issues excluding banks and financial institutions | 151 | 92 | 27 | 26 | 10 ^ |
| 3. Short-term Credit from abroad | 349 | 502 | 306 | 269 | 519 + |
| 4. Foreign Direct Investment to India | 1,578 | 1,181 | 1,550 | 1,637 | 1,346 ^ |
| **C. Total Flow of Resources (A+B)** | **10,636** | **12,451** | **12,102** | **8,107** | **9,629** |
| *Memo:* | | | | | |
| Net resource mobilisation by Mutual Funds through Debt (non-Gilt) Schemes | 966 | -367 | -185 | -54 | 699 * |

**Note:** ^: Up to November 30, 2012. + : Up to September 30, 2012. * : Up to December 2012. P: Provisional.

*(Source: RBI 'Macroeconomic and Monetary Developments - Third Quarter Review 2012-13' dated January 28, 2013)*

## THE NBFC SECTOR IN INDIA

Non-Banking Finance Companies (NBFCs) are an integral part of the country's financial system, catering to a large market of niche customers, and have emerged as one of the major purveyors of retail and SME credit in India. It is a heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, such as accepting deposits, making loans and advances, providing leasing/hire purchase services, among others. There are over 12,000 NBFCs in India mostly in the private sector. (Source: *Reserve Bank of India, Annual Report, August 2009*).

NBFCs as a whole account for 12.3 % of assets of the total financial system. The total number of NBFCs registered with the RBI, consisting of NBFCs-D and NBFCs-ND, declined from 12,630 at the end of June 2010 to 12,409 at the end of June 2011. The number of NBFCs-D declined from 308 to 297 during the same period, mainly due to the exit of many NBFCs-D from deposit- taking activity, while non-deposit-taking systemically important NBFCs (NBFCs-ND-SI with asset size ₹ 1,000 million and above) increased from 260 to 330 during the same period.

| **Number of NBFCs Registered with RBI** | | | |
|---|---|---|---|
| **End June** | **Number of Registered NBFCs** | **Number of NBFCs-D** | **Number of NBFCs-ND-SI (with asset size ₹ 1,000 million and above)** |
| 2005 | 13,261 | 507 | - |
| 2006 | 13,014 | 428 | 149 |
| 2007 | 12,968 | 401 | 173 |
| 2008 | 12,809 | 364 | 189 |
| 2009 | 12,740 | 336 | 234 |
| 2010 | 12,630 | 308 | 260 |
| 2011 | 12,409 | 297 | 330 |

*(Source: http://indiabudget.nic.in/es2011-12/echap-05.pdf)*

In India, commercial banks account for more than 60% of the total assets of the financial system.

### Recent Regulatory Changes / Recommendations

*New Categories of NBFCs.* During 2011-12 two new categories of NBFCs, viz., Infrastructure Debt Funds-NBFC (NBFC-IDF) and the Micro Finance Institution (NBFC-MFI) were created and brought under separate regulatory frameworks. Detailed guidelines have been prescribed on the entry point norms, prudential norms for capital adequacy, asset classification and provisioning for both the categories of the NBFCs.

*NBFCs engaged in lending against gold.* NBFCs that are predominantly engaged in lending against the collateral of gold jewellery and face inherent concentration risk, besides facing operational risks in their functioning have been directed by the Reserve Bank of India to limit Loan to Value (LTV) to 60% and raise Tier l capital to 12% by April 01, 2014. They have also been prohibited from granting loans against bullion or primary gold and gold coins. Further, banks have been advised to reduce their exposure ceiling on a single NBFC, having gold loans to the extent of 50% or more of its total financial assets, from the existing 10% to 7.5% of banks' capital funds, with certain concessions to the infrastructure sector. In addition, in order to strengthen the internal controls, such NBFCs have been directed to put in place a board approved policy for lending, encapsulating proper adherence to KYC norms, storage and insurance of gold received as collateral and fair and transparent auction procedures.

*Draft Guidelines for NBFCs.* The Reserve Bank of India constituted a Working Group (Chairperson: Smt. Usha Thorat) to reflect on the broad principles that underpin the regulatory architecture for NBFCs keeping in view the economic role and heterogeneity of this sector and the recent international experience. Based on the recommendations of the Working Group, the Reserve Bank of India on December 12, 2012 placed on its website draft guidelines to address issues and concerns in the NBFC sector, inviting comments and suggestions thereon till January 10, 2013. The key provisions of the said draft guidelines are as follows:

1. **Corporate Governance:** As regards corporate governance, NBFCs with an asset size of over ₹10,000 million are now subjected to a strict legal regime, and must comply with Clause 49 of the Listing Agreement irrespective of whether or not they are listed. All registered NBFCs both deposit taking and non-deposit taking are required to

take prior approval from the Reserve Bank of India where there is a change in control and / or increase of shareholding to the extent of 25% or in excess thereof, of the paid up equity capital of the company by individuals or groups, directly or indirectly. Appointment of CEOs of NBFCs with asset size of ₹10,000 million and above would require the Reserve Bank of India's prior approval. It would be mandatory for registered NBFCs with assets of ₹10,000 million and above to constitute a Remuneration Committee to decide on the compensation payable to executives. NBFCs with asset size below ₹10,000 million have been encouraged to adopt such practices. All Systemically Important Non Deposit Taking NBFCs and Deposit Taking NBFCs are required to ensure that there is a policy in place for ascertaining the fit and proper criteria for appointment of directors;

2. **Entry Point Norms, Principal Business Criteria (PBC), Multiple and Captive NBFCs:** NBFCs are classified into two categories, namely registered and exempted. RBI will regulate the activities of registered NBFCs. Exempted NBFCs are: (i) NBFCs with an asset size under ₹ 250 million, whether accepting public funds or not and (ii) NBFCs with an asset size below ₹5,000 million, which do not directly or indirectly access funds from the public. Foreign-owned companies will have to register with the RBI irrespective of size or acceptance of public funds. The PBC for classification of an entity as an NBFC has also been revised, to include a company not accepting deposits, with ₹ 250 million or more financial assets in aggregate and 75% or more of it income is financial income. Financial entities that have assets over ₹10,000 million of which financial assets are 50% or financial incomes constituting 50% of gross incomes will also need to be registered with the RBI as NBFCs.

3. **Prudential Regulations:** The Tier I capital requirement has been raised to 12% for all captive NBFCs and NBFCs operating with 75% or more of the total assets in sensitive sectors (capital markets, commodities and real estate). All other NBFCs are required to maintain their Tier I capital at 10%. However, a three year period has been provided, within which compliance with these norms is to be made. As regards asset classification, the RBI has sought to put NBFCs at par with banks, mandating a 90 day period for classification as an NPA. However, this is proposed in a phased manner, with a 120 day norm from the year commencing April 1, 2014 and a 90 day norm from the subsequent year. Provisioning for all standard assets also stands increased to 0.4% from the former 0.25%. To address concentration, the group recommended Tier I capital to be raised to 12%, introduction of a liquidity ratio and alignment of prudential norms with those of banks. Captive NBFCs, financing parent company's products, may maintain Tier I capital at 12% and supervisory risk assessment of such companies should take into account the risk of the parent company. ;

4. NBFCs may be subject to regulations while undertaking margin financing, similar to banks while lending to stock brokers and merchant banks and as specified by the Securities and Exchange Board of India (SEBI) to stock brokers. Board approved limits for bank's exposure to real estate may be made applicable for the bank group as a whole, where there is an NBFC in the group. The risk weights for stand-alone NBFCs may be raised to 150% for capital market exposures and 125% for Commercial Real Estate (CRE) exposures. In case of bank sponsored NBFCs, the risk weights for Capital Market Exposures (CME) and CRE may be the same as specified for banks;

5. NBFCs may be given the benefits under SARFAESI Act, 2002.

**Role of NBFCs in the economy and growth drivers for this segment are:**

1. Supplement to bank credit for semi-urban and rural areas;
2. Facilitating the flow of credit in development of sectors like Transport and Infrastructure;
3. Greater customer orientation and customized lending solutions to target segment;
4. Fast and easy access to credit information for credit appraisal.

**THE AUTOMOBILE INDUSTRY**

In terms of global scale, the Indian automotive industry is the second largest two-wheeler market in the world, the fourth largest heavy commercial vehicle market in the world and the eleventh largest passenger vehicle market in the world. As one of the largest industrial sectors in India, it contributes nearly 17.0% to total indirect taxes. Although the automotive industry provides direct and indirect employment to over 13 million people, the penetration levels for vehicles in India are among the lowest in the world. *(Source: Society of Indian Automobile Manufacturers ("**SIAM**"))*

According to the Automotive Mission Plan 2006-2016, prepared by the Ministry of Industries & Public Enterprises,

Government of India ("**Automotive Mission Plan**"), India is emerging as one of the world's fastest growing passenger car markets and the second largest two-wheeler manufacturer. The growth of the Indian middle class with increasing purchasing power along with robust growth in economy in recent years has attracted major global auto manufacturers to Indian market. The Indian automotive industry after de-licensing has grown approximately at a rate of 17%. *(Source: SIAM)*

**Production and Domestic Sales for 2011-2012**

*Production:* The cumulative production data for Fiscal 2012 shows production growth of 13.83% over same period last year. In Fiscal 2012, the industry produced 20,366,432 vehicles of which share of two-wheelers, passenger vehicles, three-wheelers and commercial vehicles were 76%, 15%, 4% and 4% respectively. Total two-wheeler sales registered a growth of 14.16% during April-March 2012. Mopeds, Motorcycles and Scooters grew by 11.39%, 12.01% and 24.55% respectively. If we compare sales figures of March 2012 to March 2011, the growth for two-wheelers was 8.27%.

| **Automobile Production Trends(Number of Vehicles)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Category** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-2012** |
| Passenger Vehicles | 1,309,300 | 1,545,223 | 1,777,583 | 1,838,593 | 2,357,411 | 2,987,296 | 3,123,528 |
| Commercial Vehicles | 391,083 | 519,982 | 549,006 | 416,870 | 567,556 | 752,735 | 911,574 |
| Three-Wheelers | 434,423 | 556,126 | 500,660 | 497,020 | 619,194 | 799,553 | 877,711 |
| Two-Wheelers | 7,608,697 | 8,466,666 | 8,026,681 | 8,419,792 | 10,512,903 | 13,376,451 | 15,453,619 |
| **Grand Total** | **9,743,503** | **11,087,997** | **10,853,930** | **11,172,275** | **14,057,064** | **17,916,035** | **20,366,432** |

*(Source: SIAM - http://www.siamindia.com/scripts/production-trend.aspx)*

*Domestic Sales:* The growth rate for overall domestic sales for 2011-12 was 12.24% amounting to 17,376,624 vehicles. Three-wheelers sales recorded a decline of (2.43)% in April-March 2012 over same period last year. Total two-wheelers sales registered a growth of 14.16% during April-March 2012. Mopeds, Motorcycles and Scooters grew by 11.39%, 12.01% and 24.55% respectively. If we compare sales figures of March 2012 to March 2011, the growth for two-wheelers was 8.27%.
*(Source: SIAM News Release - http://www.siamindia.com/media/release/ViewMedia.aspx?id=309)*

**Domestic automobile sales trends are as follows:**

| **Automobile Domestic Sales Trends(Number of Vehicles)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Category** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-2012** |
| Passenger Vehicles | 1,143,076 | 1,379,979 | 1,549,882 | 1,552,703 | 1,951,333 | 2,520,421 | 2,618,072 |
| Commercial Vehicles | 351,041 | 467,765 | 490,494 | 384,194 | 532,721 | 676,408 | 809,532 |
| Three-Wheelers | 359,920 | 403,910 | 364,781 | 349,727 | 440,392 | 526,022 | 513,251 |
| **Two-Wheelers** | **7,052,391** | **7,872,334** | **7,249,278** | **7,437,619** | **9,370,951** | **11,790,305** | 13,435,769 |
| **Grand Total** | **8,906,428** | **10,123,988** | **9,654,435** | **9,724,243** | **12,295,397** | **15,513,156** | **17,376,624** |

*(Source: SIAM - http://www.siamindia.com/scripts/domestic-sales-trend.aspx)*

**Market Share**: **(%)**

**Domestic Market Share for 2011-12**

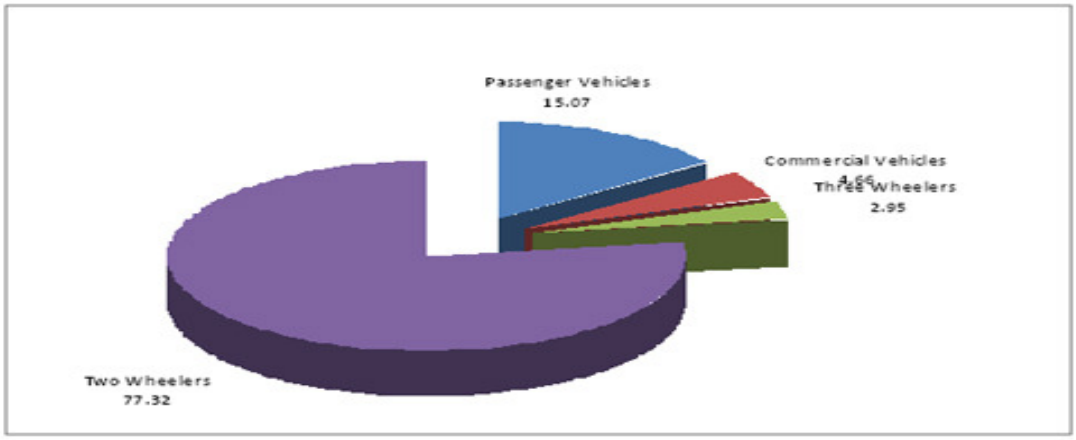
Passenger Vehicles…… 15.07

**Commercial Vehicles…… 4.66**

Three Wheelers……... 2.95

Two Wheelers…… 77.32

*(Source: SIAM)*




**Commercial Vehicles Industry**

The commercial vehicle industry is segmented into "light commercial vehicles" (for vehicles with gross vehicle weight of less than 7.5 tons) and "medium and heavy commercial vehicles" (for vehicles weighing more than 7.5 tons). The performance of the medium and heavy commercial vehicle industry bears a high correlation with industrial growth, and is driven by economic development, improved road infrastructure (such as the Golden Quadrilateral) for long haulage transportation, and a favourable regulatory environment (in this regard, demand created in the years 2006-2007 was attributable to the strict enforcement of overloading restrictions and age norms). In turn, the performance of the light commercial vehicle industry tends to be less cyclical in nature, and is driven by GDP growth and demand for last mile distribution. The market share of light commercial vehicles increased rapidly - the introduction of a sub-one ton carrier by certain players created a new segment typically occupied by three-wheelers and similar forms of intra-city transport, resulting in significant growth in the commercial vehicle market as a whole.

Total domestic sales in the commercial vehicle industry reached 6,76,048 units in 2010-11. From 2004-05 to 2010-11, domestic sales had grown at a healthy CAGR of 13.4%, dipping to (21.7)% in 2008-09 from 27.0% in 2010-11. The reduction in domestic sales was attributed to the slowdown in economic development, credit availability and costs, an increase in fuel prices, in addition to the base effect due to the one-time demand created in 2006-07 by the strict enforcement of overloading restrictions. *(Source: SIAM)*

Domestic sales in the overall Commercial Vehicles segment registered growth of 18.20% during April-March 2012 as compared to the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) registered a growth of 7.94%, Light Commercial Vehicles grew at 27.36%. *(Source: SIAM,* http://www.siamindia.com/media/release/ViewMedia.aspx?id=309*)*

Further, domestic sales in the overall Commercial Vehicles segment registered growth of 6.81% in April-May 2012 as compared to the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) registered negative growth at (-11.07)%, Light Commercial Vehicles grew at 20.18%. *(Source: SIAM, http://www.siamindia.com/media/release/ViewMedia.aspx?id=315)*

**Commercial Vehicle Domestic Sales**

| Category | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|---|---|
| **No. of Commercial vehicles sold** | 318,430 | 351,041 | 467,765 | 490,494 | 384,194 | 532,721 | 676,408 | 799,514 |

*Source: SIAM*

Over the long term, the commercial vehicle industry and consequently, commercial vehicle financing, is expected to continue to show growth in light of the following factors:

*Modernization of trucking industry.* A replacement boom is likely to be triggered by stricter enforcement of regulations banning trucks beyond 15 years and overloading, as well as the introduction by transport associations of a voluntary retirement scheme for old trucks with better financing options. An anticipated replacement demand for 1.1 million new as well as pre-owned trucks will require financing of ₹ 1,078,000 million. *(Source: SIAM)*

*Structural shift to hub-and-spoke model and improving road infrastructure.* All commercial vehicle segments are expected to experience a boost from the fast-evolving hub- and spoke-structure of the freight industry. Long-distance haulage between hubs is typically serviced by heavy commercial vehicle on highways which continue to benefit from the Golden Quadrilateral and road development projects, with freight distribution from the hub to the local warehouse at the end of the spoke requiring medium commercial vehicles and distribution over the last mile requiring small commercial vehicles.

*Growing freight capacity.* GDP growth rate continues to drive incremental freight capacity, which is estimated to increase at 1.25 times of GDP growth.

*Growth of construction industry.* The share of the construction industry in GDP has increased from 6.1% in 2002-03 to 6.9% in 2006-07. This increase has been largely propelled by government spending. Because a substantial portion of construction investment is spent on equipment, this construction boom heralds a similar expansion in the need for construction vehicles. The Indian construction industry is dominated by small contractors that perform over 90.0% of projects. These local players often lack adequate access to institutional finance, creating enormous opportunities in the area of construction equipment financing. *(Source: Government of India Planning Commission Eleventh Five Year Plan)*

**Government investments in the roads and highways sector**

Government investments in the roads and highways sector may also be expected to support growth in the commercial vehicle industry. According to the National Highways Authority of India, ("**NHAI**"), India has the second largest road network in the world, aggregating approximately 3.3 million kilometres. Approximately 65% of freight and 80% of passenger traffic is carried by the road network. The national highways, which carry approximately 40% of total road traffic, constitute only about 2% of the total road network. Moreover, the number of vehicles has been increasing at an average pace of 10.2% per annum over the last five years. (*Source: NHAI, http://www.nhai.org/roadnetwork.htm*)

The table below sets forth information pertaining to India's road network.

| Indian Road Network | Approximate Length (in km) | Percentage of Total |
|---|---:|---:|
| Expressways | 200 | 0.0% |
| National highways | 71,722 | 2.1% |
| State highways | 1,31,899 | 4.0% |
| Major district roads | 4,67,763 | 14.1% |
| Village and other roads | 26,50,000 | 79.8% |
| **Total** | **3.3 million kms (approx)** | **100.0%** |

*(Source: http://www.nhai.org/roadnetwork.htm, NHAI; as accessed on June 28, 2012; percentage computations added.)*

As National Highways comprise about 2% of the total road length in the country and yet carryover 40% of total traffic, the first and the foremost task mandated to the NHAI is the implementation of National Highways Development Project ("**NHDP**"), comprising of the Golden Quadrilateral and North-South & East-West Corridors. The Total cost of NHDP has been estimated to be ₹ 540,000 million on 1999 prices (*Source: NHAI http://www.nhai.org/nhdpfinance.htm and http://www.nhai.org/balancelength.htm*)

**THE VEHICLE FINANCE INDUSTRY**

The key factors that affect the vehicle financing industry in India are:

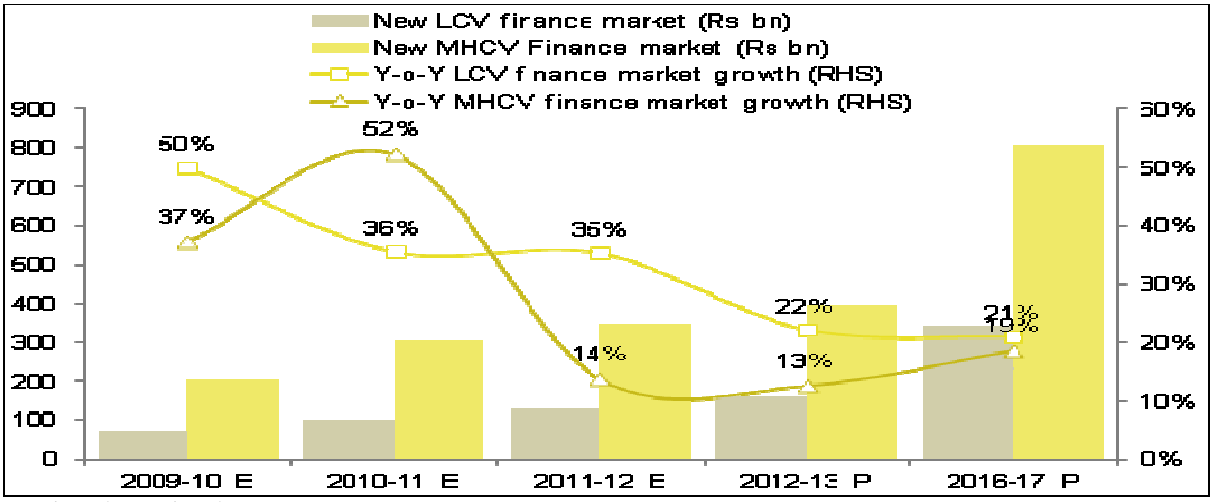
1. Growth in vehicle sales in India
2. Finance penetration and
3. Average ticket size

**Commercial Vehicles Financing Overview**

Led by a growth of around 20% in underlying domestic vehicle sales (volumes), commercial vehicle loan disbursements are estimated to have risen by 18-20% in 2011-12.

In 2012-13, we expect commercial vehicle sales to slow down due to weak economic growth. Domestic commercial vehicle sales are expected to grow by a mere 2-4% as against our earlier expectations of 11-13%. Among CV segments, while the sales of the medium and heavy commercial vehicles (M&HCVs) are expected to decline significantly by 12-15%, sales of light commercial vehicles (LCVs) are expected to remain robust (growing in double digits). The resulting skew (from higher sales of smaller, lower-value vehicles) is expected to lead to lower disbursements during the year. We expect disbursements to decline by 4-5%, vis-a-vis our earlier expectations of 15-16% growth. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

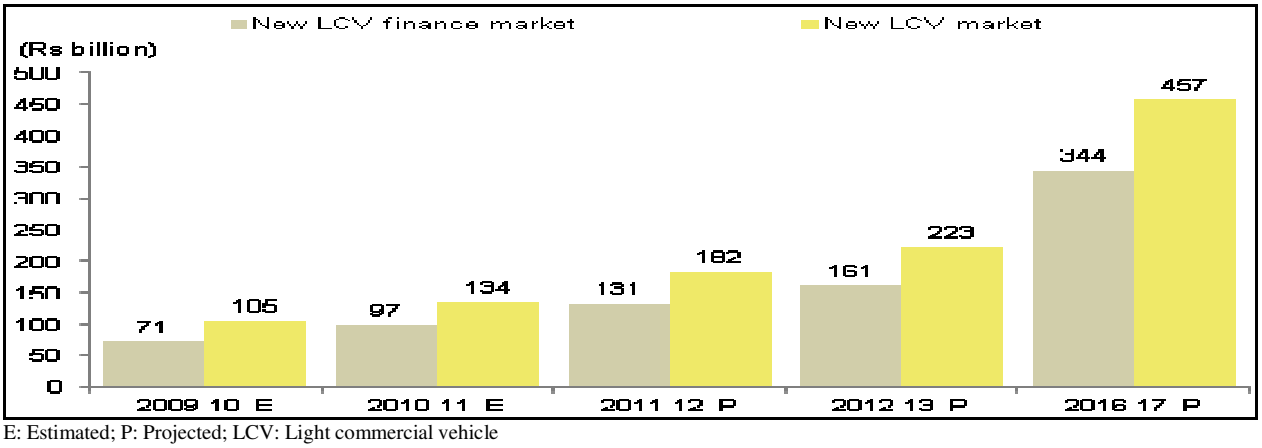
**Growth in CV finance disbursements**




E: Estimated; P: Projected
Source: CRISIL Research

The underlying commercial vehicles sales grew by 20% in 2011-12 driven by strong growth in the LCV segment, while the MHCV segment grew moderately by 8-10%. (Source: CRISIL – Retail Finance – Auto – June, 2012). *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

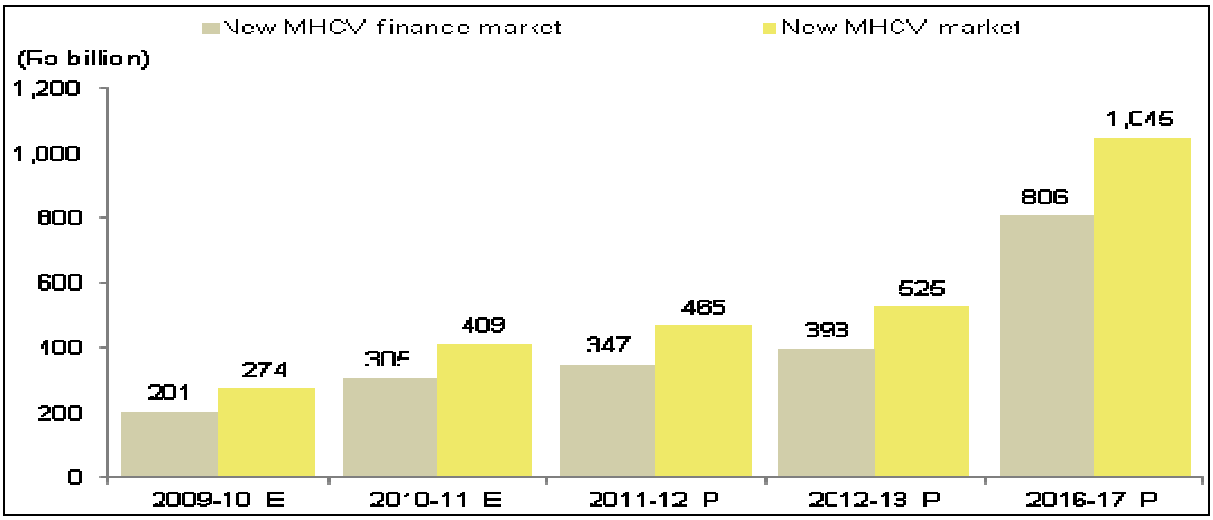
**New LCV finance vs New LCV market size**




E: Estimated; P: Projected; LCV: Light commercial vehicle
LCV: Light commercial vehicle
Source: CRISIL Research

Over the next 5 years, CRISIL Research expects the CV finance industry to grow by 18-20% to ₹1,150 bn in 2016-17 led by growth in domestic CV sales, a marginal increase in LTV and increasing finance penetration. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

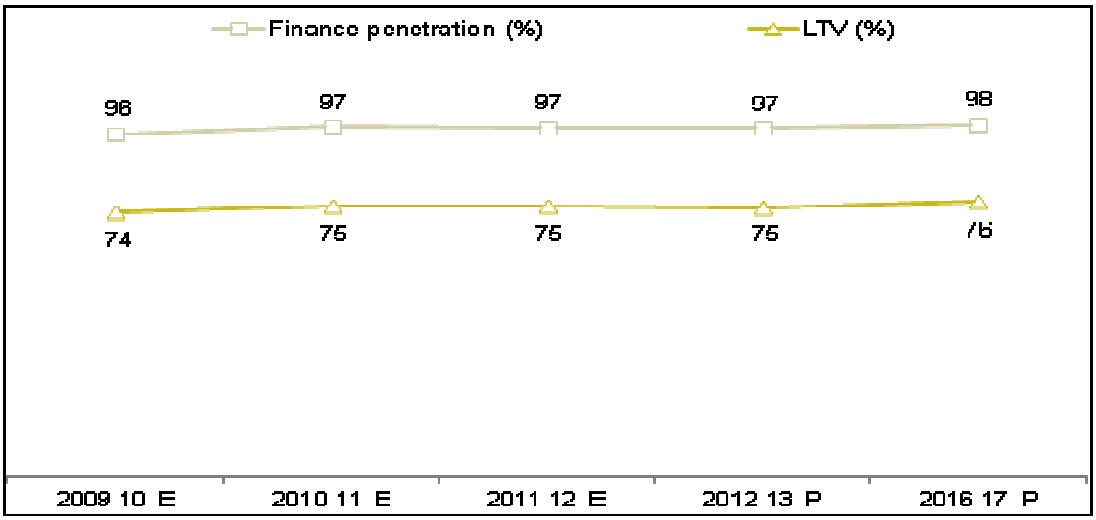
**New MHCV finance vs New MHCV market size**




E: Estimated; P: Projected; MHCV: Medium and heavy commercial vehicle
Source: CRISIL Research

Given the weak economic scenario and increasing pressure on transporter margins, CV financiers are expected to maintain their LTVs in 2012-13. CRISIL Research estimates average LTV on CV loans to have increased to 75% in 2010-11 from 74% in 2009-10. However, credit appraisal mechanisms are expected to remain stringent over the next 2 years on anxiety over deterioration in asset quality. Hence, we expect LTV levels to remain at around 75-76% levels over the next 5 years. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

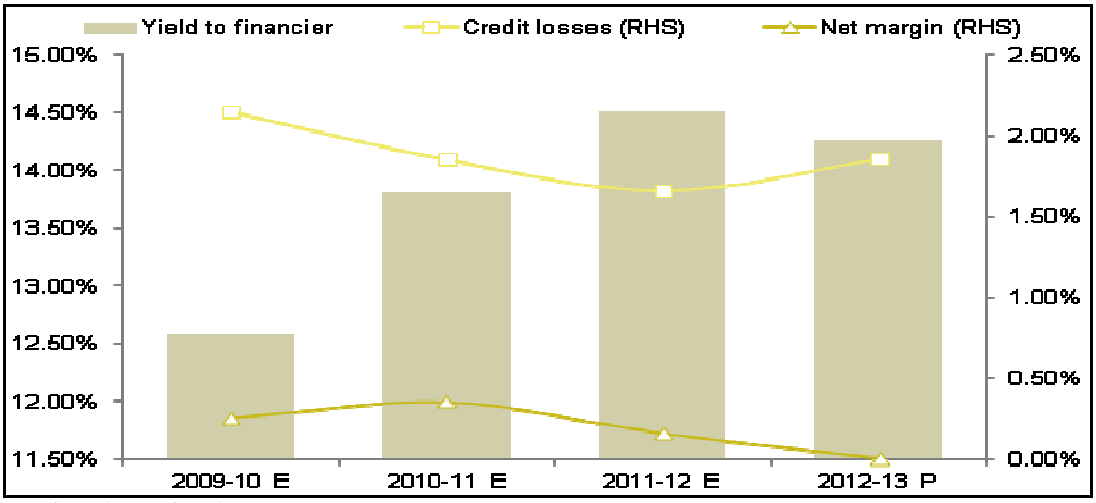
**Drivers for CV finance market**




E: Estimated; P: Projected
Source: CRISIL Research

The CV finance industry is already highly penetrated. Typically, more than 95% of the vehicles are purchased on finance. Although finance penetration had decreased marginally in 2008-09, penetration recovered to normal levels in 2009-10. This represents a huge dependence on the finance industry. Finance penetration levels are expected to remain high at about 96-98% till 2016-17. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Profitability of CV finance market**




E: Estimated; P: Projected
Source: CRISIL Research

CRISIL Research estimates net margins of CV financiers to have declined in 2011-12 by around 20-25 bps as the increase in the cost of funds was higher than the increase in yields. However, credit losses and operating expenses are estimated to have declined in 2011-12. The weak growth prospects of the Indian economy in 2012-13 are expected to lead to a moderation in freight availability. As weak freight availability keeps utilisation rates low, transporters may find it difficult to completely pass on cost increases to customers. Hence, freight rates are not expected to keep pace with rising costs, thus affecting transporter profitability. Consequently, we expect credit losses to increase significantly. Hence, despite decline in cost of funds, margins are expected to fall on account of increase in credit losses. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

***Demand Drivers***

***Commercial vehicles***

Commercial vehicles (CV) can be classified under MHCV - medium and heavy goods commercial vehicles and LCV - light commercial vehicles, based on their usage.

In 2011-12, CV sales grew at a moderate pace of 18% (y-o-y) from 28.5% growth posted in 2010-11. The sluggishness could be attributed to slower growth in industrial activity and Private Final Consumption Expenditure (PFCE). Further, growth in the gross domestic product (GDP) had decelerated to 6.5% in 2011-12, from 8.4% in 2010-11. In anticipation of weak macroeconomic indicators, we expect growth in CV sales to decline further in 2012-13. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Segment-wise assessment of demand drivers**

**LCV**

Demand for LCV goods vehicles has grown at a robust pace over the past few years, led by the introduction of the sub-one tonne category. Growth in agriculture, FMCG and consumer durables sectors, and launch of new models, helped the segment record strong growth in 2011-12. However, a higher base effect, delayed monsoons and a downward revision in industry GDP levels, could see the LCV segment growing at a moderate pace in 2012-13. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**MHCV**

The growth in sales of MHCV goods vehicles moderated to 8.8% in 2011-12, after recording a compounded annual growth rate (CAGR) of 35.7% in 2008-09 and 2009-10. This was in line with our expectations of lower industrial production and mining. Growth in the industry GDP declined sharply to 3.9% in 2011-12, compared to 7.9% and 8.0% growth levels, recorded in 2009-10 and 2010-11 respectively. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

Sales of MHCV goods vehicles are expected to fall sharply in 2012-13, owing to poor industrial production, weak transporter sentiment following to decline in freight rates, rise in diesel prices and a downward revision in industry GDP levels. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

***Overall demand drivers for CV industry***

**Growth in economic activity**

Demand for CVs is closely linked to the overall economic growth of the country, as transportation is related to on all sectors of the economy. The CV industry transports more than 60% of the total freight handled in the country. However, this industry is cyclical in nature, as demand is driven by several diverse factors, such as growth in industrial and agricultural production, freight movement, rising share of roadways in freight movement, changes in freight rates, fuel prices, government policies and profitability of truck operators and state transport undertakings (STUs). *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**CV financing**

Majority of vehicles purchased by transporters (primarily large fleet operators (LFOs)) require funding assistance from financial institutions. Hence, growth of the industry is also driven by underlying cash conditions within the banking sector. Availability of finance gained greater significance during the 2008-09 downturn. The liquidity crunch, witnessed during the downturn, was equally responsible for the decline in the growth levels of the CV industry. Problems of financiers were further aggravated by the deteriorating asset quality and rising delinquency levels. To tide over the challenges, most financiers either ceased lending or curtailed their exposure to the first-time users (FTUs) and small fleet operators (SFOs) categories, to maintain the quality of their portfolio. Although lenders continued to lend to LFOs, they adopted stringent underwriting measures and increased the borrower's equity contribution. As a result, most banks and financial institutions have been successful in improving their asset quality, over the past two years. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Transporter profitability**

Continued firmness in raw material prices and likely moderation in CV sales could adversely affect players' operating margins. In 2011-12, diesel prices rose by 6%. Other operating costs are also estimated to have risen by 10-15%, led by a significant growth in tyre prices. In addition, toll rates increased sharply, driven by additional road stretches being tolled, while shortage of skilled drivers escalated driver costs. As freight rates did not rise in tandem with the sharp increase in operating costs, transporters' operating margins are expected to have declined by 300 bps in 2011-12. Decline in margins further constrains the cash flow of transporters and in turn, affects CV sales. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Entry of new players to intensify competition**

Entry of international players like Daimler, Beiqi Forton, General Motors etc and expansion of the product portfolio by local players like Ashok Leyland, Mahindra & Mahindra and Asia Motor Works, are expected to intensify competition in the industry and accelerate product development. These factors are also likely to drive the launch of technologically advanced products, which will enable Indian players to compete on a global scale. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Other long-term drivers**

Besides factors mentioned above, other long-term drivers for the CV industry are infrastructure development, structural changes and government initiatives.

Improvement in road infrastructure improves the level of connectivity on trunk routes, which would facilitate sale of higher tonnage vehicles, like multi-axle vehicles (MAVs). It is further estimated that growth in the CV industry would be led by higher price realisations in the MHCV segment, as medium commercial vehicles (MCVs) are being substituted by higher-tonnage vehicles. Also, higher-end LCVs and MCVs are being substituted by intermediate commercial vehicles (ICVs), which offer better cost economics. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Car and Utility Vehicle Financing Overview**

In 2011-12, the domestic sales of cars and UVs increased by 2% and 14%, respectively. Slowdown in vehicle sales and high interest rates is expected to have affected finance penetration levels in 2011-12. As per CRISIL Research estimates, disbursements towards new cars and UVs were lower by 0.6% in 2011-12. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

However, in 2012-13, CRISIL Research expects cars and UV sales to grow by 5-7% and 19-21%, respectively. New car and UV loan disbursements are thus expected to grow by 14-15% in 2012-13, aided by a marginal increase in finance penetration levels. This downward revision from our earlier expectation of growth of 16-17% is due to lower growth in the sales of cars and utility vehicles. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

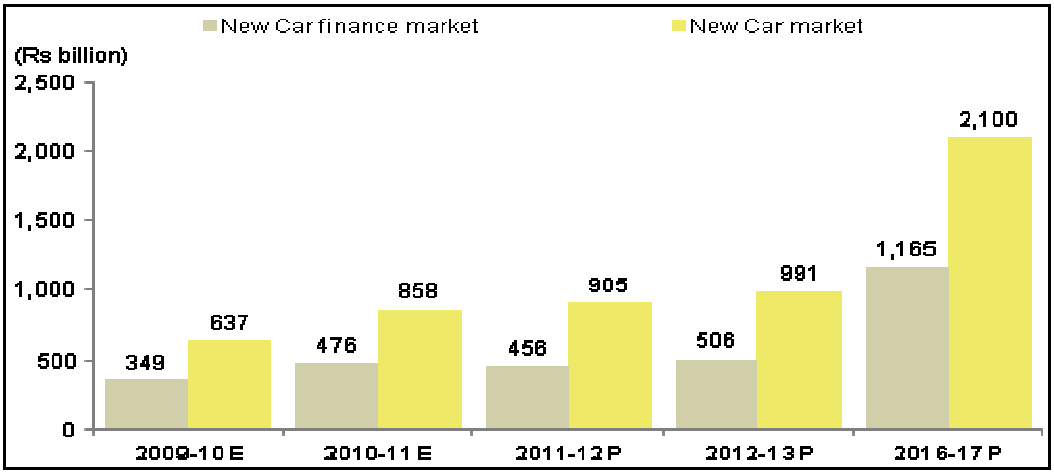
**Growth in car and UV finance disbursements**

| (Rs billion) | 2009-10 E | 2010-11 E | 2011-12 P | 2012-13 P | 2016-17 P | CAGR (2011-12 to 2016-17) |
|---|---|---|---|---|---|---|
| New Car finance market | 349 | 476 | 456 | 506 | 1,165 | 20.7% |
| New UV finance market | 108 | 155 | 172 | 217 | 409 | 18.9% |
| **Total** | **457** | **631** | **627** | **723** | **1,574** | **20.2%** |

E: Estimated; P: Projected
Source: CRISIL Research

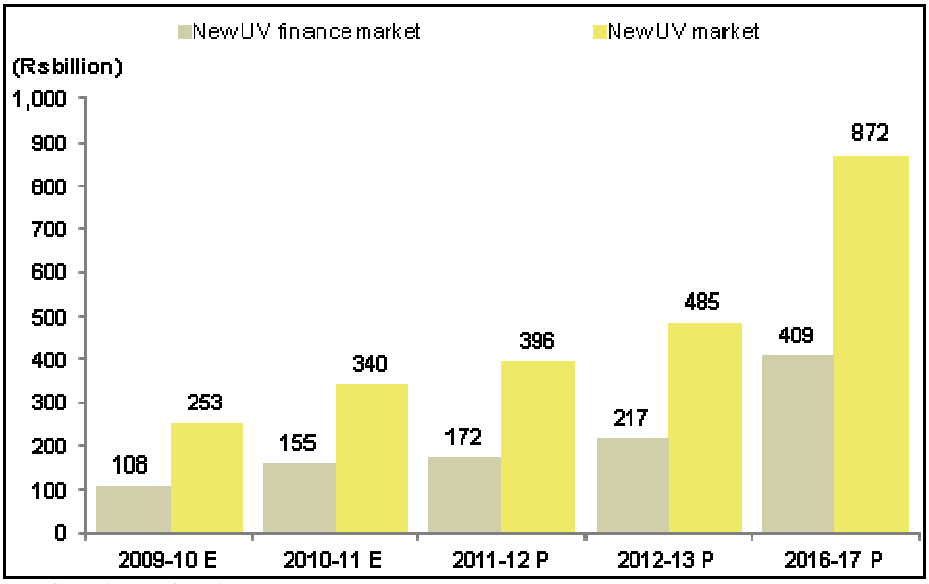
CRISIL Research expects aggregate car and UV loan disbursements to grow at a CAGR of 18-20% till 2016-17. A steady growth in underlying vehicle demand, increase in finance penetration and higher LTV ratios will drive disbursements over the next 5 years. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Car finance vs new car market**




E: Estimated; P: Projected
Source: CRISIL Research

**UV finance vs new UV market**

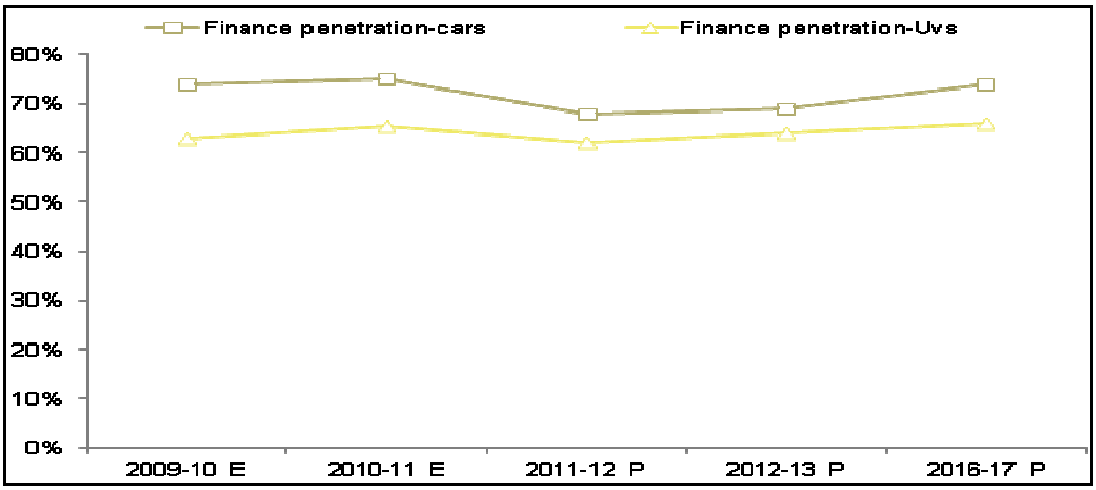



E: Estimated; P: Projected
**Source: CRISIL Research**

***Finance penetration to increase in going forward***

Rising interest rates is believed to have brought down finance penetration levels to 68% in cars and 62% in UVs in 2011-12. However, by 2016-17, we expect penetration levels to recover to 74% in cars and 66% in UVs following moderation in interest rates and alleviation of credit risks. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

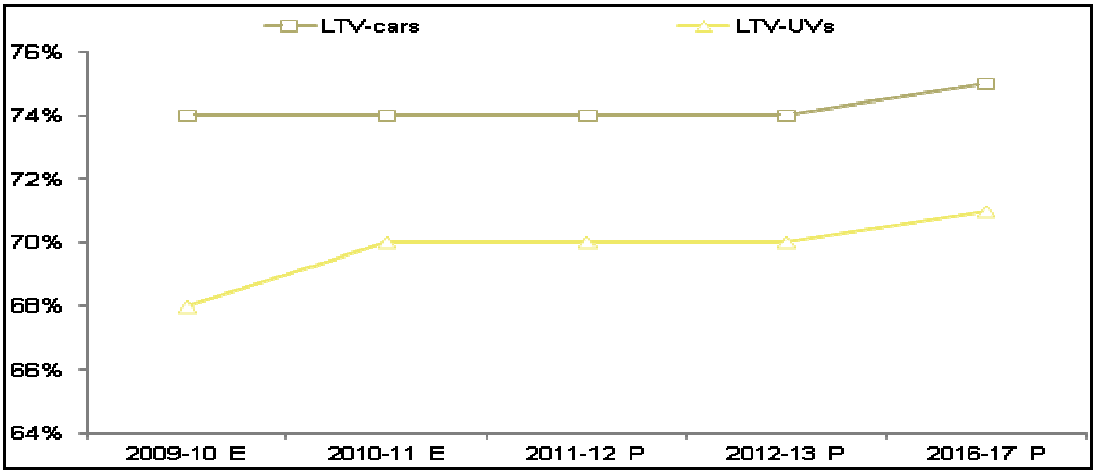
**Trend in car and UV penetration**




E: Estimated; P: Projected
Source: CRISIL Research

Players have adopted stringent underwriting norms since the economic slowdown of 2008-09 when many financiers were affected by high delinquency levels. Subsequently, in order to reduce such risks, LTVs have been lowered, and over the next 5 years, we expect the LTV ratio for cars and UVs to rise only marginally to 75% and 71% respectively. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Average LTV ratio**

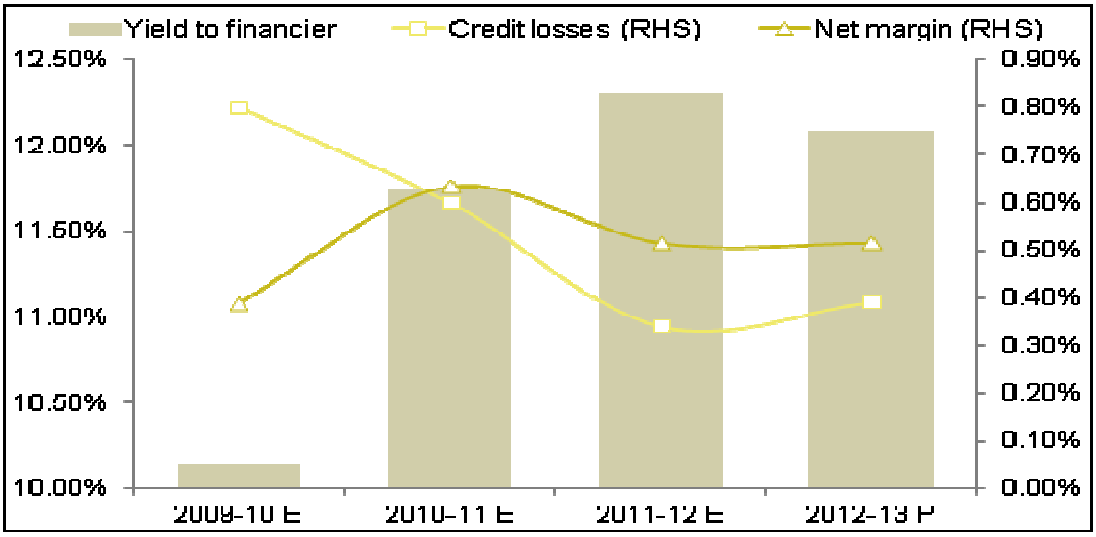



E: Estimated; P: Projected
Source: CRISIL Research

According to CRISIL Research estimates, the net margins of financiers in the new car and UV finance industry came under pressure in 2011-12 on account of an increase in the cost of funds that could not be passed on entirely. However, net credit losses in the car finance industry were lower in 2011-12 due to the adoption of better risk management practices and informed lending based on available CIBIL data. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

The yield to financiers is expected to decrease, but at a rate slower than the rate of decrease in the cost of funds, as players try to sustain their margins. However, the weak economic scenario will push up credit losses in 2012-13. Increasing credit losses and rising operating expenses will prevent any meaningful expansion in margins. Hence, we expect margins of cars and UV financiers to remain flat despite the lower cost of funds. *(Source: CRISIL – Retail Finance – Auto – June, 2012)*

**Profitability of cars and UV finance market**




E: Estimated; P: Projected
Source: CRISIL Research

**THE LOANS AGAINST PROPERTY INDUSTRY**

While the loan against property (LAP) market in India is still at a nascent stage, CRISIL Research believes it has a huge potential to grow in the medium term as players increase their focus and develop strategies to enter untapped markets. As per our projections, the LAP market is set to grow at a CAGR of around 20% over the next 2 years. CRISIL

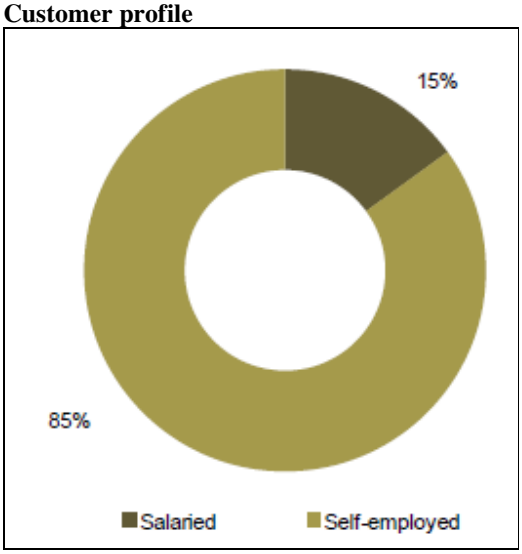
Research expects tier-II cities like Indore, Jaipur, Rajkot and Ludhiana to show robust growth in the LAP market, driven by the requirement of funds from small and medium enterprises. The market could grow at a faster rate if the level of risk aversion among potential borrowers reduces, or the level of competition increases significantly. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*

**LAP market estimated at ₹ 320 billion in 2011-12; NBFCs / HFCs currently hold largest share**

The LAP market has seen exponential growth in the last 2-3 years, on the back of strong focus from financiers as well as the borrowers' increasing need for funds for their business requirements. The LAP market was estimated to be worth around ₹ 180 billion in 2009-10. At present, non-banking financial companies/ housing finance companies (NBFCs / HFCs) are the leading players in the LAP market. Among banks, public sector banks have a relatively low focus on the LAP market, while private banks command a major share. The top three players account for around 55% share of the LAP market. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*

The larger presence of NBFCs in the LAP market is not surprising. Retail finance product categories such as vehicle financing, unsecured personal loans, loan against shares, etc, were introduced by NBFCs, who strategically look at newer avenues for getting higher yields. Although NBFCs have been able to garner a substantial market share, we believe the share of banks in the LAP market will grow as they increase focus and the market becomes more established in the coming years. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*

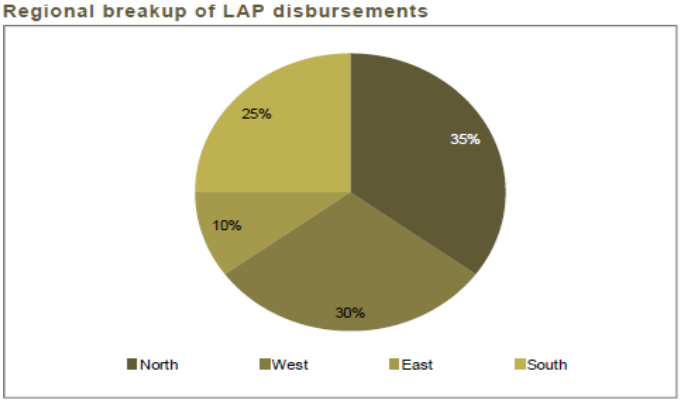
**Customer profile**




*(Source: CRISIL Opinion – Loans Against Property – August, 2012)*

**Northern region accounts for almost 35% of overall LAP market**

Regional breakup of LAP disbursements




Source: CRISIL Research

Currently, the LAP market is confined to a few large towns, due to higher customer awareness, and higher level of business activity in these markets. The northern region dominates the pan-India disbursement of LAP with a share of 35%, closely followed by the western region with a share of 30%. The North and West account for a higher share, primarily due to the presence of a large number of industrial towns and higher average ticket size in these two regions. As a result, most players, especially NBFCs, are focusing on these regions to get more people to avail loan against property. The southern market is characterised by unorganised cash deals (borrowing from relatives), which explains the relatively lower penetration of this product in that region. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*

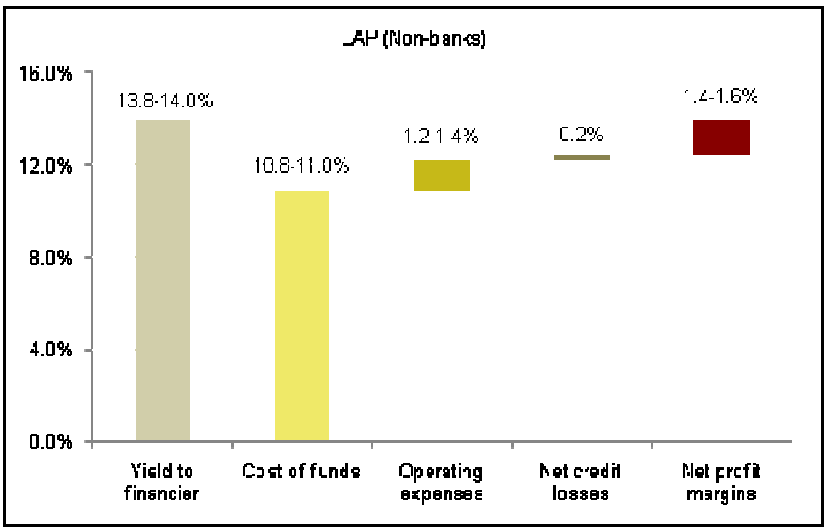
**Difference between LAP and home loan**

| | Home Loans | LAP |
|---|---|---|
| Average Ticket Size | Rs 20-25 lacs* | Rs 45-50 lacs |
| Average Contracted Tenure | 15 years | 10 years |
| Average Actual Tenure | 9-10 years | 5-6 years |
| Loan-to-value (LTV) | Based on agreement value (around 75%) | Based on market value<br>- Residential: 65%<br>- Commercial: 55% |
| Installment to income ratio (IIR) | 40-45% | 55-60% |
| End-use of funds | Purchase house | Business needs |

Note: *Urban – New homes
Source: CRISIL Research

**LAP segment inherently riskier asset class, but more profitable versus home loans**

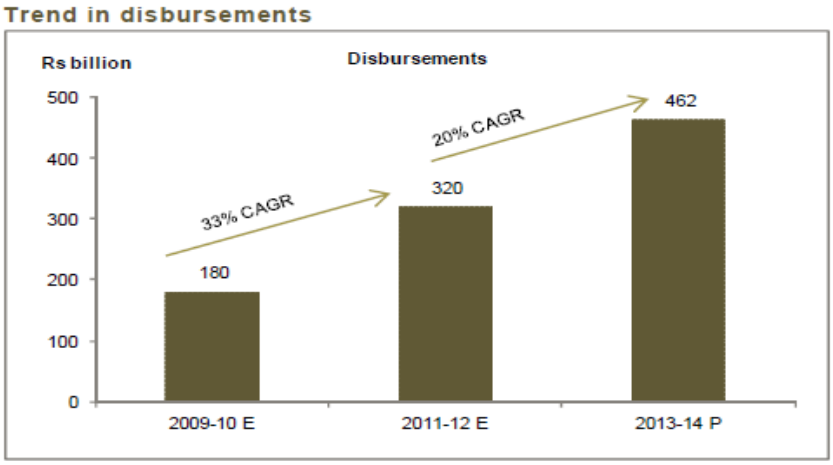
LAP has become an attractive option, given its secured nature, higher average ticket size, higher yields, lower loan-to-value ratio and lower tenure as compared to home loans. But, considering that the self-employed category largely opts for LAP, gross non-performing assets (NPAs) are higher by about 50 bps as compared to home loans, as changes in the business cycle may increase the risk of non-repayment. Also, since the end-use of funds is not closely monitored, chances of defaults are relatively higher, as the funds could be used for speculative activities (stock markets, commodity trading, etc.) and other similar purposes. Although the loan is secured with the similar underlying collateral in both cases, the average yield on LAP is almost 200-250 bps higher than that on home loans. Despite higher gross NPAs than in home loans, net credit losses in LAP are low due to the adequate cushion available to the financier on account of collateral and lower LTV ratios. As a result, net profit margins too are higher by 80-100 basis points, thus making the LAP segment more attractive for NBFCs. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*




**LAP market forecast to grow to ₹ 462 billion by 2013-14**

The LAP market was estimated to be worth around ₹ 180 billion in 2009-10. Based on interactions with players in the industry, CRISIL Research has estimated the value of disbursements in the LAP market at around ₹ 320 billion for 2011-12, representing a compounded annual growth of 33% over 2009-10. During the next 2 years, the LAP market is

projected to grow at a CAGR of 20%, to reach ₹ 462 billion. *(Source: CRISIL Opinion – Loans Against Property – August, 2012)*




E: Estimated; P: Projected
Source: CRISIL Research

***Growth drivers (Source: CRISIL Research)***

**(a) Self-employed non-professionals requiring more funds for business growth, given continued growth in the economy**

Though LAP can be availed by both salaried and self-employed customers, the latter category has the lion's share in disbursements. Self-employed customers account for over 85% share in total LAP disbursements. LAP is primarily used by self-employed customers for business expansion or diversification. LAP also helps the customer foreclose their multiple outstanding loans and take a single loan in the form of LAP at lower interest rates. There is also an increasing trend towards customers taking loans against existing property for investment in new house.

| Category of customers | Share in disbursements | End-use of loan |
|---|---|---|
| Self-employed non-professional (SENP) | 75% | Capacity expansion Diversification into the same line of business or a different vertical |
| Self-employed professional (SEP) | 10% | Debt consolidation |
| Salaried | 15% | Funding marriage |
| | | Higher education |
| | | Foreign travel |
| | | Health treatment |
| | | Repayment of previous loans |

***Source: CRISIL Research***

**(b) Lower interest rates compared to personal loans, thus attracting retail borrowers**

As LAP is collateralised by a property, either residential or commercial, interest rates on such loans are lower as compared to personal loans. Thus, borrowers can get funds against the value of the collateral at a relatively lower interest rate as compared to personal loans.

**(c) LAP a low-risk funding avenue**

LAP acts as a secure avenue for financiers to fund working capital requirements of MSMEs. It also helps SMEs monetise the value of the asset (property), whose value is constantly appreciating. At the same time, the conservative loan-to-value ratio for LAP disbursements provides comfort to financiers wary of delinquencies.

**(d) LAP guarantees a favourable adjusted risk-return for the financiers**

The principle that a potential increase in returns is accompanied by heightened risks applies well to retail finance products. LAP though relatively riskier than housing loans, is more secure than personal loans, which have no collateral. Housing loans score above LAP as their end use is predictive and known, while discretionary productive use of LAP is not guaranteed.

The pricing of the above loan products and the yields charged on them reflect the risk attached and returns that accrue. While LAP is priced higher than home loan by 200-250 bps, it is about 300 bps lower than a personal loan. The returns accruing to financiers from these retail finance products differ based on the risk attached to them; personal loans yield a higher gross spread as compared to LAP and LAP yields a higher gross spread as compared to home loan. Thus LAP could guarantee favourable returns if financiers are able to keep the credit losses in check.

**(e) High property prices enable financiers to unlock value in case of defaults**

As LAP disbursements are backed by property, the value of which usually appreciates, increasing property prices in the major metros enable financiers to unlock value in case of defaults.

***Key market trends (Source: CRISIL Research)***

**(a) Average ticket size for LAP is higher as compared to a housing loan**

The average ticket size of LAP is typically higher than that of housing loans, as the market for LAP is primarily concentrated in urban areas and is mainly raised to fund business requirements.

**(b) Higher prepayments by customer lead to lower tenures in LAP**

The average tenure of LAP is lower than that of housing loans because of a lower contracted tenure and higher prepayments by customers. As most customers are self-employed, prepayments are typically linked to business cycles.

**(c) LAP offers higher yields to financiers**

The yields on LAP are directly proportional to the risk faced by the financiers. Typically, the yields on residential properties are lower by 50-100 bps as compared to commercial properties. In the residential segment, yields are higher for vacant or rented properties as compared to self-occupied properties. This is because the probability of default in the case of a vacant or rented property is much higher than a self-occupied one as the emotional attachment of borrowers to their homes tempers the level of delinquencies in the Indian market.

**(d) Property valuation based on market price leads to lower loan-to-value (LTV) ratio**

The loan-to-value (LTV) in LAP disbursements is linked to the current market value of the property, whereas in the case of housing loans, the LTV is based on the agreement value of the property. Being an important credit parameter, the LTV varies with the risk of the associated collateral. Similar to the pattern seen in yields, a self-occupied residential property typically attracts a higher LTV of 60%, followed by a vacant or rented property (around 55%) and a commercial property (50%).

**(e) Higher installment-to-income ratio (IIR) in case of LAP**

The installment-to-income ratio (IIR) is higher in the case of LAP as cash generation from the business funded is typically higher than the net profits shown in the books for income tax purposes.

**(f) LAP more profitable than housing loans**

LAP is a high risk and high return product. Although secured by a similar collateral, the average yield on LAP is 200-250 bps higher than the yield on home loans. As a result, the average gross spread is also higher for LAP. Due to higher spreads, LAP is more profitable at the net level despite higher operating expenses provided credit losses are kept under control.

More than two-thirds of the home loan disbursements are made to salaried employees with stable income, which makes home loans a highly secured asset class. As against this, LAP market is dominated by self employed professionals who

form more than 85% of the overall disbursements. The net credit losses are also higher for LAP (2.5% as compared to 2.0% in home loans) as the risk of defaults is higher in this market dominated by the self employed, whose businesses are vulnerable to business cycles. Moreover, as the end use of the disbursements is not closely monitored, the funds could be misused leading to higher defaults.

The operating expenses on LAP are higher at 1.2-1.4% as compared to home loans, as the business largely originates from DSAs, whose payouts are higher for LAP than for home loans.

**Upcoming Markets for LAP**

Given these factors, the key upcoming markets for LAP that are likely to record robust growth over the next 2 years are as follows:

- *North:* Jaipur, Ludhiana, Chandigarh, Indore
- *West:* Surat, Ahmedabad, Pune, Kolhapur, Rajkot, Baroda
- *South:* Vijayawada, Coimbatore, Vishakhapatnam

## BUSINESS

*In this section any reference to "our Company", "we", "us" or "our" refers to Cholamandalam Investment and Finance Company Limited, as the context may require. The following disclosures in connection with our overview, strengths and strategies should be read together with the risk factors as detailed in the section titled "Risk Factors" on page 40 of this Placement Document.*

### Overview

Our Company is a Systemically Important Non-Deposit Accepting Non Banking Financial Institution ("**NBFC"**), categorized as an Asset Financing Company, with a primary focus on retail finance in the areas of vehicle finance and home equity loans. In addition we also offer business finance and loans against gold products.

Our Promoters include individuals and entities belonging to the Murugappa group, who as on December 31, 2012 hold 62.29% of our paid-up equity share capital. The Murugappa group is a conglomerate of businesses having interests in diverse areas including engineering, abrasives, finance, general insurance, cycles, sugar, farm inputs, fertilizers, plantations, bio products and nutraceuticals.

We are one of the leading financiers in the light commercial vehicles and in the small commercial vehicles segment. The business also finances heavy commercial vehicles (**HCVs**), cars, multi utility vehicles and tractors. Our vehicle finance business operates from 461 branches as on December 31, 2012, and our primary focus is on retail customers in the semi urban and rural areas. As on September 30, 2012 our net vehicle finance assets accounted for 73.59% of our Net Business Assets on a standalone basis which grew by 54.07% from ₹56,986 million in March 31, 2011 to ₹87,801 million in March 31, 2012.

Under our home equity finance vertical, we provide loans against property, to self employed (non salaried) and non professional group who are engaged in small and medium scale industries, service providers and traders. As on December 31, 2012, our operations in this vertical were carried out of 56 locations. Our business operations for the vehicle vertical and the home equity finance vertical are co-located, thus reducing operating expenses to a large extent and increasing the operational efficiency. As on September 30, 2012 our net home equity assets accounted for 23.43% of our Net Business Assets on a standalone basis in our balance sheet. Our net home equity assets grew by 59.13% from ₹17,897 million in March 31, 2011 to ₹28,479 million in March 31, 2012

In addition we also provide business finance loans secured against asset classes such as marketable securities including shares, residential property, commercial property, current assets and loans and advances to promoters and corporates. We have also recently forayed into providing loans against gold ornaments.

We have recently diversified into the home loans segment and are examining opportunities for providing corporate finance facilities under our business finance vertical for bill /invoice discounting, working capital demand loans, bridge loans, pre-shipment credit and short/medium term loans to vendors, dealers and suppliers to Murugappa group ecosystem including existing client relationships. We are further diversified into related financial services like financial advisory, wealth management services and stock broking through our Subsidiaries.

We operate under a hub and spoke model with our branch networks connected with a centralized processing unit at Chennai through robust computerized systems. Our widespread network of branches across India has been a key driver of our growth over the years. We have added 131 new branches during the current financial year primarily in the Tier II and Tier III cities. As of December 31, 2012, we have 506 branches across 21 states in India. We have also strategically expanded our marketing network and operations by entering into partnership and preferred financing arrangements with leading automobile manufacturers /dealers in new commercial vehicle financing and alternate organised channel partners in the used commercial vehicle financing.

We had Net Business Assets on a standalone basis of ₹ 147,871 million as on September 30, 2012. The Net Business Assets on a standalone basis grew by 45.36% and stood at ₹ 122,492 million for the year ended March 31, 2012 as compared to ₹ 84,269 million for the year ended March 31, 2011. Our total income and profit after tax ("**PAT**") on a consolidated basis for the six month period ended September 30, 2012 is ₹11,716.50 million and ₹1,389.89 million, respectively. Our total income and PAT on a consolidated basis for the financial year ending March 31, 2012 is ₹18,055.51 million and ₹1,689.90 million respectively. Our Gross NPAs (standalone) as a percentage of our total credit exposure were 1.20%, 0.95%, 3.15% and 8.24%, as at September 30, 2012, March 31, 2012, 2011 and 2010

respectively, while our Net NPAs (standalone) as a percentage of our total credit exposure were 0.65%, 0.30%, 0.39% and 2.20% as at September 30, 2012, March 31, 2012, 2011 and 2010 respectively. Our capital adequacy ratio (standalone) computed on the basis of applicable RBI requirements was 18.08% as of March 31, 2012, with Tier I capital comprising 11.00% and Tier II capital comprising the balance 7.08%.

**Our Competitive Strengths**

We believe the following to be our key strengths:

***Leadership in commercial vehicle finance with presence in other verticals***

We are one of the leading financiers in the light commercial vehicles and in the small commercial vehicles segment. In the vehicle finance segment we also offer financing for heavy commercial vehicles, passenger vehicles, MUVs and tractors.

In addition we also offer home equity financing, gold loans and business finance. Through our Subsidiaries we offer investment advisory, wealth management and securities broking and depository services. We believe our wide range of products and services enables us to build stronger relationships with and increase business volumes from our clients.

***Robust financial performance***

As of September 30, 2012 and March 31, 2012 our net NPAs (standalone) constituted 0.65% and 0.30% of our total credit exposure respectively. Our Company has been able to maintain a sound asset quality through robust credit evaluation and collection process. With a view of managing our NPA levels we have strategically decided to exit the personal loans portfolio in recent years, which we believe has improved our profitability. Further, we believe that our loan recovery procedure is particularly well-suited to our target market particularly in the vehicle financing and home equity financing industry. The entire collection operation is administered through a mix of in-house collections and also through external collection agencies to ensure efficiency. We have demonstrated consistent growth in recent years. Our total income and PAT on a consolidated basis for the six month period ended September 30, 2012 is ₹11,716.50 million and ₹1,389.89 million, respectively. Our total income and PAT on a consolidated basis for the financial year ending March 31, 2012 was ₹18,055.51 million and ₹1,689.90 million respectively.

***Pan India distribution network and growing customer bank***

We have experienced rapid growth in our vehicle finance vertical and our branch network has expanded significantly. As on December 31, 2012 our Company has 506 branches compared to 375 branches as at March 31, 2012. Our extensive distribution network also allows us opportunities to cross sell products and services, particularly as we diversify into new business streams and it helps us to better penetrate in Tier II and Tier III cities. Our branch system works on the very effective hub and spoke model which enables us to increase our customer base.

***Credit Ratings and low cost of funds***

We currently are rated by ICRA, CRISIL, India Ratings and Research and CARE. The details of our current credit ratings are as follows:

| Rating Agency | Short Term rating | Secured Long Term Non Convertible Debentures Rating / (Outlook) | Unsecured Subordinated debt (Non Convertible Debentures) Rating / (Outlook) | Unsecured Perpetual debt (Perpetual Debt Instruments- Non Convertible Debentures) Rating / (Outlook) |
|---|---|---|---|---|
| ICRA | [ICRA] A1+ | [ICRA] AA (Stable) | [ICRA] AA (Stable) | [ICRA] AA – (Stable) |
| India Ratings And Research | -- | -- | IND AA - (Stable) | -- |
| CARE | -- | CARE AA | CARE AA- | CARE A+ |
| CRISIL | CRISIL A1+ | -- | -- | -- |

Our balance sheet supported by our good credit ratings enables us to get access to cost effective source of funds ranging from term loans, working capital loans, commercial paper and non-convertible debentures to subordinated debt and perpetual debt instruments.

***Well-established brand***

"Cholamandalam" is a well-established and well-recognised brand in financial services industry in India. We believe that our brand is associated with high quality services as well as our corporate values like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our business, build relationships and attract and retain talented individuals.

***Experienced management team***

Our management team includes senior executives who have vast experience in the financial services industry. We believe that the management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs combined with a strong focus on portfolio quality and profitability enables us to evolve and implement our business strategies. In house sales and collection team which is highly experienced and stable, low employee turnover also contributes to the strength of the organisation. The low employee turnover has been attributed to the positive working relationship with their direct supervisors and co-workers are likely to stay at their jobs. Another cause of low turnover is having room for advancement and hence employees believe that they can grow in their career if they continue to be associated with our Company.

***Experience of our Promoters***

Founded in 1900, the Murugappa group is one of India's leading business conglomerates. The group has varied businesses including eight Companies listed in NSE and BSE. Headquartered in Chennai, the major Companies of the Group include Carborundum Universal Ltd., Cholamandalam Investment and Finance Company Ltd., Cholamandalam MS General Insurance Company Ltd., Coromandel International Ltd., Coromandel Engineering Company Ltd., E.I.D. Parry (India) Ltd., Parry Agro Industries Ltd., Tube Investments of India Ltd., and Wendt (India) Ltd. With significant market presence in served segments including Abrasives, Auto Components, Cycles, Sugar, Farm Inputs, Fertilizers, Plantations, Bio-products and Nutraceuticals, the Group has alliances with international companies like Groupe Chimique Tunisien, Foskor, Mitsui Sumitomo, Morgan Crucible and Sociedad Química y Minera de Chile (SQM). The group has a geographical presence spanning 13 states in India and 5 continents. Brands like BSA, Hercules, Ballmaster, Ajax, Parry's, Gromor and Paramfos are from the Murugappa stable. The organization fosters an environment of professionalism and has a workforce of about 32,000 employees.

**Our Strategies**

***Continue to expand our vehicle finance vertical***

In the vehicle finance vertical, we focus on the high yield retail borrowers' segment for both new and used vehicles. We will continue to expand our reach and penetration in the retail segment of the commercial vehicles financing market by expanding our branch network and leveraging the existing customer base and manufacturer and dealer relationships. In this vertical, we will focus on consolidating and establishing our presence across diversified segments within the vehicle financing space. To achieve this, we intend to continue to increase our penetration in both the new and used commercial vehicle segments while building a healthy asset book in tractor finance. We also intend to leverage potential market opportunities to grow our cars and multi utility vehicles finance portfolio. Our vehicle finance vertical will leverage technology and training platforms to enhance productivity and efficiency to reduce cost to income ratios and optimize performance.

In the non-retail segment of the vehicle financing vertical, the business will leverage its network and relationships to generate revenues either through refinancing the assets of large operators or syndicating loans to banks and earning fees for the same.

To support growth in this vertical we would focus on managing our portfolio efficaciously and seek to ensure collection efficiency, while parallelly managing costs and reducing cost to income ratios to enhance return on assets to deliver higher spreads.

***Developing a scalable operating platform and expanding our home equity vertical***

We propose to develop a scalable operating platform for our home equity vertical by leveraging on the wide spread network and penetration of our vehicle finance operations and developing customer relationships through the diversified

Murugappa ecosystem. We propose to continue to focus on building a clean and quality portfolio through our policy of concentrating on a niche bracket of self-employed (non-professional) customer base. In order to optimize returns, we will continue to undertake initiatives such as focus on sales productivity, stringent cost control and a focus on enhanced customer engagement. We believe that our focus on optimizing returns going hand in hand with our inbuilt expertise and knowledge of our customer segment would help us ensure that we continue to optimize returns while maintaining the quality of our business assets.

Besides continued concentration on loans against property, we propose to further diversify the home equity vertical by gradually establishing our presence in the housing finance segment. We have recently forayed into the housing finance business in a small scale in the state of Tamil Nadu. We propose to explore opportunities to scale up housing finance operations in Tier I, Tier II and Tier III cities/towns. We will focus on the self- employed customer segment and seek to build expertise in assessing this customer segment and eventually establish a pan India presence in the home loans segment.

***Optimize product concentration and mix in the corporate finance vertical***

We have made a strategic decision to reduce our exposure in financing against shares and other securities and accordingly have brought down our financing against shares and other securities book in view of this realigned strategy. We propose to diversify the corporate finance vertical and are in the process of launching a pilot programme which would initially offer bill discounting, pre-shipment credit, bridge loans, working capital demand loans and short/medium term loans. The customer base for this segment in its initial phase will be targeted at vendors and dealers of associate/ group companies of Murugappa group, vendor network of our existing promoters funding customers with whom our team has a previous relationships, dealers of reputed companies with whom our vehicle finance vertical has established manufacturer tie-ups, other existing Chola ecosystem customers, and other reputed corporates.

***Outlook on our gold loan portfolio***

We started offering loans against gold from Fiscal 2012 as a pilot project. Depending upon our success in the pilot phase of our loans against gold operations, and the prevailing/emerging regulatory framework in this business, a view/outlook on this vertical will be taken going forward by our Company.

## OUR PRODUCTS

Our current lines of business are broadly categorised as follows:

### Vehicle Finance

Our Vehicle Finance business can be divided into the following segments –

(a) ***Prime Segment – Retail New***: This segment includes operators with fleet sizes of 1 to 9 vehicles. The prime segment covers buyers of new commercial vehicles and customers with repayment track records from recognized financers.

(b) ***Prime Segment - Strategic***: This consists of large fleet owners i.e. with fleet size of more than 10 vehicles and captive users. The strategic borrower is usually the primary contractor to large principals.

(c) ***Prime segment – Used*****:** Borrowers with good repayment track records, purchasing used commercial vehicles or seeking refinance on their existing fleet come under this category. In this segment customers primarily comprise of vehicle owners who propose to drive their own vehicles or small captive operators.

(d) ***First time borrowers-Used commercial vehicle Segment***: The used commercial vehicle segment comprises of vehicle purchasers who do not have repayment record, are new to organized credit or are first time buyers. While this segment carries a higher element of risk, the return on assets in this category is relatively higher.

(e) ***Cars and MUV Segment***: This segment consists of customers acquiring cars and MUVs for self-use and tourist application and includes both new and used car buyers.

(f) ***Tractor Segment***: This segment includes funding of tractors for agricultural and commercial uses.

The overall ticket size for loans in this vertical typically ranges between ₹ 0.1 million to ₹ 2 million and the lending rates range from 12.50% to 20% depending upon the asset class and customer profile.

**Home Equity Finance**

In our home equity finance vertical we provide loans against property to self employed non-professional group engaged in operating small and medium scale industries, service providers and traders. Under this business segment our Company offers finance which is backed by security over existing property. Our home equity vertical commenced in 2006 with a presence in 5 branches in South India, and has now grown to 56 branches across the country. The business works on a hub and spoke model and has centralized operations in Chennai. In this vertical, we typically lend to customers who are looking to expand their operations. Our business model in the home equity space is personalised where our officials personally visit our prospective customers at their homes or offices for origination and servicing of such loans. We depend largely on the Murugappa ecosystem for our customer relationships.

This vertical accounts for 23.43% of our Company's Net Business Assets on a standalone basis as on September 30, 2012. The business commenced operations in nine new locations and is currently present in 56 locations across the country. All the 56 branches are co-located along with vehicle finance branches, thus reducing operating expenses to a large extent. Our Company is actively engaged in consolidating its presence at locations it already operates thereby building a clean and profitable portfolio.

**Business Finance**

Our business finance vertical provides loans secured by asset classes such as marketable securities including shares, commercial property, residential property, current assets and loans and advances. Our Company maintains a strong credit and surveillance system to manage the risks in these products. This particular business segment accounts for 2.16% of our Company's Net Business Assets on a standalone basis as on September 30, 2012.

Traditionally this business vertical, primarily comprised of promoter funding through loans that were secured by a charge or a pledge on marketable shares or other securities, or by way of a mortgage over residential / commercial property. We have made a strategic decision to reduce our exposure in financing against shares and other securities and accordingly have brought down our financing against shares and other securities book in view of this realigned strategy. We are in the process of launching a pilot programme pursuant to which we will initially focus on offering bill discounting, pre-shipment credit, bridge loans, working capital demand loans and short/medium term loans. The customer base for this segment in its initial phase is targeted at vendors and dealers of associate/ group companies of Murugappa group, vendor network of our existing promoters funding customers with whom our team has a previous relationships, dealers of reputed companies with whom our vehicle finance vertical has established manufacturer tie-ups, other existing Chola ecosystem customers, and other reputed corporates. Based on the success of this pilot programme, the abovementioned products will be offered to the clients outside the Murugappa group ecosystem.

**Gold Loans**

From Fiscal 2012 we started offering loans against gold as a pilot project. We provide loan against gold to individuals who are primarily salaried, self employed, small traders, farmers, etc. Currently, we operate from 45 independent branch locations across the state of Andhra Pradesh, Karnataka and Tamil Nadu and all the branches are equipped with strong room to store the gold ornaments and monitored round the clock through CCTV surveillance camera. The net business assets on a standalone basis for this vertical is ₹ 354.43 million as on September 30, 2012 with an average loan ticket size of around ₹ 40,000. This vertical is primarily aimed at financial inclusion by offering funding at competitive rates of interest to customer segments that do not have easy access to organized credit. This vertical is currently at its nascent stages of operations and depending upon our success in the pilot phase of our loans against gold operations, and the prevailing regulatory framework in this business, further view/outlook on this business will be taken by our Company.

**Net Business Assets**

The product-wise Net Business Assets on a standalone basis for September 30, 2012 and for the Fiscal Year 2012, 2011 and 2010 of our Company is as follows:

(₹ in million)

| Business Vertical | As at March 31, 2010 | As at March 31, 2011 | As at March 31, 2012 | As at September 30, 2012 |
|---|---|---|---|---|
| Vehicle Finance | 31,333 | 56,986 | 87,801 | 108,818 |
| Home Equity | 12,398 | 17,897 | 28,479 | 34,649 |
| Business Finance | 5,111 | 7,763 | 4,906 | 3,200 |
| Gold Loans | - | - | 420 | 354 |
| Personal Loans | 3,014 | 1,169 | 61 | 15 |
| Others | 212 | 454 | 825 | 835 |
| **Net Business Assets** | **52,068** | **84,269** | **122,492** | **147,871** |

**Disbursals**

The break up of our disbursals across our business operations are as hereunder:

*(₹ in million)*

| Disbursal | For the six month period ended September 30, 2012 | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|---|
| Vehicle Finance | 41,682 | 73,064 | 44,961 |
| Home Equity Finance | 9,978 | 15,281 | 12,346 |
| Gold Loans | 313 | 541 | Nil |
| **Total** | 51,973 | 88,886 | 57,307 |

**OUR COMPANY'S OPERATIONS**

We operate under a hub and spoke business model, where responsibilities from loan origination to recoveries of loans are vested in each of our business outlets, under the general supervision and control of our head office. Our business outlets are interconnected and each business outlet is connected to our central hub in Chennai through an ERP platform. Our head office and senior management is primarily responsible for the broad policy formulation for our businesses. However, the decision making process in connection with loans is decentralized and majorly vested in our business outlets, which ensures speedy credit approvals and more efficient turn around times in processing loans. Our operating structure can classified as follows:

***Chennai operations***: The centralised operations at Chennai consist of the following functions:

a. Approving vehicle finance and home equity disbursals;
b. Maintaining receipting and loan file closures;
c. Payout processing;
d. Overall customer relationship management;
e. Banking and post disbursal documentation; and
f. Document management

***Branch Operations:*** Our branches are reasonably autonomous and are vested with powers of loan origination, credit evaluation and approval, loan servicing and recoveries, under the general supervision of our head office. We focus on closely monitoring our assets and borrowers through our officials at each business outlet. Our branch officials develop

relationships with our target customer base, which enables us to capitalize on local knowledge. We follow stringent credit policies, including limits on customer exposure, to ensure the asset quality of our loans and the security provided for such loans. We have a dedicated team of officials at each business outlet (comprising of employees of our Company as well as outsourced personnel) who are responsible for (i) loan origination, (ii) credit evaluation and health check of files to ensure completeness of documentation as per internal checklists, (iii) pre-lending field investigations where our officials personally visit our prospective customers at their homes or offices, (v) post lending credit appraisal, (vi) branch level receipting and cash management and (vii) customer service and lead generation.

***Internal Control Measures:*** We have implemented comprehensive internal control measures to ensure process quality and standard operating procedures for all operations. We have prepared risk registers for all processes, identifying the risks with mitigants, controls and risk triggers. Our in-house and independent internal control process teams carry out audit checks of the critical processes and all key operational processes are centralized at our head office for better control.

***Operations across major business verticals***

*Vehicle finance.* Our Company has a well-developed structure to handle our vehicle finance business. The key functions within vehicle finance vertical are as follows:

- Sales & Marketing,
- Credit underwriting
- Receivables management,
- Transaction processing
- Customer relationship management.

The sales, credit and receivables functions of the vehicle finance vertical are a combination of in-house sales / collections functions through both the infrastructure and personnel of our Company. This allows the vertical to maintain complete control over the quality of business being sourced and quick and relevant action in the event of defaults. The functions at the branch level are led by a branch manager, branch credit manager and branch receivables manager. These are managed at the national level by national managers for sales, credit and collections.

The sales and collections functions are further segmented into –

(a) **Retail** – covering the acquisition of new commercial vehicle borrowers for LCVs and SCVs, Cars and MUVs. This team manages the relationships with dealerships and manufacturers.

(b) **Direct** – addresses the new HCV and used CV customers. This is a direct to customer model, wherein the team is directly in touch with the customers and also manages the used CV broker channel.

(c) **Tractors** – addresses the tractor segment.

As of December 31, 2012 we had a wide network of 506 branches across India and 1,964 employees on the rolls of our Company. We have established branches at most Tier I, Tier II and Tier III cities. A typical branch comprises of a minimum of 5 employees, including the branch manager. All of our 506 branches were connected to servers at our corporate office to enable real time information with respect to our loan disbursement and recovery administration. Our customer origination efforts strategically focus on building long term relationships with our customers, addresses specific issues and local business requirements of potential customers in a specific region.

*Home equity finance.* The sales, credit and receivables functions of the home equity finance vertical are a combination of in-house sales / collections functions through our Company and out-sourcing through direct selling agents and feet on street. Our business model in the home equity space is personalised where our officials personally visit our prospective customers at their homes or offices for origination and servicing of such loans. We depend largely on the Chola and Murugappa ecosystems for our customer relationships. Similar to the vehicle financing business, the functions at the branch level are led by a branch manager, branch credit manager and branch receivables manager. These are managed at the national level by National Managers for sales, credit and collections.

**Customer Evaluation, Credit Appraisal and Disbursement**

The board has delegated business wise loan disbursement powers to business heads, managing director and the business

committee. These disbursement powers vary from product to product. Further the business heads and the Managing director are authorized to delegate loan disbursement powers to the operating managers at the branch level. We follow clearly defined procedures for evaluating the credit worthiness of customers. The typical credit evaluation and collection process adopted is as follows:

1. ***Approval at Branch Level*** – Credit managers are empowered to sanction loans within the limits delegated by the Board depending upon the experience, maturity and knowledge levels of these managers. The empowerment is person based and not position based. Regular trainings and tests are conducted. The delegation of empowerment is at various levels viz branch, area, regional, zonal and national level managers and the empowerment is downloaded for the value of a transaction, customer/group exposure limits and for exceptions/deviations to norms or polices. There is a well defined empowerment matrix for downloading authority to each credit manager. There are credit control managers at our head office to lend support to branch for reports and data pertaining to portfolio behaviour, trends & analysis and service issues.

2. ***Customer evaluation*** – The credit evaluation work commences once the proposal sourced is logged in for appraisal. Essentially credit evaluation involves assessing a loan proposal on the following terms -

| | | |
|---|---|---|
| CAPACITY | ⇨ | ABILITY TO REPAY |
| CAPITAL | ⇨ | APPLICANT'S EQUITY |
| COLLATERAL | ⇨ | ASSET BACK UP |
| CONDITIONS | ⇨ | TERMS OF THE LOAN |
| CHARACTER | ⇨ | INTENTION/TRUSTWORTHINESS |

There are various credit tools to enable decision-making viz field investigation report, Dedupe, CIBIL, Reference checks, grids, resale value, financier interaction, market visits etc.

There are well defined norms based on product and profile considering the risk & tolerance levels within the overall business objectives of the organization.

The funds are advanced after this due process of evaluation and upon providing the necessary documentation. Our objective is to ensure appraisal and disbursement within the shortest possible time, without compromising on quality.

3. ***Loan approval and documentation*** – The branch credit manager decides on the proposal received from the credit officer. In evaluating the customer, apart from the ability to repay (which is the main criteria), he takes into consideration other factors such as permanency of residence, past repayment record, income from other sources, entrepreneurial attitude, physical verification of the asset, if any, to be purchased and operational viability of the proposed business. If the branch credit manager approves the loan he intimates the same to the respective dealers and to the concerned customer. The customer provides us with standard documentation for our records as per our pre-determined parameters. The customer then enters into a standard agreement with us for the loan and also provides us with post- dated cheques factoring in the margin amount. The approved loan is converted into a document clearance note which is sent to head office for onward transmission of disbursement to the dealer/customer depending on the loan.

   The funds are advanced after this due process of evaluation and upon providing the necessary documentation. Our objective is to ensure appraisal and disbursement within the shortest possible time, without compromising on quality.

**Loan administration and monitoring**

Once the disbursal of the loan amount has taken place, the duly completed agreements are sent to the head office which in turn books the contract into the books of account. A unique contract number and a customer account is assigned to each customer vide which the loan transaction is monitored until the successful completion of the contract.

We give our customers four payment options - cash, cheque, ECS mandates or demand drafts. Repayments are mostly made in monthly, quarterly or semi-annual installments, based on customer requirements. Loans disbursed are recovered from the customer in accordance with the loan terms and conditions agreed with the customer. We track loan repayment schedules of our customers, on a monthly basis, based on the outstanding tenure of the loans, the number of installments due and defaults committed, if any. This data is analysed and location of the customer.

Our MIS department and centralised operating team monitors compliance with the terms and conditions of credit facilities.

**Collection and Recovery**

Our loan recovery process is primarily through cash payments, post-dated cheques and ECS mandates. The post-dated cheques are forwarded to the head office which duly deposits the same on the respective due dates.

We believe that our loan recovery procedure is particularly well-suited to our target market in the commercial vehicle financing industry, as reflected by our high loan recovery ratios compared to the average in the financial services industry. The entire collection operation is administered in-house and also through external collection agencies. In case of default, the reasons for the default are identified by the local collection managers and appropriate action is initiated, such as requiring partial repayment and/or seeking additional guarantees or collateral. If required appropriate legal action is initiated basis the recommendation from the collection team and the severity of the account.

In the event of a default on three loan installments, the branch collections manager is required to make a personal visit to the borrower to determine the gravity of the loan recovery problem and in order to exert personal pressure on the borrower.

We may initiate the process for repossession of the vehicle in the event of a chronic default through legal action or in case of intentional issue with the customer on repaying the loan. Repossessed vehicles are held at designated secured facilities for eventual sale. The notice to the customer specifies the outstanding amount to be paid within a specified period, failing which the vehicle may be disposed of through auction. In the event there is a short fall in the recovery of the outstanding amount from the sale of the vehicle, legal proceedings against the customer may be initiated.

The laws governing the registration of motor vehicles in India effectively establish vehicle ownership, as well as the claims of lenders. As a result, vehicle repossession in the event of default is a relatively uncomplicated procedure, such that the possibility of repossession provides an effective deterrent against default.

**Defaults**

Defaults by our customers would be separately intimated to them and necessary action is taken in this regard by our centralized account. We initiate criminal and civil legal action for cheque dishonours. In the case of cheque dishonours, we intimate our customers of the said dishonour and we demand payment of the same via a demand draft or via cash. We have also engaged debt recovery agencies to recover debts or seize the assets financed. In the event of continued defaults based on specified guidelines determined by frequency of default we seize the financed products. We also charge penal interest over and above the interest rate charged for the product in case of delayed payment.

In case of default, the reasons for the default are identified by the local field executive and appropriate action is initiated such as requiring partial repayment and/or seeking additional guarantees or collateral. In addition to our own collection teams, we also make use of external collection agencies to aid us in collection efforts, including collateral repossession. In the event we view a default as being of a serious nature we initiate the process for enforcement of the security.

**Marketing and Customer Service Initiatives**

As a part of our customer service initiatives we maintain a toll free number and SMS facilities for easy clearance and resolution of customer queries. We have launched various publicity campaigns through print, static branding activity, direct customer connect / ground activations to increase visibility for the CV finance segment in its priority markets and specifically targeted at our target customer profile, first time users and small road transport operators, to create awareness of our product features, including our speedy loan approval process with the intention of creating and enhancing our brand identity. We have also developed and launched a portal for used vehicle trading, a platform for used by CV dealers and customers to transact for purchase and sale of CVs through an interactive voice recognition system. We believe that our emphasis on brand promotion will be a significant contributor to our results of operations in future. Further, we have established relationships with various dealers and vehicle manufacturing companies in India such as Tata Motors Limited, Mahindra & Mahindra Limited, Force Motors Limited, VE Commercial Vehicles Limited, TAFE Limited, New Holland, Ashok Leyland Limited, Swaraj Mazda Limited and Daimler India Commercial Vehicles Limited.

**Branding/ advertising**

We use the brand name "Cholamandalam " and "Chola" for marketing our products. We believe that our brand is recognized in India given its association with the brand of our promoters Murugappa group and our own efforts of brand promotion. We have launched various publicity campaigns through print and other media specifically targeted at our target customer profile, FTUs and SRTOs, to create awareness of our product features, including our speedy loan approval process with the intention of creating and enhancing our brand identity. We believe that our emphasis on brand promotion will be a significant contributor to our results of operations in future.

**Asset Quality**

We maintain our asset quality through the establishment of prudent credit norms, the application of stringent credit evaluation tools, limiting customer and vehicle exposure, and direct interaction with customers. In addition to our credit evaluation and recovery mechanism, our asset-backed lending model and adequate asset cover has helped maintain low gross and net NPA levels.

***Provisioning and Write-offs***

Our Company is required, after taking into account the time lag between an account becoming non-performing, and its recognition as such, the realization of the security, and the erosion of over time in value of the security charged, to make provisions against sub-standard, doubtful and loss assets as per the directions issued by RBI. We also consider field reports and collection patterns at regular intervals to anticipate the need of higher provisioning. Our Company has made provisions of ₹ 1,501.51 million and ₹ 1,496.72 million in respect of NPA assets as of September 30, 2012 and March 31, 2012 for all its business segments.

In terms of the requirement of the circular dated January 17, 2011 issued by the RBI, our Company is also required to make a general provision at 0.25% of the outstanding standard assets. The provisions on standard assets are not reckoned for arriving at net NPAs. The provisions towards standard assets are not needed to be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet. As on September 30, 2012 our Company has made provisions of ₹ 422 million for standard assets which is in line with the RBI required provision.

***NPAs***

The following table sets forth, as of the dates indicated, data regarding our NPAs on a standalone basis:

***(in ₹million except percentages)***

| Period Ended | Gross NPA | Net NPA | Total Credit Exposure | Percentage of Gross NPA to Total Credit Exposure | Percentage of Net NPA to Total Credit Exposure |
|---|---|---|---|---|---|
| March 31, 2010 | 44,99.10 | 1,200.70 | 54,621.00 | 8.24% | 2.20% |
| March 31, 2011 | 2,727.60 | 338.80 | 86,706.90 | 3.15% | 0.39% |
| March 31, 2012 | 1,176.10 | 369.43 | 123,219.14 | 0.95% | 0.30% |
| Sept 30, 2012 | 1,790.84 | 970.97 | 148,654.22 | 1.20% | 0.65% |

We believe that our eventual write-offs are relatively low because of our relationship based customer origination and customer support, prudent loan approval processes, including adequate collateral being obtained and our ability to repossess and dispose of such collateral in a timely manner.

**Funding Sources**

The following table sets forth the principal components of our borrowings on a consolidated basis as on September 30, 2012, March 31, 2012, March 31, 2011 and March 31, 2010:

**₹ in million**

| | Non - Current | | | | Current | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at September 30, 2012** | **As at March 31, 2012** | **As at March 31, 2011** | **As at March 31, 2010** | **As at September 30, 2012** | **As at March 31, 2012** | **As at March 31, 2011** | **As at March 31, 2010** |
| **LONG TERM** | | | | | | | | |
| Redeemable Non-Convertible Debentures | | | | | | | | |
| Medium Term - Secured | 15,777.00 | 16,079.00 | 7,000.00 | 2,800.00 | 11,532.00 | 9,350.00 | 3,000.00 | 2,000.00 |
| Subordinated debt - Unsecured | 8,930.00 | 7,780.00 | 7,030.00 | 5,415.00 | 1,300.00 | 1,500.00 | - | - |
| Perpetual debt - Unsecured | 6,507.00 | 5,077.00 | 1,500.00 | - | - | - | - | - |
| | | | | | | | | |
| Term Loans | | | | | | | | |
| Rupee Loans - Secured | | | | | | | | |
| - Banks (Refer Note 5.1 (ii) | 39,833.40 | 41,083.40 | 37,566.65 | 13,975.55 | 16,333.30 | 13,983.30 | 8,783.35 | 8,037.50 |
| - Others | - | - | - | 600.00 | - | - | 600.00 | 150.00 |
| Foreign currency loans from banks - Secured | 1,585.50 | 1,526.10 | 3,058.51 | 2,035.01 | 754.07 | 2,581.70 | 883.95 | 1,017.51 |
| -Refer Note 5.1 (ii) | | | | | | | | |
| | 72,632.90 | 71,545.50 | 56,155.16 | 24,825.56 | 29,919.37 | 27,415.00 | 13,267.30 | 11,205.01 |
| | | | | | | | | |
| The above amount includes | | | | | | | | |
| Secured borrowings | 57,195.90 | 58,688.50 | 47,625.16 | 19,410.56 | 28,619.37 | 25,915.00 | 12,667.30 | 11,205.01 |
| Unsecured borrowings | 15,437.00 | 12,857.00 | 8,530.00 | 5,415.00 | 1,300.00 | 1,500.00 | 600.00 | - |
| Amount disclosed under the head "Other Current Liabilities" | | | | | (29,919.37) | (27,415.00) | (13,267.30) | (11,205.01) |
| **Total LongTerm Borrowings** | **72,632.90** | **71,545.50** | **56,155.16** | **24,825.56** | **-** | **-** | **-** | **-** |
| | | | | | | | | |
| **SHORT TERM** | | | | | | | | |
| **Term Loan** | | | | | | | | |
| Rupee Loans from Banks - Secured | - | - | - | - | - | - | - | 1,062.50 |
| Unsecured | | | | | | | | 250.00 |
| Working capital Demand loans and cash credit from Banks | | | | | | | | |
| -Secured | - | - | - | - | 17,195.98 | 13,130.63 | 4,866.61 | 7,654.97 |
| - Unsecured | - | - | - | - | 500.00 | - | - | - |
| Commercial paper - Unsecured | - | - | - | - | 19,320.50 | 2,350.00 | 5,800.00 | 9,900.00 |
| Inter corporate Deposit | - | - | - | - | - | - | - | - |

₹ in million

| | Non - Current | | | | Current | | | |
|---|---|---|---|---|---|---|---|---|
| | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 | As at September 30, 2012 | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
| | | | | | | | | |
| | | | | | | | | |
| **Total Short Term Borrowings** | - | - | - | - | **37,016.48** | **15,480.63** | **10,666.61** | **18867.47** |
| The above amount includes | | | | | | | | |
| Secured borrowings | - | - | - | - | 17,195.98 | 13,130.63 | 4,866.61 | 8,717.47 |
| Unsecured borrowings | - | - | - | - | 19,820.50 | 2,350.00 | 5,800.00 | 10,150.00 |
| | **-** | **-** | **-** | **-** | **37,016.48** | **15,480.63** | **10,666.61** | **18867.47** |

**Treasury Operations**

Our treasury operations are centralized and mainly focused on meeting our funding requirements and managing short term surpluses. Our fund requirements are sourced through loans and by issue of debentures to banks, financial institutions and mutual funds. We also place commercial paper and raise unsecured debentures by way of subordinated debt and perpetual debt instrument which form part of Tier I & Tier II Capital. We believe that through our treasury operations, we are able to maintain our ability to repay borrowings as they mature and obtain new loans at competitive rates. We also undertake transactions for securitization and assignment of receivables from time to time as an additional source of raising funds.

Our treasury department undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the RBI requirement of asset liability management. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. Our treasury maintains a balance between interest-earning liquid assets and cash to optimize earnings.

Our treasury department also manages the collection and disbursement activities from our head office in Chennai. We actively manage our cash and funds flow using various cash management services provided by banks. As part of our treasury activities, we also invest our surplus fund in fixed deposits with banks and liquid debt-based mutual funds. Our investments are made in accordance with the internally approved investment policy.

**Capital Adequacy**

We are subject to the capital adequacy ratio ("**CAR**") requirements prescribed by the RBI. We are currently required to maintain a minimum CAR of 15.00%, as prescribed under the Prudential Norms Directions, 2007, based on our total capital to risk-weighted assets. As per RBI notification dated February 17, 2011, all NBFCs have to maintain a minimum capital ratio, consisting of Tier I and Tier II capital, which shall not be less than 15% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items w.e.f. March 31, 2012.

The following table sets out our capital adequacy ratios (standalone) computed on the basis of applicable RBI requirements as of the dates indicated:

| Particulars | As at March 31, 2010 | As at March 31, 2011 | As at March 31, 2012 | As at September 30, 2012 |
|---|---|---|---|---|
| Tier I Capital | 9.54% | 10.78% | 11.00% | 10.42% |
| Tier II Capital | 5.26% | 5.89% | 7.08% | 7.76% |
| **Capital Adequacy Ratio** | **14.80%*** | **16.67%** | **18.08%** | **18.18%** |

**Note: RBI Capital Adequacy requirement in Fiscal 2010 was 12.00%*

**Credit Rating**

The following table sets forth certain information with respect to our credit ratings as of September 30, 2012:

| Rating Agency | Short Term rating | Secured Long Term Non Convertible Debentures Rating / (Outlook) | Unsecured Subordinated debt (Non Convertible Debentures) Rating / (Outlook) | Unsecured Perpetual debt (Perpetual Debt Instruments- Non Convertible Debentures) Rating / (Outlook) |
|---|---|---|---|---|
| ICRA | [ICRA] A1+ | [ICRA] AA (Stable) | [ICRA] AA (Stable) | [ICRA] AA – (Stable) |
| India Ratings And Research | -- | -- | IND AA - (Stable) | -- |
| CARE | -- | CARE AA | CARE AA- | CARE A+ |
| CRISIL | CRISIL A1+ | -- | -- | -- |

**Risk Management**

We have developed a strong risk-assessment model in order to maintain healthy asset quality. The key risks and risk-mitigation principles we apply to address these risks are summarized below:

***Interest Rate Risk***

Our results of operations are dependent upon the level of our net interest margins. Net interest income is the difference between our interest income and interest expense. Since our balance sheet consists of rupee assets and predominantly rupee liabilities, movements in domestic interest rates constitute the primary source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. We borrow funds at fixed and floating rates of interest, while we extend credit at fixed rates for Vehicle Finance and Gold Loans whereas floating for Home Equity and Business Finance. In the absence of proper planning and in a market where liquidity is limited, our net interest margin may decline, which may impact our revenues and ability to exploit business opportunities.

We have developed stable long term relationships with our lenders, and established a track record of timely servicing our debts. This has enabled us to become a preferred customer with most of the major banks and financial institutions with whom we do business. Moreover, our valuation capabilities enable us to invest in good quality assets with stable, attractive yields. Significantly, majority of our vehicle finance loans are classified as priority sector assets by the RBI, such that these loans, when securitized, find a ready market with various financial institutions, including our lenders.

***Liquidity Risk***

Liquidity risk arises due to non-availability of adequate funds or non-availability of adequate funds at an appropriate cost, or of appropriate tenure, to meet our business requirements. This risk is minimized through a mix of strategies, including asset securitization

We monitor liquidity risk through our asset liability management ("**ALM**") function with the help of liquidity gap reports. This involves the categorization of all assets and liabilities into different maturity profiles, and evaluating these items for any mismatches in any particular maturities, especially in the short-term. The ALM policy has capped the maximum mismatches in the various maturities in line with RBI guidelines and ALCO guidelines.

To address liquidity risk, we have developed expertise in mobilizing long-term and short-term funds at competitive interest rates, according to the requirements of the situation. For instance, we structure our indebtedness to adequately cover the average three-year tenure of loans we extend. As a matter of practice, we generally do not deploy funds raised from short term borrowing for long term lending.

As of September 30, 2012 our structural liquidity position with respect to our asset liability mismatch was as follows:

| Particulars | 1 - 14 Days | 15 - 30 / 31 Days | Over 1 month to 2 months | Over 2 to 3 months | Over 3 to 6 months | Over 6 months to one year | Over 1 year to 3 years | Over 3 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Outflows | 234.01 | 462.29 | 672.03 | 609.99 | 1,899.65 | 3,209.88 | 5,979.69 | 50.00 | 2,899.47 | 16,017.01 |
| Cumulative Outflows | 234.01 | 696.30 | 1,368.33 | 1,978.32 | 3,877.97 | 7,087.85 | 13,067.54 | 13,117.54 | 16,017.01 | |
| Total Inflows | 667.80 | 503.65 | 668.71 | 649.92 | 1,874.06 | 2,730.03 | 5,387.46 | 863.51 | 2,671.87 | 16,017.01 |
| Mismatch | 433.79 | 41.36 | -3.32 | 39.93 | -25.59 | -479.85 | -592.23 | 813.51 | -227.60 | |
| Mismatch as % to outflows | 185.37% | 8.95% | -0.49% | 6.55% | -1.35% | -14.95% | -9.90% | 1627.02% | -7.85% | |
| Cumulative Mismatch | 433.79 | 475.15 | 471.83 | 511.76 | 486.17 | 6.32 | -585.91 | 227.60 | 0.00 | |
| Cumulative Mismatch as % to Cumulative outflows | 185.37% | 68.24% | 34.48% | 25.87% | 12.54% | 0.09% | -4.48% | 1.74% | 0.00% | |

***Credit risk***

Credit risk is the risk of loss that may occur from the default by our customers under the loan agreements with us. As discussed above, borrower defaults and inadequate collateral may lead to higher NPAs.
Our extensive local presence also enables us to maintain regular direct contact with our customers. In this regard, we assign personal responsibility to each member of the lead generation team for the timely recovery of the loans they originate, closely monitoring their performance against our Company's standards, and maintain client and truck-wise exposure limits.

In order to mitigate the credit risk the following steps are considered –

- Norms and policies are decided jointly by sales, credit & collections thereby ensuring a balance between business and risk.
- Our Company has a policy of delinquency triggers to ensure a sound portfolio. The monitoring and follow up commences from the loan initiation itself leading from a non-starter / early default triggers on business sourcing as well as credit empowerment. Further any norms / scheme roll out considers bucket wise delinquency.

Collection parameters are part of key responsibility area of all sales, credit and collection managers.

***Cash management risk***

Our branches collect and deposit approximately two-thirds of our customers' payments in cash. Lack of proper cash management practices could lead to losses. To address cash management risks, we have developed advanced cash management checks that we employ at every level to track and tally accounts. Moreover, we conduct regular audits to ensure the highest levels of compliance with our cash management systems.

**Technology**

Technology at our Company plays a pivotal role in enabling all businesses and functions to deliver high quality services to all its customers. Chola has transformed from being a predominantly manual and centralized data processing centre to an environment where data gets captured at source real time and all processing and control is at the central servers. The business model of our Company is backed up by a strong and flexible information technology infrastructure. Our current applications can be classified into core business solutions, finance applications, human resource solutions and enterprise communication solutions.

**Our Subsidiaries**

Our Company has the following wholly owned Subsidiaries:

| Name of the Subsidiary | Date of Incorporation | Number of Equity Shares Held by our Company (% Equity Shareholding)** | Business Activities |
|---|---|---|---|
| Cholamandalam Distribution | August 23, 2000 | 42,400,000 (100%) | CDSL provides full scale |

| Name of the Subsidiary | Date of Incorporation | Number of Equity Shares Held by our Company (% Equity Shareholding)** | Business Activities |
|---|---|---|---|
| Services Limited, ("**CDSL**") | | | wealth management services to mass affluent customer segment and is a national distributor of mutual fund products. CDSL is also engaged in distribution of retail financial products including general insurance, life insurance, fixed deposits and bonds. |
| Cholamandalam Securities Limited, ("**CSL**") | September 20, 1994 | 20,500,014 (100%) | CSL is a registered member of NSE and BSE since 1995 and a depository participant in NSDL and CDSL. CSL provides broking and depository participant services, with an on-line and off line trading platform to its customers. |
| Cholamandalam Factoring Limited, ("**CFL**") * | August 1, 1989 | 80,364,829 (100%) | CFL's main object is to do the business of factoring in any if its forms and to form, subsidize, organize and assist or aid in forming, promoting, organizing or subsiding companies, syndicates or partnerships of all kinds. As there are no plans to take up any active business in CFL and considering the bare minimum net worth and large accumulated losses of the CFL, it has been proposed to merge the CFL with our Company. |

** CFL has filed for scheme of amalgamation and arrangement before the High Court of Madras under Section 391-394 of the Companies Act, ("**Scheme**") to merge with our Company. The Scheme appointed date for the Scheme is April 1, 2012. Pursuant to the Scheme coming into effect all assets and liabilities of CFL will be transferred to our Company.*
*** To comply with minimum statutory requirement of having 7 shareholders in a public company, 6 individual members hold shares in each of these Subsidiaries pursuant to the provisions of Section 187C of the Companies Act.*

**Employees**

As of December 31, 2012, we had a wide network of 506 branches across India and 1,964 employees on the rolls of our Company. We look to infuse talent from the management institutions through campus hiring. Employee referral has also been a low cost medium for hiring and it continues to remain the preferred source of hiring.

***Employee engagement***

We conduct face to face meetings and focus group meetings through our Human Resources department, with a target of covering all employees during the year. We undertake initiatives to define and identify competencies for the roles in the non-core business/support functions. The competency defined for the core businesses are put in use for recruitment as competency based hiring practices and assessment of competencies for certain roles through 360 degree feedback or assessment centers. We also have an employee feedback mechanism which assesses the organizational climate and draws out an action plan based on the identified gaps.

**Competition**

We face competition in all our lines of businesses. Our primary competitors are other NBFCs, public sector banks, private sector banks, co-operative banks and foreign banks and the unorganized financiers who principally operate in the local markets. Interest rate deregulation and other liberalization measures affecting the retail sector, together with increased demand for capital by individuals as well as small enterprises, have resulted in an increase in competition in all our businesses.

**Properties**

We operate our businesses, including our registered office and branch offices, out of leased and rental properties except few properties that are owned by us.

**Collaborations**

Except as disclosed herein, our Company has not entered into any collaboration, any performance guarantee or assistance in marketing by any collaborators.

## BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors ("**Board**") represents the interests of shareholders and is responsible for our general management and approves our strategic and operational plans.

As per our Articles of Association, our Board shall consist of not less than 3 Directors and not more than 12 directors, of which not less than two thirds of the total number of Directors of our Company shall be persons whose periods of office is liable to determination by retirement of Directors by rotation. Currently, our Board comprises of seven (7) directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of our Company's shareholders, subject to the provisions of our Company's Articles of Association and the Companies Act.

**Board of Directors**

The Board of Directors has the ultimate responsibility for the management and administration of our affairs, unless otherwise directed by the Articles of Association, or Indian law.

The following table sets forth the composition of our Board of Directors as of the date of this Placement Document.

| Sr. No. | Name of the Director, Designation and DIN | Date of Appointment as per resolution passed by shareholders of our Company | Address | Directorships in other companies |
|---|---|---|---|---|
| 1. | **Mr. M.B.N. Rao**<br><br>Chairman, Non-Executive and Independent Director<br><br>DIN: 00287260 | July 28, 2011 | Flat no. A 906, Purva Heights, 14, Banner Ghatta Road, Bilekahalli Bangalore – 560 076 Karnataka, India | 1. EID Parry (India) Limited<br>2. Madras Cements Limited<br>3. Taj GVK Hotels & Resorts Limited<br>4. Electro Steel Castings Limited<br>5. Apollo Munich Health Insurance Company Limited<br>6. Neyveli Lignite Corporation Limited<br>7. India Clearing Corporation Limited<br>8. Lanco Power Limited<br>9. NLC Tamilnadu Power Limited<br>10. CRISIL Risk and Infrastructure Solutions Limited<br>11. Aircel Limited<br>12. Aircel Cellular Limited<br>13. Dishnet Wireless Limited<br>14. Nuziveedu seeds Limited<br>15. Franklin Templeton Asset Management (India) Pvt. Limited<br>16. MMTC - PAMP India Pvt. Limited |
| 2. | **Mr. Vellayan Subbiah**<br><br>Managing and Executive Director | July 28, 2011 | No.10, Boat Club Road, R.A. Puram, Chennai- 600 028, Tamil Nadu, India | 1. Cholamandalam Distribution Services Limited<br>2. Cholamandalam Securities Limited<br>3. Cholamandalam Factoring |

| Sr. No. | Name of the Director, Designation and DIN | Date of Appointment as per resolution passed by shareholders of our Company | Address | Directorships in other companies |
|---|---|---|---|---|
| | DIN: 01138759 | | | Limited<br>4. SRF Limited<br>5. Shine Kids Education Private Limited<br>6. Ambadi Investments Private Limited |
| 3. | **Mr. N. Srinivasan**<br><br>Non-Executive Director and Vice Chairman<br><br>DIN: 00123338 | July 30, 2007 | No. 9, North Avenue, Srinagar Colony, Saidapet, Chennai-600 015, India | 1. Tube Investments of India Ltd.<br>2. Cholamandalam MS General Insurance Company Limited<br>3. Cholamandalam MS Risk Services Limited<br>4. Cholamandalam Securities Limited<br>5. Parrys Sugar Industries Limited<br>6. Murugappa Holdings Limited |
| 4. | **Mr. Indresh Narain**<br><br>Non-Executive and Independent Director<br><br>DIN: 00501297 | July 30, 2007 | D-7/1A, Vasant Vihar, New Delhi – 110 057, India | 1. Dhanuka Agritech Limited<br>2. Governors of the Indian Public Schools Society (Section 25 Company)<br>3. PineBridge Investments Trustee Company (India) Private Limited (formerly AIG Trustee Company (India) Private Limited) |
| 5. | **Mr. R.V. Kanoria**<br><br>Non-Executive and Independent Director<br><br>DIN: 00003792 | December 21, 1995 | A-45, Vasant Marg, Vasant Vihar, New Delhi – 110 057, India | 1. Kanoria Chemicals & Industries Limited (Chairman & Managing Director)<br>2. J K Paper Limited<br>3. Ludlow Jute & Specialities Limited<br>4. R V Investment & Dealers Limited<br>5. KCI Alco Chem Limited<br>6. Kirtivardhan Finvest Services Limited<br>7. KPL International Limited<br>8. National Skill Development Corporation<br>9. APAG Holdings AG, Switzerland<br>10. APAG Elektronik AG, Switzerland |
| 6. | **Mr. L.Ramkumar**<br><br>Non-Executive Director<br><br>DIN: 00090089 | July 28, 2011 | No. 10, Link Road, Kottur Garden, Kotturpuram, Chennai – 600085, Tamil Nadu, India | 1. Tube Investments of India Limited<br>2. TI Financial Holdings Limited<br>3. Financiere C 10<br>4. Shanthi Gears Limited |
| 7. | **Mr. V. Srinivasa Rangan**<br><br>Non-Executive and | July 28, 2011 | C-1003, 10th Floor, Ashok Towers Dr.SS Rao Road, Parel, Mumbai -400 012, | 1. Atul Limited<br>2. Housing Development Finance Corporation Limited<br>3. HDFC Holdings Limited |

| Sr. No. | Name of the Director, Designation and DIN | Date of Appointment as per resolution passed by shareholders of our Company | Address | Directorships in other companies |
|---|---|---|---|---|
| | Independent Director<br><br>DIN: 00030248 | | Maharashtra, India | 4. HDFC Investments Limited<br>5. HDFC Property Ventures Limited<br>6. HDFC Trustee Company Limited<br>7. HDFC Venture Capital Limited<br>8. HDFC Developers Limited<br>9. IPFOnline Limited<br>10. TVS Credit Services Limited<br>11. Hindustan Oil Exploration Company Limited<br>12. H T Parekh Foundation<br>13. IVF Advisors Private Limited<br>14. Ruralshores Business Services Private Limited<br>15. Credila Financial Services Private Limited<br>16. HDFC Education & Development Services Private Limited |

The following are brief biographies of our Company's directors:

**Mr. M.B.N. Rao**

Mr. M.B.N. Rao**,** aged 64 years, is the non-executive Chairman and an Independent Director on the Board of our Company. He holds a Bachelor's degree in agriculture obtained from Andhra Pradesh Agricultural University, an associate of the Chartered Institute of Bankers, London, a certified associate of the Indian Institute of Bankers and a fellow of the Indian Institute of Banking & Finance. He holds Diploma in Computer Studies from University of Cambridge, NCC, the National Centre for Information Technology, UK and a member of the Singapore Institute of Management. He is the former chairman and managing director of Canara Bank and Indian Bank. He has over 39 years of experience in fields of banking, finance, economics, technology, human resource, marketing, treasury and administration. He is a member of various committees constituted by RBI, MOF, SEBI and National Institute of Bank Management. He is on the Boards of several companies including Nuziveedu Seeds Limited, Neyveli Lignite Corporation Limited and E.I.D. Parry (India) Limited. He joined the Board of our Company in July 2010.

**Mr. Vellayan Subbiah**

Mr. Vellayan Subbiah, aged 43 years, one of our Promoters, is the Managing Director on the Board of our Company. He holds bachelor's degree in civil engineering from IIT Madras and a masters in business administration from the University of Michigan, USA. He has worked for 6 years with Mckinsey and Company, Chicago 24/7 Customer Inc. and Sundram Fasteners. He was the managing director of Laserwords, Chennai, between 2005 and 2010. He joined the Board of our Company in August 2010.

**Mr. N. Srinivasan**

Mr. N. Srinivasan, aged 55 years, is the Non-Executive Director and Vice- Chairman on the Board of our Company. He is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has over 28 years of experience in the areas of corporate finance, legal, projects and general management. He is a director on the board of Tube Investments of India Limited, Cholamandalam MS General Insurance Company Limited and certain other Murugappa group companies. He joined the Board of our Company in December 2006.

**Mr. Indresh Narain**

Mr. Indresh Narain, aged 67 years, is a Non-Executive and Independent Director on the Board of our Company. He holds a Bachelor of Arts with honours degree from Agra University in 1965. He has experience at regional and head office level in personal and corporate banking, wealth management, currency markets, asset recovery, corporate finance and human resources. He retired as head of compliance and legal of HSBC India. He is a Director on the boards of Dhanuka Agritech Limited and PineBridge Investments Trustee Company (India) Private Limited. He joined the Board of our Company in July 2006.

**Mr. R.V. Kanoria**

Mr. R.V. Kanoria, aged 57 years, is a Non-Executive and Independent Director on the Board of our Company. He holds a master's degree in business administration from International Institute for Management Development, Switzerland. He is an alumni of Wharton University, USA. He is the chairman and managing director of Kanoria Chemicals & Industries Limited and is on the board of several other companies.

**Mr. L.Ramkumar**

Mr. L.Ramkumar, aged 56 years, is a Non-Executive Director on the Board of our Company. He is a cost accountant and holds masters degree in business administration from IIM, Ahmedabad. He is the managing director of Tube Investments of India Limited since February 2008. He has experience in developing long term strategies, restructuring, setting up green field projects and building a customer oriented organization. He joined the Board of our Company in July 2010.

**Mr. V. Srinivasa Rangan**

Mr. V. Srinivasa Rangan, aged 52 years, is a Non-Executive and Independent Director on the Board of our Company. He is a B.Com (Hons.) from Sriram College of Commerce, Delhi. He is a Grad. cost and works accountant from the Institute of Cost and Works Accountants India and an associate member of the Institute of Chartered Accountants of India. He is an executive director of Housing Development Finance Corporation Limited and has been associated with the said company since 1986. He is a director on the board of Hindustan Oil Exploration Company Limited and several other companies in HDFC group. He was also appointed as director on the board of HT Parekh Foundation on October 19, 2012. He was conferred the "Best CFO in the Financial Sector for 2010" by "The Institute of Chartered Accountants of India". He joined the Board of our Company in July 2011.

**Relationships of the Directors**

As on date of filing of this Placement Document, none of the directors of our Company are related to each other.

**Interest of our Directors**

As of December 31, 2012, the Equity Share holding of our directors in our Company is as follows:

| Sr. No. | Name of the Director | Number of Equity Shares held as at December 31, 2012 | Percentage of total paid up Equity share capital of our Company |
|---|---|---|---|
| 1. | Mr. M.B.N. Rao | Nil | Nil |
| 2. | Mr. Vellayan Subbiah | 245,493* | 0.18%* |
| 3. | Mr. N. Srinivasan | 25,000 | 0.02% |
| 4. | Mr. Indresh Naraian | Nil | Nil |
| 5. | Mr. R.V. Kanoria | Nil | Nil |
| 6. | Mr. L. Ramkumar | 154 | 0.0001% |
| 7. | Mr. V Srinivasa Rangan | 4,000 | 0.003% |

** In addition, Mr. Vellayan Subbiah holds 26,100 Equity Shares representing 0.02 % of our paid-up Equity Share capital, in the capacity of a Trustee of M V Seetha Subbiah Benefit Trust and 25,975 Equity Shares representing 0.02 % of our paid-up Equity Share capital, in the capacity of a Trustee of Valli Subbiah Benefit Trust.*

All the Directors, including the independent directors, may be deemed to be interested to the extent of fees, if any,

payable to them for attending meetings of the Board or a committee thereof as well as to the extent of remuneration or commission and reimbursement of expenses payable to them under the Articles of Association. The Executive Director will be interested to the extent of remuneration paid to him for his services rendered as officer of our Company.

Except as otherwise stated in this Placement Document, our Company has not entered into any contract, agreements, arrangements during the preceding two years from the date of this Placement Document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them.

As at December 31, 2012, no loans were granted by our Company to, or guarantees provided to the benefit of, the directors of our Company. There is no pecuniary relationship or transaction of our Company with any Non-Executive director. There were no stock options granted to the Directors of our Company.

For further details regarding our related party transactions, please refer the disclosures given in the section titled "*Financial Statements*" on page 195 of this Placement Document.

**Changes in the Board of Directors during the last three years**

| Name of the Director | Date of Change | Reason |
|---|---|---|
| Mr. Alagappan Arunachalam Murugappa | July 28, 2010 | Retirement by rotation |
| Mr. R. Krishnamurthy | July 28, 2010 | Retirement by rotation |
| Mr. M.B.N. Rao | July 28, 2010 | Appointment |
| Mr. L.Ramkumar | July 28, 2010 | Appointment |
| Mr. Vellayan Subbiah | August 19, 2010 | Appointment |
| Mr. V.P. Mahendra | July 28, 2011 | Retirement by rotation |
| Mr. V. Srinivasa Rangan | July 28, 2011 | Appointment |

**Remuneration, commission and other payments to our Directors**

**Managing and Executive Director**

Pursuant to a resolution dated August 19, 2010 passed by the Board and shareholders resolution dated July 28, 2011 passed at an Annual General Meeting of our Company. Vellayan Subbiah was appointed as the Managing Director of our Company with effect from August 19, 2010 for a period of five years and the remuneration payable to Mr. Vellayan Subbiah was revised, pursuant to resolution dated July 30, 2012 passed by the Compensation & Nomination Committee.

The present remuneration structure of our Managing Director consists of fixed salary, contribution to funds, and other perquisites. The following table sets forth all compensation paid to Mr. Vellayan Subbiah for the year ended March 31, 2012.

| Salary (₹ in million) | Allowance (₹ in million) | Incentive (₹ in million) | Perquisites and contributions (₹ in million) | Total (₹ in million) |
|---|---|---|---|---|
| 3.87 | 5.67 | 2.63 | 2.45 | 14.61 |

**Non-Executive Directors**

The non-executive directors are paid sitting fees and other expenses (travelling, boarding and lodging) incurred for attending the Board/Committee meetings.

Pursuant to resolution dated July 28, 2009 passed by the shareholders at an annual general meeting of our Company, the remuneration payable to Non-Executive Directors shall be, a sum not exceeding 1% of the net profits of our Company as computed under sections 349 and 350 of the Companies Act by way of commission for a period of five years commencing from April 1, 2009.

The following table sets forth all compensation paid by our Company to the Non-Executive Directors as at March 31, 2012.

| Sr. No. | Name of the Director | Commission paid for the year ended March 31, 2012 (₹ in million) | Sitting fees paid for the year ended March 31, 2012 (₹ in million) | Total(₹ in million) |
|---|---|---|---|---|
| 1. | Mr. M.B.N. Rao | 1.50 | 0.23 | 1.73 |
| 2. | Mr. N. Srinivasan | 0.50 | 0.23 | 0.73 |
| 3. | Mr. Indresh Narain | 0.50 | 0.15 | 0.65 |
| 4. | Mr. RV Kanoria | 0.50 | 0.02 | 0.53 |
| 5. | Mr. V. Srinivasa Rangan | 0.34 | 0.07 | 0.41 |
| 6. | Mr. V.P. Mahendra* | 0.17 | 0.10 | 0.25 |
| 7. | Mr. L. Ramkumar | Nil | Nil | Nil |
| **Total** | | **3.51** | **0.80** | **4.31** |

**Retired with effect from July 28, 2011*

**Borrowing Powers of the Board**

Our Company at its AGM held on July 28, 2011, passed a resolution authorizing the Board of Directors pursuant to the provisions of Section 293(1)(d) for borrowing any sum of money from time to time from any one or more of our Company's bankers as it may deem requisite for the purpose of the business of our Company notwithstanding that monies to be borrowed together with monies already borrowed (apart from our Company's Bankers in the ordinary course of the business) will exceed in the aggregate of the paid up Capital and free reserves, i.e. to say reserves not set apart for any specific purpose provided however that the total amount upto which money may be borrowed by the Board of Directors of our Company shall not exceed the sum of ₹ 175,000 million.

**Corporate Governance**

Our corporate governance policies recognize the accountability of the Board and the importance of the transparency to all our constituents, including employees, customers, investors and the regulatory authorities and of demonstrating that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, including the SEBI Regulations in respect of corporate governance, but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. The Board's role, function, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the function of the Board includes approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that our shareholders are kept informed about our plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, the management provides detailed reports on our performance to the board on a quarterly basis.

The Board of Directors also functions through various committees such as the Audit Committee, the Shareholders Grievance Committee, the Business Committee, Compensation & Nomination Committee and the Risk Management Committee.

**Board Committees**

A brief description of each of our committees is as follows:

**Audit Committee**

The audit committee is constituted in accordance with the requirements under Section 292A of the Companies Act and Clause 49 of the listing agreement with the Stock Exchanges ("**Audit Committee**"). The Audit Committee was last reconstituted on July 28, 2011.

The Audit Committee members are:

1. Mr. Indresh Narain (Chairman);
2. Mr. M.B.N. Rao (Member);
3. Mr. N. Srinivasan (Member); and
4. Mr. V. Srinivasa Rangan (Member)

The terms of reference of the Audit Committee are as follows:

The primary role of the Audit Committee is to oversee the financial reporting process and disclosure of the financial information, review- the financial statements before submission to the board, adequacy of internal control systems, findings of internal audits/investigations/whistle blower policy/monitoring the usage of funds from issue proceeds, related party transactions, besides recommending appointment/removal of statutory auditors, internal auditors and fixing their remuneration.

**Shareholders Grievance Committee**

The shareholders grievance committee was last reconstituted on July 28, 2011 ("**Shareholders Grievance Committee**").

The Shareholders' Grievance Committee members are:

1. Mr. N. Srinivasan (Chairman); and
2. Mr. Vellayan Subbiah (Member).

The terms of reference of the Shareholders Grievance Committee are as follows:

The role of the Shareholders Grievance Committee includes formulation of shareholders servicing plans and policies, consideration of valid share transfer requests with folios beyond 5000 shares, share transmissions, issue of duplicate share certificates, issue of share certificates for split, rematerialisation, consolidation of shares etc. The Shareholders Grievance Committee also monitors and reviews the mechanism of share transfers, dematerialization of shares and payment of dividends. It further looks into redressing of shareholders grievances and determining, monitoring and reviewing the standards for resolution of shareholders grievances.

**Compensation & Nomination Committee**

The compensation & nomination committee ("**Compensation & Nomination Committee**") was last reconstituted on July 28, 2011.

The Compensation & Nomination Committee members are:

1. Mr. RV Kanoria (Chairman);
2. Mr. M.B.N. Rao (Member); and
3. Mr. N Srinivasan (Member).

The terms of reference of the Compensation & Nomination Committee are as follows:

The role of the Compensation & Nomination Committee is to determine our Company's policy on specific remuneration packages of executive directors including pension rights and periodic increment in salary. The Compensation & Nomination Committee is also empowered to determine the annual commission/incentives of the executive directors and the minimum remuneration of the executive directors in the event of inadequacy of profits besides implementing, administering and monitoring the employee stock option plan/scheme of our Company.

**Business Committee**

The Business Committee was last reconstituted on July 28, 2010 ("**Business Committee**").

The Business Committee members are:

1. Mr. M.B.N. Rao (Chairman);
2. Mr. N. Srinivasan (Member); and
3. Mr. Vellayan Subbiah (Member).

The terms of reference of the Business Committee are as follows:

The role of the Business Committee includes review of the business of our Company including approval of business proposals beyond certain financial limits, review and recommend new product note to our Board for approval, review and credit and investment policies, approve borrowings within the limits prescribed by our Board, approve assignment of receivables and oversee asset liability management system of our Company, Besides, the Business Committee also considers and recommends to our Board the issue of non-convertible debentures and other operations related matters from time to time.

**Risk Management Committee**

The risk management committee was last reconstituted on July 30, 2012 ("**Risk Management Committee**").

The Risk Management Committee members include few members of the senior management of the Company and the following Directors:

1. Mr. M B N Rao (Chairman),
2. Mr. N Srinivasan (Member),
3. Mr. V Srinivasa Rangan (Member),
4. Mr. Vellayan Subbiah (Member)

The terms of reference of the Risk Management Committee are as follows:

The role of the Risk Management Committee includes review of the risk management policy developed by the management, review of the annual risk management framework document, implementation of the actions planned in the annual risk framework document, periodically review the process for systematic identification and assessment of business risks. Besides, the Risk Management Committee periodically monitors the critical risk exposures by specialized analysis and quality reviews and reports to our Board the details of any significant developments, the action taken to manage the exposures and carry out any other function as may be necessary to ensure that an effective risk management system is in place.

**Asset Liability Management Committee**

The Asset Liability Management Committee ("**ALCO**") was last reconstituted on October 27, 2009. Our Managing Director, Mr. S. Vellayan, is the chairman of the ALCO.

The terms of reference of the ALCO are as follows:

The role of the ALCO includes ensuring the adherence to the treasury and investment limits set by the Board in line with the budget, deciding the risk management objectives, balance sheet planning from risk-return perspective, management of interest rate and liquidity risks, articulating the current interest rate in view of our Company and deciding on source and mix of liabilities including the funding mixes.

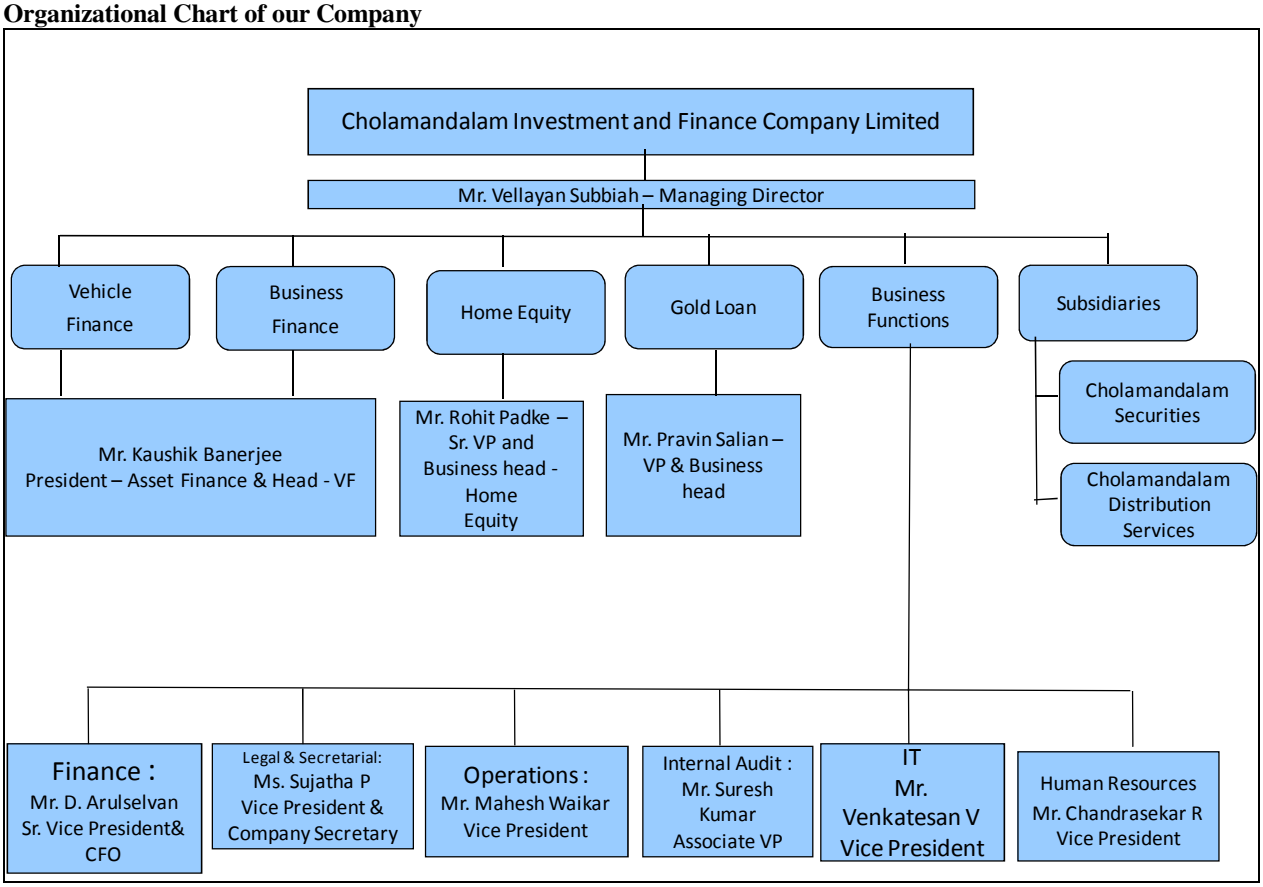
**Payment or Benefit to Officers of our Company**

Except statutory benefits upon termination of their employment in our Company or on reaching superannuation, no officer of our Company is entitled to any benefit other than the stock option (being vested) upon termination of his employment in our Company.

**Policy on disclosures and internal procedure for prevention of insider trading**

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended till date, our Company has a comprehensive code of conduct on prohibition of insider trading and the same is being strictly adhered to by its management, staff and relevant business associates. The code expressly lays down the guidelines and the procedures to be followed and disclosures to be made, while dealing with shares of our Company and cautioning them on the consequences on non-compliance thereof. Our Company follows quiet periods (closure of trading window) prior to the publication of price sensitive information. During the period, our Company has set up a mechanism where the management and relevant staff and business associates of our Company are informed about the same and are advised not to deal in Company's securities.

**Organizational Chart of our Company**




**Key Managerial Personnel**

The following are the key managerial personnel of our Company:

| Name | Designation |
|---|---|
| Mr. Kaushik Banerjee | President (Asset Finance) |
| Mr. Rohit Phadke | Senior Vice President and Business Head (Home Equity) |
| Mr. D. Arul Selvan | Senior Vice President and Chief Financial Officer |
| Mr. Pravin Salian | Vice President and Business Head (Gold Loans) |
| Ms. P. Sujatha | Vice President and Company Secretary |

All key managerial personnel are our employees on a full time basis. The following are brief biographies of our key managerial personnel:

**Mr. Kaushik Banerjee**, aged 50 years is the President (Asset Finance) of our Company. He holds bachelors degree in commerce from the University of Bombay and masters in business management from the Asian Institute of Management. He has been associated with our Company since October 22, 2001. Prior to joining our Company, he was associated with Dilip Chhabria Design Private Limited.

**Mr. Rohit Phadke**, aged 47 years is the Senior Vice President and Business Head (Home Equity) of our Company. He holds bachelors degree in arts from the University of Pune and masters in business administration from the University of Pune. He has been associated with our Company since June 1, 2000. Prior to joining our Company, he was associated with Apple Finance Limited.

**Mr. D. Arul Selvan**, aged 49 years is the Senior Vice President and Chief Financial Officer of our Company. He holds bachelors degree in commerce from the University of Madras, is a certified chartered accountant from the Institute of Chartered Accountants of India and masters in business administration from the Open Univesrity, Milton Keynes. He has been associated with our Company since January 29, 1992. Prior to joining our Company, he was associated with Cholamandalam MS General Insurance Company Limited.

**Mr. Pravin Salian**, aged 38 years is the Vice President and Business Head (Gold Loan) of our Company. He holds bachelors degree in science from the University of Bombay. He has been associated with our Company since April 5, 2011. Prior to joining our Company, he was associated with Muthoot Fincorp Limited.

**Ms. P. Sujatha**, aged 45 years is the Vice President and Company Secretary of our Company. She holds degree in law from the Univeristy of Madras and is a certified company secretary from the Institute of Company Secretaries of India. She has been associated with our Company since March 22, 1995. Prior to joining our Company, she was associated with Sri Rama Machinery Corporation Limited.

**Shareholding of our key managerial personnel**

The shareholding of the key managerial personnel in our Company as on January 31, 2013 is set out in the table below:

| Name of the key managerial personnel | Number of Equity Shares held | Percentage Shareholding in our Company |
|---|---|---|
| Mr. D. Arul Selvan | 2,000 | 0.002% |
| Ms. P. Sujatha | 4,000 | 0.003% |

**Transactions with the key managerial personnel**

There have been no transactions during the current or previous fiscal year between our Company and any of its key managerial personnel, which, because of their unusual nature or the circumstances in which they have been entered into, are or should be required to be disclosed in our Company's accounts or approved by its shareholders and there are no such transactions during an earlier fiscal year which remain in any respect outstanding or unperformed. None of the key managerial personnel of our Company have been paid any consideration of any nature other than their remuneration and options granted under ESOP 2007.

Except as mentioned below, none of our Directors and key managerial personnel were allotted options under ESOP 2007:

| Sr. No | Name | Number of options granted | Number of options outstanding as on date |
|---|---|---|---|
| 1. | Mr. Kaushik Banerjee | 69,995 | 47,490 |
| 2. | Mr. Rohit Phadke | 43,773 | 23,204 |
| 3. | Mr. D. Arul Selvan | 43,773 | 19,508 |
| 4. | Mr. Pravin Salian | 35,400 | 5,664 |
| 5. | Ms. P. Sujatha | 27,373 | 16,527 |

**Relation of key managerial personnel with the Promoter, Directors, and other key managerial personnel**

None of the key managerial personnel of our Company are related to the Promoter, Directors, and other key managerial personnel.

**Changes in the key managerial personnel during the past three years.**

| Name of the key managerial personnel | Date of change | Reason |
|---|---|---|
| Mr. Pravin Salian | April 5, 2011 | Appointment |

## PRINCIPAL SHAREHOLDERS

### Capital structure

As of January 31, 2013, our Company's capital structure is as set out in the following table:

| Particulars | Amount (₹ in million) |
|---|---|
| **Authorised Share Capital** | |
| 150,000,000 Equity Shares | 1,500 |
| 30,000,000 Preference Shares | 3,000 |
| **Total** | **4,500** |
| | |
| **Issued, Subscribed Equity Share Capital before this Issue** | |
| 132,718,180 Equity Shares | 1327.18 |
| | |
| **Paid-up Equity Share Capital before this Issue*** | |
| 132,581,426 Equity Shares | 1325.81 |
| | |

**Note: The difference in the issued and paid-up equity share capital of our Company is due to the following reasons:*

- *475 Equity Shares in the rights issue made in 1995 kept in abeyance pursuant to a court order*
- *1,30,900 Equity Shares forfeited in October 2001*
- *3,305 Equity Shares in the rights issue of 2003 kept in abeyance as they were in clearing member account of NSDL*
- *2,074 Equity Shares in the rights issue of 2004 kept in abeyance as they were in clearing member account of NSDL*

### Shareholding Pattern

The shareholding pattern of our Company as on December 31, 2012 is as follows:

| Category of Shareholder | No. of Share holders | Total No. of Equity Shares | Total No. of Equity Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Equity Shares | | Equity Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Equity Shares | As a % of Total No. of Equity Shares |
| (A) Shareholding of Promoters and Promoter Group | | | | | | | |
| **(1) Indian** | | | | | | | |
| Individuals / Hindu Undivided Family | 37 | 2,856,277 | 2,856,277 | 2.15 | 2.15 | - | - |
| Bodies Corporate | 14 | 79,575,875 | 79,575,875 | 60.03 | 60.03 | - | - |
| Financial Institutions/ | 3 | 147,504 | 147,504 | 0.11 | 0.11 | - | - |

| Category of Shareholder | No. of Share holders | Total No. of Equity Shares | Total No. of Equity Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Equity Shares | | Equity Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Equity Shares | As a % of Total No. of Equity Shares |
| Banks | | | | | | | |
| Any Others (Specify) | - | - | - | - | - | - | - |
| **Sub total** | 54 | **82,579,656** | **82,579,656** | **62.29** | **62.29** | **-** | **-** |
| **(2) Foreign** | | | | | | | |
| Bodies Corporate | - | - | - | - | - | - | - |
| **Sub total** | - | - | - | - | - | - | - |
| **Total shareholding of Promoters and Promoter Group (A)** | 54 | **82,579,656** | **82,579,656** | **62.29** | **62.29** | **-** | **-** |
| **(B) Public Shareholding** | | | | | | | |
| **(1) Institutions** | | | | | | | |
| Mutual funds/ Unit Trust of India | 12 | 2,698,758 | 2,698,658 | 2.04 | 2.04 | - | - |
| Financial Institutions / Banks | 3 | 350 | 300 | - | - | - | - |
| Venture Capital Funds | 1 | 1,814,009 | 1,814,009 | 1.37 | 1.37 | | |
| Foreign Institutional Investors | 30 | 8,740,504 | 8,740,504 | 6.59 | 6.59 | - | - |
| Any others (specify): | | | | | | | |
| Multilateral Finance Corporation | 1 | 11,831,352 | 11,831,352 | 8.92 | 8.92 | | |
| Foreign Bodies Corporate | 3 | 14,097,695 | 14,097,695 | 10.63 | 10.63 | | |
| **Sub Total** | **50** | **39,182,668** | **39,182,418** | **29.56** | **29.56** | - | - |
| **(2) Non-Institutions** | | | | | | - | - |
| Bodies Corporate | 393 | 2,013,823 | 2,008,562 | 1.52 | 1.52 | - | - |

| Category of Shareholder | No. of Share holders | Total No. of Equity Shares | Total No. of Equity Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Equity Shares | | Equity Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Equity Shares | As a % of Total No. of Equity Shares |
| **Individuals** | | | | | | - | - |
| Individual shareholders holding nominal share capital up to ₹1 lakh | 17,388 | 5,224,438 | 4,669,357 | 3.94 | 3.94 | - | - |
| Individual shareholders holding nominal share capital in excess of ₹1 lakh | 107 | 3,309,343 | 3,298,543 | 2.50 | 2.50 | - | - |
| **Any Others (Specify)** | | | | | | | |
| Overseas Corporate Bodies | 1 | 1,735 | 1,735 | negligible | Negligible | - | - |
| Non Resident Indians | 214 | 172,353 | 158,847 | 0.13 | 0.13 | - | - |
| Clearing Members | 78 | 31,309 | 31,309 | 0.02 | 0.02 | - | - |
| Trusts | 2 | 51,243 | 51,243 | 0.04 | 0.04 | - | - |
| **Sub Total** | 18,183 | 10,804,244 | 10,219,596 | 8.15 | 8.15 | - | - |
| **Total Public shareholding (B)** | **18,233** | **49,986,912** | **49,402,014** | **37.71** | **37.71** | - | - |
| **Total (A)+(B)** | **18,287** | **132,566,568** | **131,981,670** | **100.00** | **100.00** | **-** | **-** |
| **(C) Shares held by Custodians and against which Depository Receipts have been issued** | | | | | | | |
| (1) Promoters and Promoter Group | - | - | - | - | - | - | - |
| (2) Public | - | - | - | - | - | - | - |
| **Sub Total** | - | - | - | - | - | - | - |

| Category of Shareholder | No. of Share holders | Total No. of Equity Shares | Total No. of Equity Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Equity Shares | | Equity Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Equity Shares | As a % of Total No. of Equity Shares |
| **Total (A)+(B)+(C)** | **18,287** | **132,566,568** | **131,981,670** | **100.00** | **100.00** | **-** | **-** |

**Shareholding of securities of persons belonging to the category "Promoter and Promoter Group".**

The following table sets out the details of Equity Shares held by our Promoter and Promoter Group as at December 31, 2012:

| Sr. No. | Name of the Shareholders | Details of Equity Shares held | | Encumbered Equity Shares (*) | | |
|---|---|---|---|---|---|---|
| | | No. of Equity Shares held | As a % of grand total of total number of Equity Shares | No. of Equity Shares | As a percentage | As a % of grand total of total number of Equity Shares |
| 1. | Tube Investments Of India Limited | 72,233,019 | 54.49 | - | - | - |
| 2. | Ambadi Investments Private Limited | 7,218,410 | 5.45 | - | - | - |
| 3. | M A Alagappan | 469,376 | 0.35 | - | - | - |
| 4. | Vellayan Subbiah | 245,493 | 0.19 | - | - | - |
| 5. | M V Murugappan | 236,250 | 0.18 | - | - | - |
| 6. | M V Seetha Subbiah | 218,662 | 0.16 | - | - | - |
| 7. | Arun Alagappan | 190,000 | 0.14 | - | - | - |
| 8. | Mv.Ar Meenakshi | 170,631 | 0.13 | - | - | - |
| 9. | M V Valli Murugappan | 149,626 | 0.11 | - | - | - |
| 10. | M V Subbiah | 146,434 | 0.11 | - | - | - |
| 11. | Lakshmi Venkatachalam | 102,183 | 0.08 | - | - | - |
| 12. | A R Lakshmi Achi Trust | 95,429 | 0.07 | - | - | - |
| 13. | Arun Venkatachalam | 80,750 | 0.06 | - | - | - |
| 14. | M A Alagappan | 71,170 | 0.05 | - | - | - |
| 15. | Meenakshi Murugappan | 66,762 | 0.05 | - | - | - |
| 16. | AM Meyammai | 60,376 | 0.05 | - | - | - |

| Sr. No. | Name of the Shareholders | Details of Equity Shares held | | Encumbered Equity Shares (*) | | |
|---|---|---|---|---|---|---|
| | | No. of Equity Shares held | As a % of grand total of total number of Equity Shares | No. of Equity Shares | As a percentage | As a % of grand total of total number of Equity Shares |
| 17. | Ambadi Enterprises Limited | 58,276 | 0.04 | - | - | - |
| 18. | M M Venkatachalam | 55,525 | 0.04 | - | - | - |
| 19. | A Keertika Unnamalai | 53,938 | 0.04 | - | - | - |
| 20. | M A Alagappan | 52,065 | 0.04 | - | - | - |
| 21. | V Narayanan | 50,800 | 0.04 | - | - | - |
| 22. | V Arunachalam | 48,503 | 0.04 | - | - | - |
| 23. | Master Pranav Alagappan | 47,438 | 0.04 | - | - | - |
| 24. | A A Alagammai | 43,750 | 0.03 | - | - | - |
| 25. | A Venkatachalam | 41,921 | 0.03 | - | - | - |
| 26. | M A M Arunachalam | 39,376 | 0.03 | - | - | - |
| 27. | M V Muthiah | 29,301 | 0.02 | - | - | - |
| 28. | Mm Muthiah Research Foundation | 28,350 | 0.02 | - | - | - |
| 29. | Lalitha Vellayan | 27,926 | 0.02 | - | - | - |
| 30. | A Vellayan | 27,157 | 0.02 | - | - | - |
| 31. | M V Seetha Subbiah Benefit Trust (Vellayan Subbiah Holds Shares On Behalf Of The Trust As One Of The Trustees) | 26,100 | 0.02 | - | - | - |
| 32. | Valli Subbiah Benefit Trust (Vellayan Subbiah Holds Shares On Behalf Of The Trust As One Of The Trustees) | 25,975 | 0.02 | - | - | - |
| 33. | Vedhik Meyyammai Arunachalam | 21,656 | 0.02 | - | - | - |
| 34. | A M M Arunachalam & Sons Private Limited | 15,000 | 0.02 | - | - | - |
| 35. | M A Murugappan Holdings Private Limited | 15,000 | 0.01 | | | |

| Sr. No. | Name of the Shareholders | Details of Equity Shares held | | Encumbered Equity Shares (*) | | |
|---|---|---|---|---|---|---|
| | | No. of Equity Shares held | As a % of grand total of total number of Equity Shares | No. of Equity Shares | As a percentage | As a % of grand total of total number of Equity Shares |
| 36. | M A Alagappan | 14,461 | 0.01 | - | - | - |
| 37. | M A Alagappan | 13,781 | 0.01 | - | - | - |
| 38. | Kanika Subbiah | 13,400 | 0.01 | - | - | - |
| 39. | Meyammai Venkatachalam | 10,051 | 0.01 | - | - | - |
| 40. | M M Venkatachalam | 10,000 | 0.01 | - | - | - |
| 41. | Lakshmi Venkatachalam | 10,000 | 0.01 | - | - | - |
| 42. | M M Veerappan | 9,211 | 0.01 | - | - | - |
| 43. | M M Muthiah | 9,211 | 0.01 | - | - | - |
| 44. | M M Murugappan | 8,748 | 0.01 | - | - | - |
| 45. | M V Subramanian | 7,153 | 0.01 | - | - | - |
| 46. | A M M Vellayan Sons Private Limited | 5,315 | 0.00 | - | - | - |
| 47. | Nagalakshmi Arunachalam | 3,192 | 0.00 | - | - | - |
| 48. | Presmet Private Limited | 788 | 0.00 | - | - | - |
| 49. | E.I.D.Parry (India) Limited | 393 | 0.00 | - | - | - |
| 50. | Parry Enterprises India Limited | 393 | 0.00 | - | - | - |
| 51. | Murugappa Educational & Medical Foundation | 393 | 0.00 | - | - | - |
| 52. | Coromandel Engineering Company Limited | 262 | 0.00 | - | - | - |
| 53. | Murugappa Holdings Limited (Formerly Parry Agro Industries Limited) | 176 | 0.00 | - | - | - |
| 54. | Carborundum Universal Limited | 100 | 0.00 | - | - | - |
| | **Total** | **82,579,656** | **62.30** | **0.00** | **0.00** | **0** |

**Shareholding of Securities belonging to the category "Public" and holding more than 1% of the total number of Equity Shares.**

| Sr. No. | Name of the shareholder | No. of Equity Shares held | As a % of grand total of total number of Equity Shares |
|---|---|---|---|
| 1. | International Finance Corporation | 11,831,352 | 8.92 |
| 2. | Creador 1 LLC | 6,627,727 | 5.00 |
| 3. | Multiples Private Equity FII I | 4,813,718 | 3.63 |
| 4. | Amansa Capital Pte Limited A₹/c Amansa Holdings Private Limited | 4,188,672 | 3.16 |
| 5. | Aquarius Investments Limited | 2,656,250 | 2.00 |
| 6. | Morgan Stanley Asia Singapore Pte | 1,922,907 | 1.45 |
| 7. | Multiples Private Equity Fund | 1,814,009 | 1.37 |
| | **Total** | **33,854,635** | **25.54** |

**Shareholding of securities belonging to the category "Public" and holding more than 5% of the total number of Equity Shares.**

| Sr. No. | Name of the shareholder | No. of Equity Shares held | As a % of grand total of total number of Equity Shares |
|---|---|---|---|
| 1. | International Finance Corporation | 11,831,352 | 8.92 |
| | **Total** | **11,831,352** | **8.92** |

**ESOP Scheme:**

The ESOP 2007 ("**Scheme**") has been formulated by the Compensation & Nomination Committee of the Board of Directors of our Company, pursuant to the authority vested by the shareholders of our Company vide a special resolution passed in their annual general meeting held on July 30, 2007. The Scheme was formulated to reward the employees of our Company for their past association and performance as well as to motivate them to contribute to the growth and profitability of our Company. The Scheme is administered by the Compensation & Nomination Committee. The Compensation & Nomination Committee may subject to compliance with applicable laws, at any time alter, amend, suspend or terminate ESOP 2007. The Equity Shares allotted pursuant to the exercise of the options granted under this scheme are not subject to any lock-in. The exercise price shall be equal to the latest available closing market price of the Equity Shares on the Stock Exchange(s) where there is highest trading volume as on the date prior to the date of the Compensation & Nomination Committee resolution approving the grant. Pursuant to resolution dated July 30, 2012 passed by the shareholders in the annual general meeting of our Company, the period to exercise the stock options granted under ESOP 2007 was extended from 3 (three) years to 6 (six) years.

Details of the options granted under the ESOP Scheme 2007 as on January 31, 2013:

| Particulars | Total |
|---|---|
| Options granted so far | 2,473,123 |
| Options vested and exercisable | 5,96,564 |
| Options unvested | 4,97,234 |
| Options exercised | 42,091 |
| Shares issued on exercise of options | 42,091 |
| Options lapsed | 86,800 |
| Options cancelled | 1,250,434 |
| Variation of terms of options | The Compensation & Nomination Committee at its meeting held on 30th July 2008 revised the performance parameters of the employees for vesting of options. No other terms were varied till 31st January 2013. |
| Money realized by exercise of options (₹ In million) | 0.49 |
| Total number of options in force | 1,093,798 |

## REGULATIONS AND POLICIES

*The regulations summarised below are not exhaustive and are only intended to provide general information to Investors and is neither designed nor intended to be a substitute for any professional legal advice. Taxation statutes such as the IT Act, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable Shops and Establishments statutes apply to us as they do to any other Indian company and therefore have not been detailed below. The following information is based on the current provisions of applicable Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

As per the RBI Act, a financial institution has been defined as a company which includes a non-banking institution carrying on as its business or part of its business the financing activities, whether by way of making loans or advances or otherwise, of any activity, other than its own and it is engaged in the activities of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by the Government of India or other local authorities or other marketable securities of like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of carrying out any agricultural or industrial activities or the sale/purchase/construction of immovable property.

Any company which carries on the business of a non-banking financial institution as its principal business is to be treated as an NBFC. Since the term 'principal business' has not been defined in law, the RBI has clarified through a press release (Ref. No. 1998-99/ 1269) in 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets) and income from financial assets should be more than 50% of the gross income. Both these tests are required to be satisfied as the determinating factor for principal business of a company.

With effect from 1997, NBFCs were not permitted to commence or carry on the business of a non banking financial institution without obtaining a Certificate of Registration (CoR). Further, with a view to imparting greater financial soundness and achieving the economies of scale in terms of efficiency of operations and higher managerial skills, the RBI has raised the requirement of minimum net owned fund from ₹ 2.50 million to ₹ 20 million for the NBFC which commences business on or after April 21, 1999. Further, every NBFC is required to submit to the RBI a certificate, from its statutory auditor within one month from the date of finalization of the balance sheet and in any case not later than December 30th of that year, stating that it is engaged in the business of non-banking financial institution requiring it to hold a CoR.

### A. Regulations and Policies Applicable to our Company

#### 1. Regulation of NBFCs registered with the RBI

NBFCs are primarily governed by the RBI Act, 1934 ("**RBI Act**"), the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, ("**Prudential Norms**"), the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, ("**Public Deposit Directions**"), the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("**Non- Deposit Accepting NBFC Directions**"), and the provisions of the Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. In addition to these regulations, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time.

#### 2. Types of Activities that NBFCs are permitted to carry out

Although by definition, NBFCs are permitted to operate in similar sphere of activities as banks, there are a few important, key differences. The most important distinctions are:

(i) an NBFC cannot accept deposits repayable on demand – in other words, NBFCs can only accept fixed term deposits. Thus, NBFCs are not permitted to issue negotiable instruments, such as cheques which are payable on demand; and

(ii) NBFCs are not allowed to deal in foreign exchange, even if they specifically apply to the RBI for approval in this regard.

**3. Types of NBFCs:**

Section 45-IA of the RBI Act makes it mandatory for every NBFC to get itself registered with the Reserve Bank of India in order to be able to commence any of the aforementioned activities.

Further, an NBFC may be registered as a deposit accepting NBFC ("**NBFC-D**") or as a non-deposit accepting NBFC ("**NBFC-ND**").

NBFCs registered with RBI are further classified as:

(i) asset finance companies;

(ii) investment companies;

(iii) loan companies;

(iv) infrastructure finance companies;

(v) core investment companies;

(vi) infrastructure debt fund - NBFCs;

(vii) NBFC - micro finance institutions; and/or

(viii) NBFC - Factor.

**4. Regulatory Requirements of an NBFC under the RBI Act**

*Net Owned Fund*

Section 45-IA of the RBI Act provides that to carry on the business of a NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a minimum net owned fund of ₹ 20,000,000 (Rupees twenty million only). For this purpose, the RBI Act has defined "net owned fund" to mean:

(a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting (i) accumulated balance of losses, (ii) deferred revenue expenditure and (iii) other intangible assets; and

(b) further reduced by the amounts representing,

(1) investment by such companies in shares of (i) its subsidiaries, (ii) companies in the same group, (iii) other NBFCs, and

(2) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group,

to the extent such amount exceeds 10% of (a) above.

*Capital Reserve Fund*

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less than 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such

withdrawal.

## 5. Non- Deposit Accepting NBFC Directions

The RBI has issued the Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended ("**Non- Deposit Accepting NBFC Directions** "), which contain detailed directions on prudential norms for an NBFC-ND. The Non- Deposit Accepting NBFC Directions, amongst other requirements prescribe guidelines regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, and concentration of credit/investment. In terms of the Non- Deposit Accepting NBFC Directions, all NBFCs-ND with an asset size of ₹ 1,000 million or more as per their last audited balance sheet will be considered as a systemically important NBFC-ND-SI.

***Asset Classification***

The Non- Deposit Accepting NBFC Directions require that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

(i) Standard assets;
(iii) Sub-standard assets;
(iv) Doubtful assets; and
(v) Loss assets.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such upgradation.

***Provisioning Requirements***

An NBFC-ND, after taking into account the time lag between an account becoming non performing, its recognition, as such, the realization of the security and erosion overtime in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the Non- Deposit Accepting NBFC Directions.

***Disclosure in the balance sheet***

An NBFC-ND is required to separately disclose in its balance sheet the provisions made in terms of the above paragraph without netting them from the income or against the value of the assets. These provisions shall be distinctly indicated under separate heads of accounts, as provisions for bad and doubtful debts and provisions for depreciation and investments and shall not be appropriated from the general provisions and loss reserves held, if any, by it. Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them. Further every systemically important NBFC (NBFC-ND-SI) shall disclose the following particulars in its balance sheet (i) capital to risk assets ratio (CRAR), (ii) exposure to real estate sector, both direct and indirect, and (iii) maturity pattern of assets and liabilities.

***Exposure Norms***

The Non- Deposit Accepting NBFC Directions prescribe concentration of credit / investment exposure norms in respect of the loans granted and investments undertaken by a NBFC-ND-SI. An NBFC-ND-SI shall not lend exceeding 15% of its owned fund to any single borrower and any single group of borrowers exceeding 25% of its owned fund. As regards to investments, an NBFC-ND- SI shall not invest in the shares of another company exceeding 15% of its owned fund and shares of a single group of companies exceeding 25% of its owned fund.

The loans and investments of NBFC-ND-SI taken together shall not exceed 25% of its owned fund to single party and 40% of its owned fund to a single group of parties. However, this prescribed ceiling shall not be applicable on an NBFC-ND-SI for investments in the equity capital of an insurance company to the extent specifically permitted by the RBI. Further, an NBFC-ND-SI, which is classified as Asset Finance Company,

may in exceptional circumstances, exceed the above ceilings on credit / investment concentration to a single party or a single group of parties by 5% of its owned fund, with the approval of its board . Any NBFC-ND-SI not accessing public funds, either directly or indirectly, or not issuing guarantees may make an application to the RBI for an appropriate dispensation consistent with the spirit of the exposure limits. Further, every NBFC-ND-SI is required to formulate a policy in respect of exposures to a single party/a single group of parties.

***Capital Adequacy Norms***

As per the Non- Deposit Accepting NBFC Directions, every NBFC-ND-SI is subject to capital adequacy requirements. A minimum capital ratio consisting of Tier I and Tier II capital of not less than 15% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items is required to be maintained. "Tier I" capital means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund and perpetual debt instruments issued by a NBFC-ND-SI in each year to the extent it does not exceed 15% of its aggregate Tier I capital, as on March 31 of the previous fiscal year; and "Tier II" capital includes, (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of 55%; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt; and (f) perpetual debt instruments issued by a NBFC-ND-SI which is in excess of what qualifies for Tier I capital; to the extent the aggregate does not exceed Tier I capital.

Currently, the RBI requires that such ratio shall not be less than 15% by March 31, 2011. Also, the total of Tier II capital of a NBFC-ND-SI shall not exceed 100% of Tier I capital.

***Information to be furnished in relation to certain changes***

As per the Non- Deposit Accepting NBFC Directions, an NBFC-ND is required to furnish the following information to the Regional Office of the Department of Non-Banking Supervision of the RBI within one month of the occurrence of any change: (i) complete postal address, telephone/fax number of the registered/corporate office, (ii) name and residential address of the directors of the company, (iii) names and official designations of its principal officers, (iv) names and office address of its auditors, and (v) specimen signatures of the officers authorised to sign on behalf of the company.

***Asset Liability Management***

The RBI has prescribed the Guidelines for Asset Liability Management ("**ALM**") System in relation to NBFCs ("**ALM Guidelines**") that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to All Non-Banking Financial Companies dated July 2, 2012. As per this Master Circular, the NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of ₹ 1,000 million, irrespective of whether they are accepting / holding public deposits or not, or holding public deposits of ₹ 200 million or more ( irrespective of the asset size) as per their audited balance sheet as of March 31, 2001, are required to put in place an ALM system. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days time-bucket should not exceed the prudential limit of 15% of cash outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

***Fair Practices Code***

On September 28, 2006 the RBI prescribed broad guidelines towards a fair practices code that was required to be framed and approved by the board of directors of all NBFCs. On July 2, 2012 the RBI issued a Master Circular on fair practices and has required that the Fair Practices Code of each NBFC is to, be published and disseminated on its website. Among others, the code prescribes the following requirements, to be adhered to by NBFCs:

(i) Inclusion of necessary information affecting the interest of the borrower in the loan application form.
(ii) Devising a mechanism to acknowledge receipt of loan applications and establishing a time frame within which such loan applications are to be disposed.
(iii) Conveying, in writing, to the borrower the loan sanctioned and terms thereof. The acceptance of such terms should be kept on record by the NBFC.
(iv) Giving notice to the borrower of any change in the terms and conditions and ensuring that changes are effected prospectively.
(v) Refraining from interfering in the affairs of the borrowers except for the purposes provided in the terms and conditions of the loan agreement.
(vi) Not resorting to undue harassment in the matter of recovery of loans.
(vii) Lay down an appropriate grievance redressal mechanism for resolving disputes.
(viii) Periodical review of the compliance of the fair practices code and the functioning of the grievances redressal mechanism at various levels of management, a consolidated report whereof may be submitted to the board of directors at regular intervals, as may be prescribed by it.

***KYC Guidelines***

The RBI has issued a Master Circular on Know Your Customer ("**KYC**") guidelines - Anti Money Laundering Standards (AML) - 'Prevention of Money Laundering Act, 2002dated July 2, 2012 and advised all NBFCs to adopt such guidelines with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and anti-money laundering standards is put in place. The KYC policies are required to have certain key elements such as customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines by the persons authorised by the NBFCs' and including brokers/ agents, due diligence of persons authorised by the NBFCs and customer service in terms of identifiable contact with persons authorised by NBFCs.

***Corporate Governance Guidelines***

In order to enable NBFCs to adopt best practices and greater transparency in their operations, the RBI introduced corporate governance guidelines on May 8, 2007. The RBI consolidated the corporate governance guidelines issued by it from time to time in the Master Circular dated July 2, 2012. As per this Master Circular, all NBFCs-ND-SI are required to adhere to certain corporate governance norms, including:

(i) Constitution of an audit committee;
(ii) Constitution of a nomination committee to ensure fit and proper status of the proposed and existing Directors;
(iii) Constitution of asset liability management committee to monitor the asset gap and strategize actions to mitigate the associated risk. Further a risk management committee may also be formed to manage the integrated risk;
(iv) Informing the Board of Directors, at regular intervals, the progress made in having a progressive risk management system, a risk management policy and the strategy being followed. The Board of Directors also needs to be informed about compliance with corporate governance standards, including in relation to the composition of various committees and their meetings; and
(v) Frame internal guidelines on corporate governance for enhancing the scope of the guidelines.

***Rating of Financial Product***

Pursuant to the RBI circular dated February 4, 2009, all NBFCs with an asset size of ₹ 1,000 million and above are required to furnish at the relevant regional office of the RBI, within whose jurisdiction the registered office of the NBFC is functioning, information relating to the downgrading and upgrading of assigned rating of any financial products issued by them within 15 days of such change.

***Norms for Excessive Interest Rates***

The RBI, through its circular dated May 24, 2007, directed all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction, the RBI has issued a Master Circular on Fair Practices Code dated July 2, 2012 for regulating the rates of interest charged by the NBFCs. These circulars stipulate that the board of each NBFC is

required to adopt an interest rate model taking into account the various relevant factors including cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and expressly communicated in the sanction letter. Further, this is also required to be made available on the NBFCs website or published in newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

***Enhancement of Capital funds Raising Option***

Pursuant to the RBI circular on Enhancement of NBFCs' Capital Raising Option for Capital Adequacy Purposes dated October 29, 2008, NBFCs-ND-SI have been permitted to augment their capital funds by issuing perpetual debt instruments ("**PDI**") in accordance with the prescribed guidelines provided under the circular. Such PDI will be eligible for inclusion as Tier I capital to the extent of 15% of the total Tier I capital as on March 31 of the previous accounting year. Any amount in excess of the amount admissible as Tier I capital will qualify as Tier II capital within the eligible limits. The minimum investment in each issue/tranche by any single investor shall not be less than ₹ 500,000. It has been clarified that the amount of funds so raised shall not be treated as public deposit within the meaning of clause 2 (1) (xii) of the Public Deposit Directions.

***Anti Money Laundering***

The Prevention of Money Laundering Act, 2002 ("**PMLA**") was enacted to prevent money-laundering and to provide for confiscation of property derived from or involved in, money-laundering and for matters connected therewith or incidental thereto. The Government of India under PMLA has issued the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended ("**PML Rules**"). PMLA & PML Rules extends to all banking companies, financial institutions, including NBFCs and intermediaries.

The RBI has issued a Master Circular dated July 2, 2012 to ensure that a proper policy frame work for the PMLA and PML Rules is put in place. Pursuant to the provisions of PMLA, PML Rules and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions and cash transactions and to maintain a system of proper record (i) all cash transactions of value of more than ₹ 1 million - or its equivalent in foreign currency; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹ 1 million or its equivalent in foreign currency, where such series of transactions have taken place within a month and the aggregate value of such transaction exceeds ₹ 1 million (iii) all cash transactions where forged or counterfeit transactions.

Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

## 6. Other Regulations

### Applicable Foreign Investment Regime

*FEMA Regulations*

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion (DIPP), GoI which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic

route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

*Foreign Direct Investment*

FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy ("**FDI Policy**") by the DIPP. FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/ acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities.

Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/ activities that cannot be brought in under the automatic route (other than in prohibited sectors) may be brought in through the approval route. Further:

(a) As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

(b) Minimum Capitalisation Norms for fund based NBFCs:

  (i) For FDI up to 51% - US $ 0.5 million to be brought upfront
  (ii) For FDI above 51% and up to 75% - US $ 5 million to be brought upfront
  (iii) For FDI above 75% and up to 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months

(c) Minimum capitalization norm of US $ 0.5 million is applicable in respect of all permitted non fund based NBFCs with foreign investment. Such an NBFC cannot however set up any subsidiary for any other activity, nor can it participate in any equity of an NBFC holding/operating company.

(d) NBFCs having foreign investment more than 75% and up to 100% can set up step down subsidiaries (without the condition to disinvest a minimum of 25% of its equity to Indian entities), subject to bringing in US $ 50 million as at (b) (iii) above(without any restriction on number of operating subsidiaries without bringing in additional capital)

(e) Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b) (i) and (b)(ii) above.

**Laws relating to Employment**

*Shops and Establishments legislations in various states.* The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

*Labour Laws.* Our Company is required to comply with various labour laws, including the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972 and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

**Laws relating to Intellectual Property**

The Trade Marks Act, 1999 and the Indian Copyright Act, 1957 inter alia govern the law in relation to intellectual property, including brand names, trade names and service marks and research works.

In addition to the above, our Company is required to comply with the provisions of the Companies Act, 1956, the Foreign Exchange Management Act, 1999, various tax related legislations and other applicable statutes.

## ISSUE PROCEDURE

*Below is a summary, intended to provide a general outline of the procedures for the bidding, application payment, Allocation and Allotment of the Issue Shares to be issued pursuant to this Issue. The procedure followed in this Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the BRLMs.*

*The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company, the BRLMs and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Issue Shares of our Company. Our Company and the BRLMs and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Issue Shares of our Company. Also refer to the section titled "Selling Restrictions" and "Transfer Restrictions" on page 151 and 156 respectively of this Placement Document.*

**Qualified Institutions Placement**

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations through the mechanism of qualified institutions placement. Under Chapter VIII of the SEBI Regulations, a listed company in India may issue equity shares / nonconvertible debt instruments along with warrants and convertible securities (other than warrants), provided that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (a) that the allotment of Issue Shares is proposed to be made pursuant to the qualified institutions placement, and (b) the relevant date;

- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution; and

- such company complies with the minimum public shareholding requirements set out in the listing agreement with the stock exchange referred to above.

At least 10% of the equity shares issued to QIBs must be allotted to mutual funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to Regulation 86(1)(b).

Investors are not allowed to withdraw their Bids after the closure of this Issue.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The floor price of the securities shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. Further, an issuer may offer a discount of not more that 5% (five percent) on the floor price so computed.

The "relevant date" refers to the date of the meeting on which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders resolution approving this Issue. The securities issued pursuant to a qualified institutions placement must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations. This placement document is a private document provided to not more than 49 investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

Our Company has applied for the in principle approval of the Stock Exchanges under Clause 24 (a) of its Equity Listing Agreements for the listing of the Issue Shares on the Stock Exchanges. Our Company has filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

Pursuant to the provisions of Section 67 of the Companies Act, for a transaction that is not a public Issue, an invitation or offer may not be made to more than 49 persons.

The minimum number of allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹2,500 million; and
- five, where the issue size is greater than ₹ 2,500 million.

No single allottee shall be allotted more than 50% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

The aggregate of the proposed Issue shall not exceed five times the net worth of our Company as per its audited balance sheet of the previous Fiscal. Our Company shall furnish a copy of this Placement Document to each stock exchange on which its equity shares are listed.

Securities allotted to a QIB pursuant to this Issue shall not be sold for a period of one year from the date of allotment, except on a recognised stock exchange in India.

**Issue Procedure**

1. Our Company and the Book Running Lead Managers have identified the eligible Investors and have circulated serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic form or physical form, to not more than 49 QIBs.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the BRLMs at its sole discretion. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the BRLMs.

4. QIBs will be required to indicate the following in the Application Form:

a. a representation that it is a non-U.S. Person outside the United States acquiring the Issue Shares in an offshore transaction under Regulation S, and it has agreed to certain other representations set forth in the Application Form;

b. name of the QIB to whom Issue Shares are to be Allotted;

c. number of Issue Shares Bid for;

d. price at which they are agreeable to subscribe for the Issue Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price"; and

e. details of the depository accounts to which the Issue Shares should be credited.

*Note*: Each sub-account of an FII, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII/ sub-account registration number in the Application Form. Applications by various schemes/funds will be treated as one application from such mutual fund.

5. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. Upon receipt of the Application Form, our Company shall determine the Issue Price and the number of Issue Shares to be issued pursuant to this Issue in consultation with the BRLMs. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, our Company will send the CANs to the QIBs who have been allocated the Issue Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Issue Shares Allocated to such QIB. The CAN shall contain details such as the number of Issue Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Issue Shares in its name and the Pay-In Date as applicable to the respective QIB.

7. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Issue Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective QIBs.

8. Upon receipt of the application monies from the QIBs, our Company shall Allot Issue Shares as per the details in the CANs to the QIBs. Our Company shall not Allot Issue Shares to more than 49 QIBs. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing on the Stock Exchanges prior to crediting the Issue Shares into the Depository Participant accounts of the QIBs.

9. After receipt of the in- principle listing approval from the Stock Exchanges, our Company shall credit the Issue Shares into the Depository Participant accounts of the respective QIBs.

10. The Company shall then apply for the final listing and trading permissions from the Stock Exchanges.

11. The Issue Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Company shall inform the QIBs who have received an Allotment of the receipt of such approval. Our Company and the BRLMs shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest. Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoters. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds and foreign venture capital investors registered with SEBI;

2. Alternative Investment Funds as defined in SEBI (Alternative Investment Funds) Regulations, 2012;

3. Foreign institutional investors and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with SEBI;

4. Public financial institutions as defined in section 4A of the Companies Act;

5. Scheduled commercial banks;

6. Multilateral and bilateral development financial institutions;

7. State industrial development corporations;

8. Insurance companies registered with Insurance Regulatory and Development Authority;

9. Provident funds with minimum corpus of ₹ 250 million;

10. Pension funds with minimum corpus of ₹ 250 million;

11. National Investment Fund set up by Government of India;

12. Insurance funds set up and managed by army, navy or air force of the Union of India; and

13. Insurance funds set up and managed by the Department of Posts, India.

**Please note that pursuant to amendments to the SEBI Regulations, a sub-account of an FII that is a foreign corporate or foreign individual is no longer included under the definition of a QIB.**

**FIIs are permitted to participate through the portfolio investment scheme in this Issue. FIIs are permitted to participate in this Issue subject to compliance with all applicable laws and such that the shareholding of the FIIs does not exceed specified limits as prescribed under applicable laws in this regard.**

The issue of Issue Shares to a single FII (together with any Equity Shares already held by the FII) should not exceed 10% of our post-Issue and the issued capital of our Company. In respect of an FII investing in the Issue Shares on behalf of its sub-accounts, the investment (together with any Equity Shares already held) on behalf of each subaccount shall not exceed 10% of total issued capital of the Company. At present the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company.

**Allotments made to FVCIs and VCFs in this Issue are subject to the rules and regulations that are applicable to each of them respectively.**

No Allotment shall be made pursuant to this Issue, either directly or indirectly, to any QIB being our Company's promoters or any person related to our Company's promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to our promoters:

1. rights under a shareholders' agreement or voting agreement entered into with our Company's promoters or persons related to our Company's promoters;

2. veto rights; or

3. a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any of our Equity Shares and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to a Promoter.

**Our Company and the BRLMs are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.**

**A minimum of 10% of the Issue Shares offered in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.**

***Note:*** *Affiliates or associates of the BRLMs who are QIBs may participate in this Issue in compliance with applicable laws.*

**Application Process**

***Application Form***

QIBs shall only use the serially numbered Application Forms supplied by the BRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document and this Placement Document.

By making a Bid (including the revision thereof) for Issue Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Transfer Restrictions":

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and has a valid and existing registration under applicable laws of India and is eligible to participate in this Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent our Promoter or Promoter Group;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board;

4. The QIB has no right to withdraw its Bid after the Bid Closing Date;

5. The QIB confirms that if Issue Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Issue Shares otherwise than on the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold Issue Shares so Allotted and together with any Equity Shares held by the QIB prior to this Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application Form would not result in triggering a tender offer under the Takeover Code;

8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in this Issue that belongs to the same group or are under same control, the Allotment to the QIB shall not exceed 50% of this Issue Size. For the purposes of this statement:

    a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act;

    b. "Control" shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of Regulation 2 of the Takeover Code.

    c. The QIBs shall not undertake any trade in the Issue Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Issue Shares are issued by the Stock Exchanges.

**QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.**

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to

pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

***Submission of Application Form***

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of Issue Shares applied for. The Application Form shall be submitted to the BRLMs either through electronic form or through physical delivery at the following address:

**Axis Capital Limited**
Contact Person: Ms. Kanika Sarawgi
Tel: (+91 22) 4325 2525
Email: chola.qip@axiscap.in

**JM Financial Institutional Securities Private Limited**
Contact person: Ms. Lakshmi Lakshmanan
Tel: (+91 22) 6630 3030
Email: chola.qip@jmfl.com

**Kotak Mahindra Capital Company Limited**
Contact person: Mr. Karl Sahukar
Tel: (+91 22) 6634 1100
Email: cholamandalam.qip@kotak.com

The BRLMs shall not be required to provide any written acknowledgement of the same.

**PAN**

**Each QIB must mention its Permanent Account Number ("PAN") allotted under the Income Tax Act, 1961. A copy of each QIB's PAN card is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

**Pricing and Allocation**

***Build up of the book***

The QIBs shall submit their Bids (including the revision of bids) within the bidding period to BRLMs.

***Price discovery and allocation***

Our Company, in consultation with the BRLMs, shall determine the Issue Price.

After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and has filed the same with the Stock Exchanges as this Placement Document.

***Method of Allocation***

Our Company shall determine the Allocation in consultation with the BRLMs on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

**THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BRLMS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF ISSUE SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BRLMS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF**

**THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLMS IS OBLIGED TO ASSIGN ANY REASON FOR ANY NON ALLOCATION.**

***Number of Allottees***

The minimum number of Allottees in this Issue shall not be less than:

1. two, where the Issue Size is less than or equal to ₹2,500 million; or
2. five, where the Issue Size is greater than ₹2,500 million.

*Provided* that no single Allottee shall be Allotted more than 50% of the aggregate amount of the Issue Size. *Provided* further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single Allottee for the purpose of this clause. For details of what constitutes "same group" or "control", please see- "Application Process - Application Form".

**The maximum number of Allottees of Issue Shares shall not be greater than 49.** Further the Issue Shares will be Allotted within 12 months from the date of the shareholders resolution approving this Issue.

**CAN**

Based on the Application Forms received, our Company, in consultation with the BRLMs, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Issue Shares Allocated to them and the details of the amounts payable for Allotment of such Issue Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, a CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable Closing Date, being the date of credit of the Issue Shares to the respective QIB's account.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the BRLMs and to pay the entire Issue Price for all the Issue Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Issue Shares that may be Allotted to them pursuant to this Issue.

**Bank Account for Payment of Application Money**

Our Company has opened an Escrow Account with Axis Bank Limited in terms of the arrangement among us, the BRLMs and Axis Bank Limited as the escrow bank. The QIB will be required to deposit the entire amount payable for the Issue Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Company and the BRLMs have the right to reallocate the Issue Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

***Payment Instructions***

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

***Closing Date and Allotment of Issue Shares***

Our Company will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Issue Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

In accordance with the SEBI Regulations, the Issue Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Issue Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel this Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Issue Shares into the QIB's Depository Participant accounts, our Company will apply for final listing and trading approvals from the Stock Exchanges. In the event of any delay in the Allotment or credit of Issue Shares, or receipt of listing or trading approvals or cancellation of this Issue, no interest or penalty would be payable by us or the BRLMs.

The Escrow Bank shall not release the monies lying to the credit of the Escrow Account to our Company, until our Company delivers to the Escrow Bank the final approval of the Stock Exchanges for the listing and trading of the Issue Shares to be issued pursuant to this Issue. After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and has filed the same with the Stock Exchanges as this Placement Document. Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those allottees in Issue who have been allotted more than 5% of the securities offered, viz. names of the allottees and number of securities allotted to each of them, pre and post Issue shareholding pattern of our Company in the format specified in clause 35 of the Listing Agreement.

In the event that our Company is unable to issue and allot the Issue Shares offered in this Issue or on cancellation of this Issue, the money received from QIBs shall be refunded.

**Other Instructions**

***Right to Reject Applications***

Our Company, in consultation with the BRLMs, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the BRLMs in relation to the rejection of Bids shall be final and binding.

***Issue Shares in Dematerialised form with NSDL or CDSL***

The Allotment of the Issue Shares shall be only in dematerialised form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for Issue Shares to be issued pursuant to this Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares including the Issue Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Issue Shares would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company will not be responsible or liable for the delay in the credit of Issue Shares to be issued pursuant to this Issue due to errors in the Application Form or otherwise on part of the QIBs.

## PLACEMENT

### Placement Agreement

The BRLMs have entered into a placement agreement with our Company (the "**Placement Agreement**"), pursuant to which the BRLMs have agreed to procure subscriptions for the Issue Shares on a reasonable efforts basis.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the BRLMs, and it is subject to termination in accordance with the terms contained therein.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Issue Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Issue Shares) post this Issue.

### Lock-up

Our Company has agreed with the BRLMs that it shall not announce an intention to, without the prior written consent of BRLMs, during the period commencing on the date hereof and ending 90 days after the date of Allotment of the Issue Shares, (the "**Lock-up Period**"), directly or indirectly: (a) issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares, (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares, (c) deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, or, (d) announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or other securities, in cash or otherwise. Provided that the restrictions contained in this clause shall not apply to (i) any issuance, allotment and distribution of securities pursuant to the exercise of any stock options granted to employees of our Company or its Subsidiaries pursuant to the subsisting employee stock option scheme/s of our Company, and, (ii) this Placement.

Tube Investments of India Limited, our Promoter shall not, for the Lock-up Period, without the prior written consent of the BRLMs, directly or indirectly: (a) offer, sell, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, pledge, encumber, lend or otherwise transfer or dispose of, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares, (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares, (c) deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, or (d) announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Equity Shares, or other securities, in cash or otherwise. Provided that the foregoing restrictions are not applicable to any inter-se transfer of shares amongst the Promoters and Promoter Group.

## SELLING RESTRICTIONS

*The distribution of this Placement Document and the offer, sale or delivery of the Issue Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to consult with their own legal advisors with regard to which restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.*

No action has been or will be taken in any jurisdiction by our Company or the BRLMs that would permit a public offering of the Issue Shares or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Issue Shares in this Issue in any jurisdiction where action for such purpose is required. Accordingly, the Issue Shares in this Issue may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Issue Shares issued pursuant to this Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on our Company or the BRLMs. The Issue will be made in compliance with the SEBI Regulations. Each subscriber of the Issue Shares in this Issue will be required to make, or will be deemed to have made, as applicable, the acknowledgments and agreements as described under the section titled "*Transfer Restrictions*" on page 156 of this Placement Document.

***Australia.*** This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (the "**Australian Corporations Act**"), has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Issue Shares under this Placement Document is only made to persons to whom it is lawful to offer Issue Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Issue Share sold to the offeree within 12 months after their transfer to the offeree under this Placement Document.

***Bahrain***. All applications for investment should be received, and any allotments should be made, in each case from outside Bahrain. This Placement Document has been prepared for private information purposes of intended investors only who will be high net worth individuals and institutions. Our Company has not made and will not make any invitation to the public in the Kingdom of Bahrain and this Placement Document will not be issued, passed to, or made available to the public generally. The Bahrain Monetary Agency ("**BMA**") has not reviewed, nor has it approved, this Placement Document or the marketing of Issue Shares in the Kingdom of Bahrain. Accordingly, Issue Shares may not be offered or sold in Bahrain or to residents thereof except as permitted by Bahrain law.

***Cayman Islands***. No offer or invitation to purchase Issue Shares may be made to the public in the Cayman Islands.

***European Economic Area (including Liechtenstein, Iceland and Norway)***. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer may not made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Issue Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), make an offer of Issue Shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the BRLMs for any such offer; or

- in any other circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

provided that no such offer of Issue Shares shall result in a requirement for the publication by our Company or the BRLMs of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of Issue Shares to the public" in relation to any of the Issue Shares in any Relevant Member States means the communication in any form and by any means, of sufficient information on the terms of the offer and the Issue Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Issue Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

***Hong Kong.*** No Issue Shares have been offered or sold, and no Issue Shares may be offered or sold, in Hong Kong by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the Issue Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Issue Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

***Japan.*** The offering of the Issue Shares has not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**Financial Instruments and Exchange Law**"). No Issue Shares have been offered or sold, and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial ordinances of Japan.

***Jordan.*** This Placement Document has not been and will not be filed with the Jordanian Securities Commission. This Placement Document has not been and will not be distributed, and offers to sell, and sales of the Issue Shares will not be made to more than 30 Jordanian residents. It may not be used for a public offering in Jordan of the Issue Shares. Offers of the Issue Shares are being made from outside Jordan on a private one-on-one contact basis to pre-identified potential investors in Jordan by persons who are not resident within Jordan and accordingly no registration, local prospectus filing and local agent requirements apply. This Placement Document is strictly for private use by its holder and may not be passed on to third parties or otherwise distributed publicly.

***Korea.*** The Issue Shares have not been registered under the Korean Securities and Exchange Law, and the Issue Shares acquired in connection with the distribution contemplated hereby may not be offered or sold, directly or indirectly, in Korea or to or for the account of any resident thereof, except as otherwise permitted by applicable Korean laws and regulations, including, without limitation, the Korean Securities and Exchange Law and the Foreign Exchange Transaction Laws.

***Kuwait.*** The Issue Shares have not been authorized or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this Placement Document and the offering and sale of the Issue Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990.

***Malaysia***. No approval of the Securities Commission of Malaysia has been or will be obtained in connection with the offer and sale of the Issue Shares in Malaysia nor will any prospectus or other offering material or document in connection with the offer and sale of the Issue Shares be registered with the Securities Commission of Malaysia. Accordingly, the Issue Shares may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia.

***Mauritius***. The Issue Shares may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither this Placement Document nor any offering material or information contained herein relating to the offer of Issue Shares may be released or issued to the public in Mauritius or used in connection with any such offer. This Placement Document does not constitute an offer to sell Issue Shares to the public in Mauritius and is not a prospectus as defined under the Companies Act 2001.

***New Zealand***. This Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "New Zealand Securities Act"). This Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Placement Document, each investor represents and warrants that if they receive this Placement Document in New Zealand they are a Habitual Investor and they will not disclose this Placement Document to any person who is not also a Habitual Investor.

***Oman***. This Placement Document and the Issue Shares to which it relates may not be advertised, marketed, distributed or otherwise made available to any person in Oman without the prior consent of the Capital Market Authority ("**CMA**") and then only in accordance with any terms and conditions of such consent. In connection with the offering of Issue Shares, no prospectus has been filed with the CMA. The offering and sale of Issue Shares described in this Placement Document will not take place inside Oman. This Placement Document is strictly private and confidential and is being issued to a limited number of sophisticated investors, and may neither be reproduced, used for any other purpose, nor provided to any other person than the intended recipient hereof.

***Qatar.*** The Issue Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Placement Document has not been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, Central Bank resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purposes, nor provided to any person other than recipient thereof.

***Saudi Arabia.*** This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Issue Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Issue Shares. If you do not understand the contents of this Placement Document, you should consult an authorized financial adviser.

***Singapore.*** Each BRLM has acknowledged that this Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each BRLM has represented and agreed that it has not offered or sold any Issue Shares issued pursuant to this Issue or caused such Issue Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Issue Shares issued pursuant to this Issue or cause such Issue Shares to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Issue Shares issued pursuant to this Issue, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Issue Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Issue Shares pursuant to an offer made under Section 275 except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

***Switzerland.*** This Placement Document does not constitute an issue prospectus pursuant to Art. 652a of the Swiss Code of Obligations. The Issue Shares will not be listed on the SWX Swiss Exchange, and therefore, this Placement Document does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the Issue Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe the Shares with a view to distribution to the public. The investors will be individually approached by a BRLM.

This Placement Document is personal to each offeree and does not constitute an offer to any other person. This Placement Document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of our Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

***United Arab Emirates.*** This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "**UAE**"). The Issue Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. The Issue, the Issue Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Issue Shares may not be offered or sold directly or indirectly to the public in the UAE.

By receiving this Placement Document, the person or entity to whom this Placement Document has been issued understands, acknowledges and agrees that the Issue Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

***United Kingdom.*** Each of the BRLMs has represented and agreed that it:

i. is a person who is a qualified investor within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 (the "**FSMA**"), being an investor whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;

ii. has not offered or sold and will not offer or sell the Issue Shares other than to persons who are qualified investors within the meaning of Section 86(7) of the FSMA or who it reasonably expects will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Issue Shares would otherwise constitute a contravention of Section 19 of the FSMA by us;

iii. has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21

of the FSMA) received by it in connection with the issue or sale of the Issue Shares in circumstances in which Section 21(1) of the FSMA does not apply to it; and

iv. has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Issue Shares in, from or otherwise involving the United Kingdom.

***United States of America.*** The Issue Shares are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S. The Issue Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered in, sold in the United States. Terms used in this paragraph have the meaning given to them by Regulation S.

Each purchaser of the Issue Shares will be deemed to have made the representations, agreements and acknowledgements as described under the section titled "*Transfer Restrictions*" on page 156 of this Placement Document.

## TRANSFER RESTRICTIONS

In terms of Chapter VIII of the SEBI Regulations, resale of Issue Shares, except on the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult their respective legal counsel prior to making any resale, pledge or transfer of our Company's Issue Shares, and also to refer to "*Selling Restrictions*" on page 151 of this Placement Document.

Subject to the foregoing, by accepting this Placement Document and purchasing any Issue Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Company and the BRLMs as follows:

- you have received a copy of this Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning our Company or the Issue Shares and neither our Company nor any other person responsible for this document or any part of it or the BRLMs will have any liability for any such other information or representation;

- you are purchasing the Issue Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S and you agree that you will not offer, sell, pledge or otherwise transfer such Issue Shares except in an offshore transaction complying with Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;

- you are authorised to consummate the purchase of the Issue Shares in compliance with all applicable laws and regulations;

- you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Issue Shares have not been and will not be registered under the U.S. Securities Act;

- you certify that either (A) you are, or at the time the Issue Shares are purchased will be, the beneficial owner of the Issue Shares and are located outside the United States (within the meaning of Regulation S) or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is, or at the time the Issue Shares are purchased will be, the beneficial owner of the Issue Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S); and

- our Company, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) each of the BRLMs on its own behalf and on behalf of our Company, and (b) to our Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Issue Shares are no longer accurate, you will promptly notify our Company.

In addition to the above, allotments made to QIBs, including FVCIs, VCFs and AIFs in this Issue, may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognised by our Company.

## THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE, and has not been prepared or independently verified by us, the BRLMs, or any of its respective affiliates or advisers.*

### The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

### Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR, which, along with rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members of the stock exchanges.

The SEBI Act, under which the SEBI was established by the Government of India, granted powers to SEBI to promote, develop and regulate the Indian securities markets, including stock exchanges and other financial intermediaries in the capital markets, to protect the interests of investors, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, FIIs, credit rating agencies and other capital market participants.

### Listing

The listing of securities on recognised stock exchanges in India is regulated by the applicable Indian laws including Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines issued by SEBI and the Listing Agreements. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such Listing Agreement or for any other reason, subject to such company receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter. In the event that a suspension of a company's securities continues for a period in excess of 90 days, the company may appeal to the Securities Appellate Tribunal against the suspension. SEBI has the power to vary or veto a stock exchange decision in this regard. SEBI also has the power to amend such Listing Agreements and the bye-laws of stock exchanges in India.

### Delisting of Securities

SEBI has, pursuant to a notification dated June 10, 2009, notified the SEBI (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of securities from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

### Minimum Level of Public Shareholding

All listed companies (except public sector undertakings) are required to ensure that their minimum level of public shareholding remains at or above 25%. Companies whose public shareholding was lower than 25% as of June 4, 2010 are required to increase public float to 25% by June 3, 2013 and companies whose public shareholding. Where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of twelve months from the date of such fall in the manner specified by SEBI.

**Index-Based Market-Wide Circuit Breaker System**

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

Recognized stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

**BSE**

The BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. The BSE Sensitive Index or Sensex consists of listed shares of 30 companies. As of December 31, 2012, the BSE had 1,388 members, comprising 209 individual members, 1,150 Indian companies and 29 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of December 31, 2012 there were 5,191 listed companies trading on the BSE (excluding permitted companies). The estimated market capitalisation of stocks trading on the BSE was ₹ 69,218 billion as on December 31, 2012. In December 2012, the average daily equity turnover on the BSE was ₹ 25.20 billion. As of December 31, 2012, the BSE had 15,727 trader work stations spread over 240 cities.

**NSE**

The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

The average daily turnover for December 2012 was ₹ 130.3 billion. The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. As of December 31, 2012 the NSE had 1,625 companies listed and market capitalisation of approximately ₹67,638 billion. The NSE has a wide network in major metropolitan cities and has a screen based trading and a central monitoring system.

**Trading Hours**

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:00 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays. Recently, the stock exchanges have been permitted to set their own trading hours (in cash and derivative segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

**Internet-Based Securities Trading and Services**

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and to comply with certain minimum conditions stipulated by SEBI and other applicable laws. NSE became the first exchange to grant approval to its members for providing Internet-based trading services. Internet trading is possible on both the 'equities' as well as the 'derivatives' segments of the NSE.

**Trading Procedure**

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. NSE also provides on-line trading facilities through a fully automated screen based trading system called 'National Exchange for Automated Trading' (NEAT).

**Takeover Code**

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the specific regulations in relation to substantial acquisition of shares and takeover. Since our Company is an Indian listed company, the provisions of the Takeover Code apply to our Company. The Takeover Code prescribes certain thresholds or trigger points that give rise to these obligations.

**Insider Trading Regulations**

Specific regulations have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, inter alia, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

**Depositories**

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. Further, SEBI framed regulations in relation to, inter alia, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

**Derivatives (Futures and Options)**

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term 'securities', as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange.

## DESCRIPTION OF THE EQUITY SHARES

*Set forth below is certain information relating to our Company's share capital and the Equity Shares, including brief summaries of certain provisions of our Memorandum and Articles of Association, the Companies Act, the Securities Contracts (Regulation) Act, 1956, and certain related legislations of India, all as currently in effect. The following discussion is subject to and qualified in its entirety by our Memorandum of Association and Articles of Association, the provisions of the Companies Act which govern our affairs and other applicable provisions of Indian law.*

### General

The authorized share capital of our Company is ₹4,500 million divided into 150,000,000 Equity Shares of ₹10 each and 30,000,000 Preference Shares of ₹100 each.

Our Equity Shares are listed on the BSE and NSE.

The security identification codes for our Equity Shares are as follows:

| | |
|---|---|
| ISIN | : INE121A01016 |
| BSE Code | : 511243 |
| NSE Code | : CHOLAFIN EQ |

### Articles of Association

Our Company is governed by our Articles of Association.

### Dividends

The profits of our Company subject to any special rights relating thereto created and authorized to be created by the Memorandum or the Articles and subject to the provisions of the Articles shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall unless the Directors otherwise determine only entitle the holder of such share to an apportioned amount of such dividend as from the date of such payment. Where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits. Our Company may pay dividends in proportion to the amount paid-up or credited as paid-up on each share, where a larger amount is paid-up or credited as paid-upon some shares than on others.

Our Company in General Meeting may subject to Section 205 of the Act declare a dividend to be paid to the members according to their respective rights and interests in the profits and subject to the provisions of the Act may fix the time for payment. When a dividend has been so declared, the warrant in respect thereof shall be posted within forty-two days from the date of declaration to the shareholder entitled to the payment of the same. No larger dividend shall be declared than is recommended by the Directors but our Company in general meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Section 205, 206 and 207 of the Companies Act and no dividend shall carry interest as against our Company. The declaration of the Directors as to the amount of the net profits of our Company shall be conclusive. Subject to the provisions of the Companies Act, the Directors may from time to time, pay to the members such interim dividends as in their judgment the position of our Company justifies. Subject to the provisions of the Companies Act the Directors may retain the dividends payable upon shares in respect of which any person is, under Article 66 of the Articles, entitled to become a member or which any person under the Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer. Unless otherwise directed any dividend may be paid by electronic transfer/clearance systems or by cheque or warrant sent through post to the registered address of the member or person entitled, or in case of joint holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. Our Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or

the fraudulent or improper recovery thereof of by any other means.

No unclaimed or unpaid dividend shall be forfeited by the board. All unpaid dividends shall be dealt with, in accordance with Sections 205-A of the Companies Act. Any General Meeting declaring a dividend may make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between our Company and the members, be set odd against the calls.

**Alteration of Share Capital**

Subject to the provisions of the Articles, our Company may from time to time in general meeting alter the conditions of its memorandum by increase of its share capital by the creation of new shares of such amount as it thinks expedient. Subject to the provisions of the Companies Act and the Articles, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as directed by the general meeting creating the same and if no direction be given as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of our Company provided always that any preference shares may be issued on the terms that they are not at the option of our Company are to be liable to be redeemed.

Subject to the provisions of the Articles, our Company may from time to time, by special resolution, reduce in any manner as authorized by law:

(a) Share capital;
(b) Securities premium account;
(c) Capital redemption reserve account;
(d) Revaluation reserve account; or
(e) Other reserve as may be available.

Our Company may in general meeting alter the conditions of its Memorandum as follows:

(a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.
(b) Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act of these Articles.
(c) Cancel shares which at the date of such General Meeting have not been taken or agreed to be taken to any person and diminish the amount of its chare capital by the amount of the share so cancelled.

**Preference Shares**

Subject to the provisions of the Articles, on the issue of redeemable preference shares under the provisions of Article 8 the following provisions shall take effect:

(a) No such shares shall be redeemed except out of the profits of our Company, which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption.
(b) No such shares shall be redeemed unless they are fully paid.
(c) The premium, if any, payable on redemption shall be provided for out of the profits of our Company or out of our Company's share premium account, before the shares are redeemed.
(d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend be transferred to a Reserve Account to be called the "The Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Companies Act relating to the reduction of the share capital of our Company shall except as provided under Section 80 of the Companies Act or herein apply as if the capital redemption reserve account were paid-up share capital of our Company.
(e) Subject to the provisions of Section 80 of the Companies Act and the Article 10 of the Articles, the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and failing that in such manner as the Directors think fit.

**General Meetings of Shareholders**

The Directors may, whenever they think fit, call an extraordinary general meeting. The Board of Directors of our Company shall on the requisition of such members of our Company who hold in regard to any matter at the date of the requisition, not less than one-tenth of such paid-up capital of our Company as at that date carries the right of voting in regard to that matter, forthwith proceed duly to call an extraordinary meeting and the provisions of section 169 of the Companies Act shall be applicable

Five members entitled to vote and present in person shall be a quorum for a general meeting and no business shall be transacted at any general meeting unless the quorum requisite be present at the commencement of the business. . The Chairman of the Board, shall, if willing preside as Chairman at every general meeting, ordinary or extraordinary. If there be no such Chairman or if at any meeting, or in case of his absence or refusal the vice-chairman (if any) of the Board of Directors shall, if willing, preside as chairman at such meeting and if there be no such vice-chairman, or in case of his absence or refusal, any of the Directors (if any be present) shall be chosen to be Chairman of the meeting.

**Voting Rights**

Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representation duly authorized under Section 187 of the Act and Article 114.upon a show of hands every member entitled to vote and present in person(including a body corporate present by a representative duly authorized in accordance with the provisions of Section 187 of the Act and Articles 113 or by attorney or in the case of a body corporate by proxy) shall have one vote. Upon a poll every member entitled to vote and present in person (including a body corporate) or by attorney or by proxy shall have the following rights:

(a) In respect of every ordinary share his voting right shall be in the same proportion as the capital paid-up on such ordinary share his voting right shall be in the same proportion as the capital paid-up on such ordinary share bears to the total paid-up ordinary capital of our Company;
(b) In respect of every fully paid preference share his voting right shall be equal to the voting right for a fully paid ordinary share.

The instrument appointing a proxy shall be in writing signed by the appointer in writing, or of the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it. This instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of the power of authority shall be deposited at the office not less than forty eight hours before the time of holding meeting at which the person named in the instrument proposes to vote in default the instrument or proxy shall not be treated as valid. Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form set out in Schedule IX to the Companies Act. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes of such meeting or poll whatsoever.

**Transfer of Shares**

Our Company shall keep a book to be called the “Register of Transfers” and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of share. Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty. Our Company has entered into agreements for such depository services with each of National Securities Depository Limited and the Central Depository Services India Limited.

The SEBI requires that our Company’s shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book called the register of transfer in which every transfer or transmission of shares will be entered. The shares are freely transferable, subject only to the provisions of the Companies Act, under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it, or the Sick Industrial Companies (Special Provisions) Act, 1985 ("**SICA**"), or any other similar law, the Company Law Board may, on an application made by a company, a depository incorporated in India, an investor, the SEBI or other parties, direct a rectification of the register of members. If a company without sufficient cause refuses to register a

transfer of shares within two months from the date on which the instrument of transfer is delivered to our company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. Our Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act, 2002, the Indian Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, which is expected to come into force shortly, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal.

The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. Subject to the provisions of section 111 of the Act, the Board without assigning any reason such refusal, may within one month from the date on which the instrument of transfer was delivered to our Company, refuse to register any transfer of a share upon which our Company has lien and, in the case of a share not fully paid up, may refuse to register to a transferee of whom the Board does not approve. However, the registration of transfer of a share shall not be refused on the ground of the transfer being either alone or jointly with any other person or persons indebted to our Company on any account whatsoever.

A transfer may also be by transmission. Every transmission of a share shall be verified in such manner as the Director may require and our Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to our Company with regard to such registration which the directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on our Company or the Directors to accept any indemnity.

**Winding up**

If our Company shall be would up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to pay the whole of the capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid at the commencement of the winding up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of share issued upon special terms and conditions

## TAXATION

*The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultants with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.*

February 1, 2013

**Cholamandalam Investment and Finance Company Limited**
"Dare House", No.2 NSC Bose Road,
Chennai – 600 001

Dear Sirs,

***Qualified Institutional Placement (QIP) of Equity Shares***

***Tax benefits***

We refer to the proposed QIP of the shares of Cholamandalam Investment and Finance Company Limited (formerly known as Cholamandalam DBS Finance Limited), ("the Company"). We enclose herewith the statement showing the current position of tax benefits available to the company and to its shareholders as per the provisions of the Income-tax Act, 1961 and the Wealth-tax Act, 1957 for inclusion in the Placement Document for the proposed QIP.

The current position of tax benefits available to the company and to its shareholders is provided for general information purposes only. In view of the individual nature of tax benefits, each investor is advised to consult its own tax consultant with respect to the specific tax implications arising out of its participation in the issue.

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 ("IT Act"). All the provisions set out below are subject to conditions specified in the respective sections. The tax benefits mentioned below are restricted to the provisions of the Income Tax Act, 1961, Income Tax Rules, 1962 and Wealth Tax Act, 1957 presently in force.

The Direct Tax Code (which consolidates the prevalent direct tax laws) is proposed to come into effect from 01st April, 2013. However, it is unlikely to become operative from 01st April 2013. At the moment, it is unclear what the effect the proposed Direct Tax Code would have on the Company and the investors.

- After approval of both the Houses of the Indian Parliament viz., the Lok Sabha and the Rajya Sabha the Direct Taxes Code will be placed for the President's assent.
- After it receives the President's assent it will stand enacted as a law and will become effective either from such date as may be mentioned or the date on which it receives the assent of the President.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information, explanations obtained from the Company. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislations may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

We do not express any opinion or provide any assurance as to whether:

- the Company or its Shareholders will continue to obtain these benefits in future;
- the conditions prescribed for availing the benefits have been / would be met with;

- the revenue authorities/ courts will concur with the views expressed herein.

We hereby give our consent to include enclosed statement regarding the tax benefits available to the Company and to its shareholders in the Placement Document for the proposed QIP which the Company intends to submit to the Securities and Exchange Board of India.

**LIMITATIONS**

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of Cholamandalam Investment and Finance Company Limited and shall not, without our prior written consent, be disclosed to any other person

Yours faithfully,
**Deloitte Haskins & Sells**

Encl:

**STATEMENT OF TAX BENEFITS AVAILABLE TO CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS**

**SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

NIL

**GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY**

The following tax benefits are available to the company after fulfilling certain conditions as required in the respective Act.

**Dividends**

- As per section 10(34) of the IT Act, any income by way of dividends referred to in section 115 - O received on the shares of any company is exempt from tax, however such income will be subject to the provision of section 14A and sub-section (7) of section 94 the IT Act.

- As per section 10(35) of the IT Act, the following income will be exempt in the hands of the Company;

a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or
b) Income received in respect of units from the Administrator of the specified undertaking; or
c) Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be. Further such income will be subject to the provision of section 14A and section (7) & (8) of section 94 of the IT Act.

**Capital Gains**

- As per section 2(42A) of the Act, shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) or a zero coupon bonds will be considered as short term capital asset if the period of holding of such security is 12 months or less.

  If the period of holding is more than 12 months, it will be considered as long term capital assets. In respect of other assets the determinative period of holding is 36 months as against 12 months mentioned above.

  Further, gain / loss arising from the transfer of short term capital asset and long term capital asset is regarded as short term capital gain and long term capital gain respectively.

- As per section 10(38) of the IT Act, long term capital gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to Securities Transaction Tax(STT) will be exempt in the hands of the Company. However such income shall be taken into account in computing Minimum Alternative Tax on book profit under section 115JB of the IT Act.

- As per section 54EC of the IT Act, capital gains up to ₹ 5 million per annum, arising from the transfer of a long term capital asset (in cases not covered under section 10(38) of the IT Act) are exempt from capital gains tax provided such capital gains are invested within a period of six months after the date of such transfer in specified bonds issued by National Highways Authority of India (NHAI) or Rural Electrification Corporation Ltd (REC).

- As per section 111A of the IT Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

- As per section 112 of the IT Act, long term capital gains which are not exempt in terms of the provisions of section 10(38) of the IT Act is liable to tax at the rate of 20% (plus applicable surcharge and education cess) with indexation benefits. However, if such tax payable on transfer of listed securities or units or zero coupon bonds exceed 10% (plus applicable surcharge and education cess) of the LTCG (without indexation benefit), the excess tax shall be ignored for the purpose of computing the tax payable by the company.

- As per section 70 read with section 74 of the IT Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act.

- Long term capital loss arising during a year is allowed to be set-off only against long term capital gains in terms of section 70 of the IT Act. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act. Long term capital loss arising on sale of shares or units of equity oriented fund subject to STT may not be carried forward for set off.

**Minimum Alternate Tax ("MAT")**

- Under section 115JAA(1A) of the IT Act, credit is allowed in respect of any tax paid under Section 115JB of the IT Act for any assessment year commencing on or after April 1, 2006.

- Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the IT Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 10 assessment years immediately succeeding the assessment year in which the MAT credit becomes allowable under section 115JAA(1A).

- MAT credit can be set off in a year when tax is payable under the normal provisions of the IT Act. Tax credit to be allowed shall be the difference between MAT payable and the tax computed as per the normal provisions of the IT Act for that assessment year.

**Business Losses and Unabsorbed Depreciation**

- Business losses (other than speculative loss), if any, arising during a year can be set off against the income under any other head of income, other than income under the head 'salaries', in terms of the provisions of section 71 of the IT Act.

- Balance business loss can be carried forward and set off against business profits for eight subsequent years in terms of the provisions of section 72 of the IT Act.

- Unabsorbed depreciation, if any, under section 32(2) of the IT Act and losses on account of capital expenditure under section 35 (1) (iv) of the IT Act for an assessment year can be carried forward and set off against any source of income in subsequent years as per provisions of the IT Act.

- Speculative loss from sale transactions of derivatives, futures or options arising during the year can be set off only against the income from speculative transactions in terms of provisions of section 73 of the IT Act.

- Balance speculative business loss can be carried forward and set off against speculative business profits for four subsequent years in terms of the provisions of section 73(4) of the IT Act. Explanation to section 73 does not apply to shares acquired as an investment.

**Depreciation**

- The Company is entitled to claim depreciation on specified tangible and intangible assets owned and used by it for the purpose of its business as per provisions of section 32 of the IT Act.

**Securities Transaction Tax**

- Under section 36(1)(xv) of the IT Act, STT paid in respect of the taxable securities transactions entered into in the course of the business is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profit and gains of business or profession'.

**Section 115-O**

- Tax on distributed profits of domestic companies. The tax rate is 15% (plus applicable surcharge and education cess) Per sub-section (1A) to section 115O, the domestic company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (DDT) if:

a) the dividend is received from its subsidiary; and
b) the subsidiary has paid the DDT which is payable on the dividend distributed;

Provided that the same amount of dividend shall not be taken into account for reduction more than once. For the purpose of this sub-section, a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company. Further dividend paid to any person for the New Pension System Trust referred to in clause (44) of section 10 of the IT Act will be reduced from the distributed profits of the domestic company.

***SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY***

NIL

***GENERAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY***

These benefits are available to the shareholders of any company after fulfilling certain conditions as required in the respective Act.

**I. Under the Income-tax Act**

A. Resident shareholders

**Dividends**

- Under section 10(34) of the IT Act, dividends (both interim and final), if any, received by the resident members / shareholders from the Company is exempt from tax. However such income will be subject to the provision of section 14A and sub-section (7) of section 94 the IT Act.

**Capital Gains**

- The long-term capital gains (under section 2(29B) of the IT Act) accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to Securities Transaction Tax ("STT"), is exempt from tax as per provisions of Section 10(38) of the IT Act.

- As per section 111A of the IT Act, short term capital gains accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

- As per Section 112 of the IT Act, LTCG not exempt under Section 10(38) of the IT Act are subject to tax at the rate of 20% (plus applicable surcharge and education cess) with indexation benefits. However, if such tax payable on transfer of listed securities or units or zero coupon bonds exceed 10% (plus applicable surcharge and education cess) of the LTCG (without indexation benefit), the excess tax shall be ignored for the purpose of computing the tax payable by the assessee.

- As per section 54EC of the Act, capital gains up to ₹ 5 million per annum arising from the transfer of a long term capital asset (in cases not covered under section 10(38) of the IT Act) are exempt from capital gains tax provided such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by NHAI or REC and subject to the conditions specified therein.

- As per section 70 read with section 74 of the IT Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent 8 assessment years. Long term capital loss arising on sale of share or units of equity oriented fund subject to STT may not be carried forward for set off.

***B. Non-residents shareholders***

- Under section 10(34) of the IT Act, dividends (both interim and final), if any, received by the non-resident members / shareholders from the Company is exempt from tax. However such income could be subject to the provision of section 14A of the IT Act.

- The long-term capital gains (under section 2(29B) of the IT Act) accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax as per provisions of Section 10(38) of the IT Act.

- In accordance with proviso to section 48, capital gains arising out of transfer of capital assets being shares in the company acquired in foreign currency, shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company.

- As per section 111A of the IT Act, short term capital gains accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

- As per section 112 of the IT Act, LTCG not exempt under section 10(38) of the Act are subject to tax at the rate of 20% (plus applicable surcharge and education cess). It must be noted that benefit of indexation is not available to a non-resident. However, LTCG arising from the transfer of unlisted securities are subject to tax at the rate of 10% (Plus applicable surcharge and education cess) without indexation benefits and the adjustment with respect to foreign exchange rate fluctuations.

- Further, a possible view could be taken based on the proviso to section 112 and recent rulings that even in the case of listed securities or units or zero coupon bonds, such gains could be taxed at 10% (plus applicable 'Education cess and Secondary Higher Education Cess'), without indexation benefit.

- As per section 54EC of the IT Act, capital gains not exceeding ₹ 5 million per annum arising from the transfer of a long term capital asset (in cases not covered under section 10(38) of the IT Act) are exempt from capital gains tax provided such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by NHAI or REC and subject to the conditions specified therein.

- As per section 70 read with section 74 of the IT Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent 8 assessment years. Long term capital loss arising on sale of share or units of equity oriented fund subject to STT may not be carried forward for set off.

**Tax Treaty Benefits**

- As per provisions of section 90(2) of the Act, non-resident shareholders can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the non-resident shareholder (including Non-Resident Indian) or the Act, whichever is more beneficial.

- Any person opting to claim benefits under any such Tax Treaty will not be able to claim any benefits unless a Tax Resident Certificate, containing such particulars as prescribed by the Central Board of Direct Taxes, is obtained by the non-resident from the Government of that country or specified territory.

***C. Foreign Institutional Investors(FIIs)***

**Dividend**

- As per provisions of section 10(34) of the IT Act, dividend (both interim and final), if any, received by a shareholder from a domestic Company is exempt from tax. However such income will be subject to the provision of section 14A and sub-section (7) of section 94 the IT Act.

**Capital gains**

- As per provisions of section 115AD of the IT Act, income (other than income by way of dividends referred to section 115-O) received in respect of securities (other than units referred to in Section 115AB) is taxable at the rate of 20% (plus applicable surcharge and education cess and secondary & higher education cess). No deduction is allowed from such income in respect of any expenditure or allowance or deductions under Chapter VI-A of the IT Act.

- The long-term capital gains accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax as per provisions of section 10(38) of the IT Act.

- The short-term capital gains accruing / arising to the members of the Company on sale of the Company's equity shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, tax will be chargeable at 15% (plus applicable surcharge and education cess) as per provisions of section 111A. In other case, i.e. where the transaction is not subjected to STT, as per the provisions of Section 115AD of the IT Act, the short term capital gains would be chargeable to tax at 30% plus applicable surcharge and education cess.

- As per the provisions of section 115AD of the IT Act, long term gains accruing to the shareholders of the Company from the transfer of shares of the Company being listed in recognized stock exchanges and purchased in foreign currency, are chargeable to tax at 10% (plus applicable surcharge and education cess). The benefit of indexation and the adjustment with respect to fluctuation in foreign exchange rate would not be allowed to such shareholders. Long term capital gains arising from sale of shares or units of equity oriented fund which has been subjected to STT are exempt u/s. 10(38) even in the hands of FII.

- The benefit of exemption under section 54EC of the IT Act mentioned above in case of the Company is also available to FIIs.

- As per section 196D(2) of the IT Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

**Tax Treaty Benefits**

- As per provisions of section 90(2) of the Act, FIIs can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the FII, whichever is more beneficial.

- Any person opting to claim benefits under any such Tax Treaty will not be able to claim any benefits unless a Tax Resident Certificate, containing such particulars as prescribed by the Central Board of Direct Taxes, is obtained by the non-resident from the Government of that country or specified territory.

**II. Tax Benefits available to the shareholders under the Wealth Tax Act, 1957**

Equity Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

**III. Benefits available to Mutual Funds**

As per the provisions of section 10(23D) of the IT Act, any income of Mutual Funds registered under the SEBI Act, 1992 or regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions or Mutual Funds authorised by RBI would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

**IV. Venture Capital Companies / Funds**

In accordance with section 10(23FB) any income of a venture capital company or venture capital fund (registered under the Securities and Exchange Board of India Act, 1992 and regulations made there under and notified in this behalf) from investment in a venture capital undertaking will be exempt from income tax.

## INDEPENDENT ACCOUNTANTS

Our audited consolidated and standalone financial statements for fiscal years 2010, 2011 and 2012 and for six months period ended September 30, 2012 have been audited by M/s. Deloitte Haskins & Sells, our Company's Statutory Auditor who have agreed to the inclusion of their audit report in this Placement Document. Further M/s. Deloitte Haskins & Sells have carried out a limited review of financials for the nine months ended December 31, 2012 and have given their consent for the inclusion of the limited review report for the nine months ended December 31, 2012 in this Placement Document.

## LEGAL PROCEEDINGS

Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or, alleging criminal or economic offences or tax liabilities or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company that would have a material adverse effect on our business. Further there are no defaults, nonpayment or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and arrears of cumulative preference shares that would have a material adverse effect on our business. Our Company believes that any proceedings which individually or in the aggregate exceed ₹10 million, where quantifiable, are material for the purposes of disclosure in this section.

*Save as detailed herein there are no:*

*a. pending legal proceedings which, if result in an adverse outcome, would materially and adversely affect the operations or the financial position of our Company;*

*b. Matters which are pending or which have arisen in the immediately preceding ten years involving:*

*(i) Issues of moral turpitude or criminal liability on the part of our Company;*

*(ii) Material violations of statutory regulations by our Company*

c. *Economic offences where proceedings have been initiated against our Company*

**Proceedings involving our Company**

**I. Proceedings initiated against our Company:**

**a. Criminal Proceedings:**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| **Vehicle Finance Segment** | | | | | |
| 1. | Court of Judicial Magistrate (1480/2010) | Inder Singh (“**Complainant**”) | The Complainant has initiated proceedings against our Company seeking punishment under section 420 and 504 of the Indian Penal Code, 1860 for non credit of EMIs paid and consequentially in connection with seizure of his vehicle by our Company. Our Company has filed a petition for quash of the said proceedings before the High Court of Kerala. | NA | Pending hearing and final disposal |
| 2. | Arrupukottai Court (299/2008) | M Arunachalam (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging commission of offences under section 405, 406, 408, 465, 420 of the Indian Penal Code, 1860 in connection with presentation of customer’s security cheque for recovery of shortfall by our Company. Our Company has filed a | NA | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | petition for quash of these proceedings before the High Court of Madras, Madurai Bench. | | |
| 3. | Bhagwat Court (No. 7), Pune<br><br>3226/2009 | Ashok Kamble ("**Complainant**") | The Complainant initiated proceedings under sections 323, 380, 392, 504, 506 (2), 393 and 34 of the Indian Penal Code in connection with seizure of his vehicle by our Company. | NA | Pending hearing and final disposal |
| 4. | Court of Chief Judicial Magistrate, Ernakulam<br><br>(119/2004) | K M Unnikrishnan ("**Complainant**") | The Complainant initiated proceedings against our Company under section 420, 406 and 34 of the Indian Penal Code, 1860 alleging presentation of cheque post closure of account by our Company. | NA | Pending hearing and final disposal |
| 5. | Court of Chief Judicial Magistrate, Ghaziabad | Ami Chand ("**Complainant**") | The Complainant initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 323 and 506 of the Indian Penal Code. | NA | Pending hearing and final disposal |
| 6. | Additional District Judge Hoshairpur<br><br>(118/2003) | Rajesh Kumar ("**Complainant**") | The Court has initiated proceedings against our Company seeking, inter alia, action against seizure of his vehicle by our Company. | NA | Pending hearing and final disposal |
| 7. | Criminal Resident Judge, Baroda<br><br>(161/2003) | Jayanthilal Patel ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 406, 420, 465, 468, 469, 477-A & 114. The Complainant has also initiated proceedings in connection with the same matter before the Civil Court, Baroda. Our Company has filed a petition for quash of these proceedings before the High Court of Gujarat. | NA | Pending hearing and final disposal |
| 8. | High Court of Kerala<br><br>(1242/2012) | Smijeesh ("**Complainant**") | The Complainant has initiated proceedings against our Company and its employees alleging commissioning of offences under section 379 (theft), 447 (criminal trespass) and 465 (forgery) of the Indian Penal Code, 1860. Our Company has filed a petition for quash of these proceedings before the High Court of Kerala. | NA | Pending hearing and final disposal |
| 9. | High Court of Madras<br><br>(8688/2010) | M K Vishnu Prabhu ("**Complainant**") | The Complainant has initiated proceedings against Police seeking direction to register FIR against our Company seeking, inter alia, release of vehicle seized by our Company. | NA | Pending hearing and final disposal |
| 10. | High Court of Madras<br><br>(3235/2010) | Gowthaman ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking punishment under section 307 and 506 of the Indian Penal Code, 1860 alleging illegal seizure of vehicle. Our | NA | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | Company has filed a petition for quash of these proceedings before the High Court of Madras. | | |
| 11. | High Court of Madras, Madurai Bench (9269/2010) | Muthukumar A ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking direction against Inspector of Police, Trichy to recover ₹ 1.12 million from our Company and various other financiers. | NA | Pending hearing and final disposal |
| 12. | Judicial Magistrate of First Class, Ernakulam (3289/2009) | Kamaludeen ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging, inter alia, non transfer of vehicle purchased by him. | NA | Pending hearing and final disposal |
| 13. | Judicial Magistrate of First Class, Karunagapally (86/2007) | Hasyim ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking, inter alia, punishment for theft, criminal trespass due to alleged attempt of seizure of his vehicle by our Company. | NA | Pending hearing and final disposal |
| 14. | Judicial Magistrate of First Class, Kuthuparamba (295/2009) | Vincent V C ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking, inter alia, punishment for theft due to seizure of vehicle by our Company. Our Company has moved a discharge application against the same. Our Company has also filed petition for quash of the proceedings before the High Court of Kerala and criminal complaint has been stayed. | NA | Pending hearing and final disposal |
| 15. | Court of Judicial Magistrate, Nasik (858/2007) | Vijay Tatia ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking, inter alia, punishment for alleged harassment by our Company. | NA | Pending hearing and final disposal |
| 16. | Court of Judicial Magistrate, Nasik (921/2008) | Dilip Ananth Nandurkar ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking, inter alia, punishment under section 465 and 467 of the Indian Penal Code, 1860 for alleged forgery in transfer forms filed with Regional Transport officer. | NA | Pending hearing and final disposal |
| 17. | Judicial Magistrate of First Class, Nagpur (8501/2010) | Narendra Sassan ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking, inter alia, punishment under section 307, 506, 147,148,149 and 451 of the Indian Penal Code, 1860 in connection with seizure of vehicle by our Company. | NA | Pending hearing and final disposal |
| 18. | Judicial Magistrate, Shahpur District | Abdul Azeez ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging non closure of account in spite of issuance of settlement letter and | NA | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | (137/2006) | | seeking punishment under section 406, 420 of the Indian Penal Code, 1860. | | |
| 19. | Kamakshipalaya PS<br><br>(304/2010) | Bharathi ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging collection of payment by our Company in connection with proposed sale of seized vehicle by parking yard appointed by our Company and seeking punishment under section 341, 348, 504, 506(B), 420 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 20. | Nizamabad Rural PS<br><br>(4298/2011) | Uppu Murali ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking punishment under section 392 of the Indian Penal Code, 1860, alleging theft of his vehicle. Our Company has filed Writ against the said FIR and obtained stay. | NA | Pending hearing and final disposal |
| 21. | Noida Court<br><br>(286/2005) | Binod Raj ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging theft of his vehicle and seeking punishment under 392,411 and 120B of the Indian Penal Code, 1860. Our Company has filed a petition for quash of the said proceedings. | NA | Pending hearing and final disposal |
| 22. | Sessions Court, Rohtak<br><br>(545/2004) | Vijender Singh ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 403,406,362,420 of the Indian Penal Code, 1860. Our Company has filed a petition for quash of the said proceedings. | NA | Pending hearing and final disposal |
| 23. | Shivaji Nagar Alwar<br><br>(181/2011) | Jagadish ("**Complainant**") | The Complainant has initiated proceedings against our Company seeking punishment under section 392 of the Indian Penal Code, 1860, alleging theft of his vehicle in connection with seizure of his vehicle. Our Company has filed a petition for quash of the said proceedings. | NA | Pending hearing and final disposal |
| 24. | Purba Jadavpur PS<br><br>(05/2010) | Ratikanta Pramanaik ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 379, 384, 120-B of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 25. | Karuvaraku Police Station<br><br>(658/2011) | Kunchi Mohammed M ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging criminal trespass on his property and seeking punishment under section 451, 294(b), 506 R/W 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 26. | Additional Chief | Botha Devi | The Complainant has initiated | NA | Pending |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | Judicial Magistrate (205/2009) | ("**Complainant**") | proceedings against our Company alleging criminal trespass on his property and seeking punishment under section 406, 452, 323, 504, 506 and 354 of the Indian Penal Code, 1860 in connection with seizure of his vehicle by our Company. | | hearing and final disposal |
| 27. | Nadakavu Police Station (260/2012) | Muneer E K ("**Complainant**") | The Complainant has initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 405, 406, 415, 417, 418, 420, 463 and 464 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 28. | Additional District Judge, Fast Track Court, Nifad (72/2012) | Suryabhan Bandu Borade ("**Complainant**") | The Complainant has initiated proceedings against our Company in connection with seizure of his vehicle. | NA | Pending hearing and final disposal |
| 29. | Sarkanda PS, Bilaspur | Santosh Kumar Agarwal ("**Complainant**") | The Complainant has initiated proceedings under section 420 of the Indian Penal Code against our Company in connection with alleged wrongful encashment of cheque by our Company. | NA | Pending hearing and final disposal |
| 30. | Dhanbad Police Station (290/2012) | Bittu Kumar ("**Complainant**") | The Complainant initiated proceedings against our Company and its employees Rajesh Mandal and Ramesh Kumar alleging, inter alia, wrongful restraint and cheating by the employees under section 341, 323, 384, 420 and 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 31. | C K Palli Police Station | Mutyala Reddy ("**Complainant**") | The Complainant initiated proceedings against our Company alleging, inter alia, harassment by the officers of our Company. | NA | Pending hearing and final disposal |
| 32. | Metrolpolitan Magistrate, Ahemadabad (34/2010) | Pareshkumar Patel ("**Complainant**") | Proceedings initiated against our Company for furnishing information regarding a vehicle in connection with alleged involvement of the Complainant in illegal transport activities. | NA | Pending hearing and final disposal |
| 33. | Perookada Police Station, Trivandrum (1012/CMPRC) | K Prabhakaran Nair ("**Complainant**") | The Complainant initiated proceedings against our Company in pursuance to petition for harassment made to the Chief Minister Grievance Cell. | NA | Pending hearing and final disposal |
| 34. | Judicial Magistrate of First Class (193/2009) | SK Salim ("**Complainant**") | The Complainant initiated proceedings against our Company seeking punishment for alleged attempt on the part of Company to repossess complainant's vehicle. | NA | Pending hearing and final disposal |

| Sr. no. | Forum<br><br>(Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 35. | Judicial Magistrate of First Class<br><br>(3602/2010) | Dilbagh Singh (“**Complainant**”) | The Complainant has initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 382, 34, 467, 468, 379, 411 and 471 of the Indian Penal Code 1860. | NA | Pending hearing and final disposal |
| 36. | Hirri Police Station<br><br>(247/2010) | Kulwant Singh (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company. | NA | Pending hearing and final disposal |
| 37. | Sivakasi Police Station<br><br>(568/2011) | Kaliraj S (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 379 and 323 of the Indian Penal Code 1860. | NA | Pending hearing and final disposal |
| 38. | Liluah Police Station<br><br>(471/2012) | Samar Namaskar (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment under section 341, 323, 379 and 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 39. | Liluah Police Station<br><br>(488/2012) | Samar Namaskar (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging illegal seizure of his vehicle by our Company and seeking punishment seeking punishment under section 384, 506, 379 and 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 40. | Additional Chief Judicial Magistrate, Dehradun<br><br>(64/2010) | Mahender Singh Kharola (“**Complainant**”) | The Complainant initiated proceedings against our Company alleging illegal seizure and sale of his vehicle by our Company and seeking punishment under section 420, 406, 504 and 506 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 41. | Judicial Magistrate, Thirunelveli<br><br>(264/2006) | Venkat Raj (“**Complainant**”) | The Complainant has initiated proceedings against our Company Executive alleging illegal seizure of his vehicle by our Company executive and seeking punishment under section 147, 341, 323, 506(1) and 109 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 42. | Chief Judicial Magistrate, Panchkula<br><br>(157/2008) | Ajay Kumar (“**Complainant**”) | The Complainant has initiated proceedings against our Company in connection with non-receipt of a no objection certificate upon purchase of customer’s vehicle and seeking punishment under section 406, 420 and 120-B of the Indian Penal Code, 1860. Issue Resolved and case closed. | NA | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| **Personal Loans Segment** | | | | | |
| 43. | 8th Judicial Magistrate Alipore (2216/2007) | Kuntal Bagchi (“**Petitioner”**) | The Petitioner initiated proceedings against our Company alleging, inter alia, fraudulent conduct in connection with encashment of Petitioner’s security cheque and seeking punishment under section 406, 420 and 120-B of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 44. | Chief Judicial Magistrate, Jamshedpur | Awadh Bihari Singh | The Petitioner initiated proceedings against our Company alleging, inter alia, dishonest and deceitful conduct on part of our Company in connection with non issuance of NOC post closure of loan account. | NA | Pending hearing and final disposal |
| 45. | Tilak Nagar Police Station (391/2011) | Amit Johar (“**Complainant**”) | The Court has initiated proceedings under section 406, 120B and 420 of the Indian Penal Code, 1860 in connection with alleged execution of forged warrant. | NA | Pending hearing and final disposal |
| 46. | Tadepali Police Station (48/2008) | D Nancharaiah (“**Complainant**”) | The Complainant initiated proceedings against our Company seeking punishment of officers of our Company alleging harassment in relation to collection of loan dues. | NA | Pending hearing and final disposal |

**b. Civil Proceedings:**

**Personal Loans Segment:**

1. Twenty-nine (29) consumer disputes have been initiated before various courts by various customers of our Company seeking permanent/ temporary injunction against collection of monetary dues by our Company. The aggregate money claim involved in these proceedings is ₹ 2.64 million. These proceedings are pending hearing and final disposal

2. One hundred and eight (108) civil proceedings have been initiated against our Company before various courts in connection with collection of payment dues by our Company. The aggregate money claim involved in these proceedings is ₹ 0.7 million. These proceedings are pending hearing and final disposal

3. Six (6) writ petitions have been filed before various courts against our Company in connection with collection of payment dues by our Company. There is no money claim involved in these proceedings and all these proceedings are pending hearing and final disposal

**Vehicle Finance Segment:**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | District Court, Dindigul (172/2012) | Jeganavel (“**Plaintiff**”) | The Plaintiff initiated proceedings against our Company in connection with seizure of his vehicle by our Company. He has prayed for, inter alia, return of his vehicle or compensation along with damages of ₹0.01 million per day until disposal of the proceedings. | 15.70 | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 2. | City Civil Court, Bombay (3835/1999) | Rajpat Prasad Arkh ("**Plaintiff**") | The Plaintiff has initiated proceedings against our Company in connection with seizure of his vehicle by our Company. | 30 | Pending hearing and final disposal |

Additionally,

1. One hundred and eighty (180) civil proceedings have been initiated against our Company in connection with, inter alia, seizure of vehicles by our Company. The aggregate money claim involved in these proceedings is ₹ 9.07 million. These proceedings are pending hearing and final disposal.

2. One hundred and ninety-nine (199) consumer disputes have been initiated before various courts by various customers of our Company seeking compensation in connection with seizure of vehicles by our Company. The aggregate money claim involved in these proceedings is ₹ 44.42 million. These proceedings are pending hearing and final disposal

3. Twenty-nine (29) accident claims have been initiated against our Company before various Motor Accidents Claims Tribunals. Our Company is only a formal party to these proceedings in the capacity of being the financier of the vehicle. The aggregate money claim involved in these proceedings is ₹ 1.34 million.

4. Thirteen (13) writ petitions have been filed against our Company before various courts in connection with; inter alia, seizure of vehicles by our Company. The aggregate money claim involved in these proceedings is ₹ 0.06 million. These proceedings are pending hearing and final disposal.

**Home Equity Segment:**

1. Six (6) consumer disputes have been initiated before various courts by various customers of our Company seeking, inter alia, refund of foreclosure charges from our Company. The aggregate money claim involved in these proceedings is ₹ 0.65 million. These proceedings are pending hearing and final disposal.

2. Four (4) civil proceedings have been initiated against our Company before various courts by various customers of our Company seeking, inter alia, temporary/permanent injunction against our Company in order to retain peaceful possession of property. There is no outstanding money claim involved in these proceedings. These proceedings are pending hearing and final disposal.

**Corporate Mortgage Finance Segment**

Two (2) consumer disputes have been initiated before various courts by various customers of our Company in connection with rate of interest charged by our Company on the various loan facilities granted to the customers. The aggregate money claim involved in these proceedings is ₹ 1.40 million. These proceedings are pending hearing and final disposal.

**c. Tax Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company raising a demand of ₹ 31.17 million for the Assessment Year 2009-10. Aggrieved by the said order, our Company has appealed against the said order before | 31.17 | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | the Commissioner of Income Tax (Appeals) | | |
| 2. | Assistant Commissioner of Income Tax | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 1998-99. Aggrieved by the said order, our Company has appealed before the Deputy Commissioner of Income Tax (Appeals) which was decided against us. Pursuant to the same second appeal was filed before the Income Tax Appellate Tribunal and the Tribunal has remitted the issue back to the assessing officer. | 47.65 | Pending hearing and final disposal |
| 3. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 1997-98. Aggrieved by the said order, our Company has appealed before the Commissioner of Income Tax (Appeals). | 4.85 | Pending hearing and final disposal |
| 4. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2001-02. Aggrieved by the said order, our Company has appealed against the said order before the Commissioner of Income Tax (Appeals) | 52.33 | Pending hearing and final disposal |
| 5. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2005-06. Aggrieved by the said order, our Company has appealed against the said order before the Commissioner of Income Tax (Appeals) | 1.71 | Pending hearing and final disposal |
| 6. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2006-07. Aggrieved by the said order, our Company has appealed before the Commissioner of Income Tax (Appeals) | 10.88 | Pending hearing and final disposal |
| 7. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2007-08. Aggrieved by the said order, our Company has appealed before the Commissioner of Income Tax (Appeals) | 18.88 | Pending hearing and final disposal |
| 8. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax | 60.23 | Pending hearing and final |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | payable for the Assessment Year 2008-09. Aggrieved by the said order, our Company has appealed against the said order before the Commissioner of Income Tax (Appeals) | | disposal |
| 9. | Commissioner of Income Tax | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax ("**Assessing Authority**"), Chennai passed an order against our Company raising a demand in connection with interest tax payable for the Assessment Year 2000-01. Aggrieved by the said order, our Company filed an appeal before the Commissioner of Income Tax (Appeals). | 0.80 | Pending hearing and final disposal |
| 10. | High Court of Madras | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2001-02. Aggrieved by the said order, our Company has appealed before the Deputy Commissioner of Income Tax (Appeals) which was decided in our favour. Pursuant to the same second appeal was filed before the Income Tax Appellate Tribunal and the Tribunal passed an order in favour of our Company. Aggrieved by the same, the department of Income Tax has appealed before the High Court of Madras. | 0.57 | Pending hearing and final disposal |
| 11. | High Court of Madras | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2002-03. Aggrieved by the said order, our Company has appealed before the Deputy Commissioner of Income Tax (Appeals) which was decided in our favour. Pursuant to the same second appeal was filed before the Income Tax Appellate Tribunal and the Tribunal passed an order in favour of our Company. Aggrieved by the same, the department of Income Tax has appealed before the High Court of Madras. | 1.26 | Pending hearing and final disposal |
| 12. | High Court of Madras | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2003-04. Aggrieved by the said order, our Company has appealed before the Deputy Commissioner of Income Tax (Appeals) which was decided in our favour. Pursuant to the same second appeal was filed before the Income Tax Appellate Tribunal and the Tribunal passed an order in favour of our Company. Aggrieved by the same, the | 1.17 | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | department of Income Tax has appealed before the High Court of Madras. | | |
| 13. | High Court of Madras | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 2004-05. Aggrieved by the said order, our Company has appealed before the Deputy Commissioner of Income Tax (Appeals) which was decided in our favour. Pursuant to the same second appeal was filed before the Income Tax Appellate Tribunal and the Tribunal passed an order in favour of our Company. Aggrieved by the same, the department of Income Tax has appealed before the High Court of Madras. | 1.02 | Pending hearing and final disposal |
| 14. | High Court of Madras | Assistant Commissioner of Income Tax | The Assistant Commissioner of Income Tax ("**Assessing Authority**"), Chennai passed an order against our Company raising a demand in connection with interest tax payable for the Assessment Year 1998-99. Aggrieved by the said order, our Company filed an appeal before the Commissioner of Income Tax (Appeals) which was decided in favour of our Company. Subsequently, the Assessing Authority filed an appeal before the Income Tax Appellate Tribunal which was decided against our Company and the matter/dispute is now pending with the High Court of Madras. | 0.51 | Pending hearing and final disposal |
| 15. | Income Tax Appellate Tribunal | Assessing Officer, Chennai | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 1991-92. Our Company initiated an appeal against the Commissioner of Income Tax (Appeals), Chennai which was partly allowed and a demand of ₹ 0.1 million was raised against our Company. Aggrieved by the said order, our Company has presented an appeal before the Income Tax Appellate Tribunal. | 0.13 | Pending hearing and final disposal. |
| 16. | Income Tax Appellate Tribunal | Assessing Officer, Chennai | The Assistant Commissioner of Income Tax, Chennai passed an order against our Company in connection income tax payable for the Assessment Year 1992-93. Our Company initiated an appeal against the Commissioner of Income Tax (Appeals), Chennai which was partly allowed and a demand of ₹ 0.1 million was raised against our Company. Aggrieved by the said order, our Company has presented an appeal before the Income Tax Appellate | 0.15 | Pending hearing and final disposal. |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated by | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | Tribunal. | | |
| 17. | High Court of Madras (246/2007) | Commissioner of Income Tax, Chennai | The assessing officer, during the assessment period 1996-1997, imposed a penalty of ₹ 2 million on our Company alleging that the price at which machineries were purchased by our Company and leased back was higher than the WDV of the machineries in the books of the lessee and that the authenticity of such lease transactions could not be adequately proved by our Company. Our Company filed an appeal against the said penalty before the Commissioner of Income Tax (Appeals), Chennai which was decided in favour of our Company. Subsequently, the Commissioner of Income Tax filed an appeal before the Income Tax Appellate Tribunal which was also decided in our favour. Aggrieved by the order of the Income Tax Appellate Tribunal, the Commissioner of Income Tax filed an appeal before the High Court of Madras. | 6.55 | Pending hearing and final disposal. |

**Show Cause Notices**

The Assistant Registrar of Money Lending, Tumkur Division issued a show cause notice dated January 21, 2012 against our Company directing us to furnish documents as per the provisions of the Karnataka Money Lenders Act, 1961. Our Company has filed a writ petition against the said show cause notice before the High Court of Karnataka praying for, inter alia, stay on execution and operation of the aforementioned show cause notice. The said proceedings are pending hearing and final disposal.

The Service Tax Department, Chennai has issued 3 show cause notices against our Company in the years 2010, 2011 and 2012 proposing to levy service tax amounting to ₹ 3,837.08 million on interest, gain on assignment of receivables / discount on closure of derecognized assets and disallowing input credit amounting to ₹ 241.64 million for the period 2005 to 2011. Our Company has replied to the said notices, in the respective years stating that the claim is not tenable and no further action has been taken by the Service Tax Department pursuant to our reply.

**Past Penalties**

Our Company received a letter from the Reserve Bank of India ("**RBI**") directing our Company to seek approval from the Foreign Investment Promotion Board ("**FIPB**") with respect to issuance of shares with detachable warrants. FIPB granted a post facto approval subject to compounding by the RBI. Pursuant to the receipt of this approval, our Company sought compounding from RBI for contravention of the Regulation 2(ii), 4 and 6(1) of Notification no. FEMA 20/2000-RB as our Company failed to obtain the specific and prior approval of FIPB before issue of convertible detachable warrants along with rights issue of equity shares to a person resident outside India. The compounding application was disposed off vide RBI order dated October 1, 2010 imposing a penalty of ₹ 0.5 million on our Company which has been paid as directed by RBI.

**Other Proceedings**

1. A customer of our Company has initiated proceedings against our Company seeking permanent injunction against the release of fixed deposits made by him to our Company. There is no money claim involved in this proceeding and the proceeding is pending hearing and final disposal.

2. Our Company is involved in one proceeding in connection with alleged non-payment of rent for the premises occupied by it. The money claim involved in this proceeding is ₹ 0.05 million. The proceeding is pending hearing and final disposal.

3. A writ petition has been filed against our Company seeking stay of auction of gold articles by our Company. There is no money claim involved in the said proceeding and it is pending hearing and final disposal.

**II. Proceedings initiated by our Company**

**a. Vehicle Finance Segment**

**Arbitration proceedings**

Our Company has initiated 7121 arbitration proceedings against its customers. The aggregate money claim involved in these proceedings is ₹1968.54 million. These proceedings are pending hearing and final disposal.

**Criminal proceedings**

1. Our Company has initiated four hundred and ninety six (496) criminal proceedings against its customers. The aggregate money claim involved in these proceedings is ₹189.89 million. These proceedings are pending hearing and final disposal.

2. Our Company has initiated ten thousand three hundred and twenty three (10323) proceedings before various courts against its customers pursuant to section 138 of the Negotiable Instruments Act. The aggregate money claim involved in these proceedings is ₹ 1727.51 million. These proceedings are pending hearing and final disposal.

3. Our Company has initiated one hundred and six (106) proceedings before various courts for the return of property pursuant to section 451 and 452 of the Criminal Procedure Code. The aggregate money claim involved in these proceedings is ₹34.89 million. These proceedings are pending hearing and final disposal.

**Recovery proceedings**

Our Company has initiated five hundred and fifty three (553) proceedings against its customers in connection with recovery of payment dues. The aggregate money claim involved in these proceedings is ₹ 210.19 million. These proceedings are pending hearing and final disposal.

Our Company has initiated twenty one (21) recovery proceedings before various courts pursuant to the provisions of the Civil Procedure Code against it customers in connection with recovery of payment dues. The aggregate money claim involved in these proceedings is ₹165.9 million. These proceedings are pending hearing and final disposal.

**Execution proceedings**

Our Company has initiated one thousand two hundred and fifty (1250) proceedings in connection with execution of decrees passed in favour of our Company. The aggregate money claim involved in these proceedings is ₹ 299.30 million. These proceedings are pending hearing and final disposal.

**b. Home Equity Segment**

**Arbitration proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. | Clement Rajasleen Vincent, Jimmy Davidar Deborah ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered | 18.80 million plus interest at | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | R/CI&FCL/14 of 2011) | | into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 18.80 million plus interest at the rate of 18% per annum pursuant to which our Company has filed an execution petition for enforcement of the award. | the rate of 18% per annum | |
| 2. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/ CI&FCL/4 of 2010) | Shankar S (“**Respondent**”) | Our Company initiated arbitration proceedings against the Respondent for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 17.03 million plus interest at the rate of 18% per annum and costs, pursuant to which our Company has filed an execution petition for enforcement of the award. | 17.03 million plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 3. | Sole Arbitrator Mr. Ravikumar (ARB/09/CIFCL 1 of 2012) | Balasubramaniam PSR and others (“**Respondents**”) | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 31.43 plus interest at the rate of 24% per annum | Pending hearing and final disposal |
| 4. | Sole Arbitrator Meera Gnanasekhar (MG/CDBS/130 of 2012) | Raghunath Rai Dewan and others (“**Respondents**”) | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 30.64 plus interest at the rate of 48% per annum | Pending hearing and final disposal |
| 5. | Sole Arbitrator Mr. Y K Rajgopal (R/CI&FCL/19 of 2011) | Rahul Sharma and others (“**Respondents**”) | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 27.67 million plus interest at the rate of 18% per annum and costs, pursuant to which our Company has filed an execution petition for enforcement of the award. | 27.67 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 6. | Sole Arbitrator Meera Gnanasekhar (MG/CDBS/072 of 2012) | Jaimal Singh Iqbal Singh Renu and others (“**Respondents**”) | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 23.05 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 7. | Sole Arbitrator Mr. Y K Rajgopal (R/CI&FCL/20 of 2011) | Amber Avinash Talwalkar and others (“**Respondents**”) | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the | 26.80 plus interest at the rate of 24% per annum | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | Respondents. | | |
| 8. | Sole Arbitrator Mr. Y K Rajgopal (R/CI&FCL/6 of 2012) | Manisha Shashikiran Rasal and others ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 17.03 plus interest at the rate of 24% per annum | Pending hearing and final disposal |
| 9. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/CI&FCL/7 of 2011) | Anju B Maheshwari and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 17.54 million plus interest at the rate of 18% per annum and costs which is pending execution. | 17.54 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 10. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/CI&FCL/39 of 2011) | S. Sockalingam and others ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 17.70 million plus interest at the rate of 18% per annum and costs which is pending execution. | 17.70 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 11. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/CDBS/2 of 2010) | Kothari K. K. and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 14.68 million plus interest at the rate of 18% per annum and costs which is pending execution. | 14.68 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 12. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/CI&FCL/18 of 2011) | Ritu Mishra and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 13.44 million plus interest at the rate of 18% per annum and costs, pursuant to which our Company has filed an execution petition for enforcement of the award. | 13.44 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 13. | Sole Arbitrator Mr. Y K Rajgopal (ACP No. R/CI&FCL/10 of | Chitrapal B Seth and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the | 11.06 plus interest at the rate of 18% per annum | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | 2010) | | Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 11.06 million plus interest at the rate of 18% per annum and costs, pursuant to which our Company has filed an execution petition for enforcement of the award. | | |
| 14. | Sole Arbitrator V. Inbavijayan (CDBS/VI 26 of 2012) | Ramnivas Janardan Agarwal and others ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 14.30 million plus interest at the rate of 18% per annum and costs which is pending execution. | 14.30 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 15. | Sole Arbitrator V. Inbavijayan (CDBS/VI 7 of 2009) | Mohammed Hanif Syed and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 9.87 million plus interest at the rate of 48% per annum and costs, pursuant to which our Company has filed an execution petition for enforcement of the award. | 9.87 plus interest at the rate of 48% per annum | Pending hearing and final disposal |
| 16. | Sole Arbitrator V. Inbavijayan (CDBS/VI 37 of 2011) | Manish Kumar Gupta and another ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. The Arbitrator has passed an award directing the Respondents to pay ₹ 10.06 million plus interest at the rate of 18% per annum and costs which is pending execution. | 10.06 plus interest at the rate of 18% per annum | Pending hearing and final disposal |
| 17. | Sole Arbitrator Mr. Y K Rajgopal (R/CI&FCL/16 of 2012) | Bahubali TMT Bars Private Limtied and others ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 10.62 plus interest at the rate of 24% per annum | Pending hearing and final disposal |

Additionally, our Company has initiated 130 arbitration proceedings against its customers for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the customers. The aggregate money claim involved in these proceedings is ₹ 378.90 million. These proceedings are pending hearing and final disposal.

**Execution proceedings**

Our Company has filed 80 execution petitions before various courts for the enforcement of various awards passed in our

favour. The aggregate money claim involved in these proceedings is ₹ 212.50 million. These proceedings are pending hearing and final disposal.

**Criminal Proceedings**

Our Company has initiated three hundred and sixty three (363) proceedings before various courts against its customers pursuant to section 138 of the Negotiable Instruments Act. The aggregate money claim involved in these proceedings is ₹ 22.40 million. These proceedings are pending hearing and final disposal.

**Recovery proceedings**

Our Company has initiated twenty seven (27) proceedings before various courts against its customers in connection with recovery of payment dues. The aggregate money claim involved in these proceedings is ₹ 139.30 million. These proceedings are pending hearing and final disposal.

**c. Corporate Mortgage Finance Segment**

**Arbitration Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Sole Arbitrator Mr. K. Rajamanickam (KRM/CMF/01/12) | M/s. Aditi Hospitals Private Limited and others ("**Respondents**") | Our Company initiated arbitration proceedings against the Respondents for the recovery of money dues under the provisions of the loan agreement entered into between our Company and the Respondents. | 55.93 interest at the rate of 24% per annum | Pending hearing and final disposal |

**Criminal Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Metropolitan Magistrate, Chennai | Annand Sarnaaik ("**Accused** ") | Our Company initiated arbitration proceedings against the Accused under section 200 of the Code of Criminal Procedure for the offences committed under section 138 of the Negotiable Instruments Act | 84.62 | Pending hearing and final disposal |

**Proceedings involving our Subsidiaries**

**a. Cholamandalam Securities Limited** ("**CSL**")

**Criminal Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Vanchiyoor Police Station, Trivendrum | A. S. Manoj ("**Complainant**") | The Complainant initiated proceedings against CSL alleging unauthorized trading of shares and misguiding by presenting forged holding statements by CSL. The Complainant prays for, inter alia, | NA | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | punishment under section 465, 468, 471, 409, 420, 34 of the Indian Penal Code, 1860. | | |
| 2. | Vanchiyoor Police Station, Trivendrum | C. Raslin Joseph ("**Complainant**") | The Complainant initiated proceedings against CSL alleging unauthorized trading of shares and misguiding by presenting forged holding statements by CSL. The Complainant prays for, inter alia, punishment under section 465, 468, 471, 409, 420, 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |
| 3. | Medical College Police Station, Trivendrum | Somasundaram ("**Complainant**") | The Complainant initiated proceedings against CSL alleging unauthorized trading of shares and misguiding by presenting forged holding statements by CSL. The Complainant prays for, inter alia, punishment under section 420, 405, 120-B and 34 of the Indian Penal Code, 1860. | NA | Pending hearing and final disposal |

**Consumer Disputes**

Two (2) consumer disputes have been initiated against CSL before various courts in connection with alleged non-fulfillment/delay of trading requests made by the customers of our Company. The aggregate money claim involved in these proceedings is ₹ 0.21 million and the said proceedings are pending hearing and final disposal.

**Tax Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | High Court of Madras | Commissioner of Income Tax | The Assistant commissioner of income tax passed an order against CSL disallowing depreciation claim on BSE membership card for the Assessment year 2001-02 .Aggrieved by the same an appeal was filed by CSL to the Income tax appellate tribunal which the matter was decided in favour of CSL. Pursuant to the which the Commissioner of Income tax filed an appeal against the order of the Tribunal before Madras High Court. | 3.05 | Pending hearing and final disposal |
| 2. | High Court of Madras<br><br>(Appeal No.: 1108 of 2007) | Commissioner of Income Tax | The Assistant commissioner of income tax passed an order against CSL disallowing depreciation claim on BSE membership card for the Assessment year 2002-03. Aggrieved by the same an appeal was filed by CSL to the Income tax appellate tribunal which the matter was decided in favour of CSL. Pursuant to which the Commissioner of Income tax filed | 1.9 | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | an appeal against the order of the Tribunal before Madras High Court. | | |
| 3. | High Court of Madras | Commissioner of Income Tax | The Assistant commissioner of income tax passed an order against CSL disallowing depreciation claim on BSE membership card for the Assessment year 2003-04. Aggrieved by the same an appeal was filed by CSL to the Income tax appellate tribunal which the matter was decided in favour of CSL. Pursuant to which the Commissioner of Income tax filed an appeal against the order of the Tribunal before Madras High Court. | 1.66 | Pending hearing and final disposal |
| 4. | High Court of Madras-Appeal No.1979 of 2008 | Commissioner of Income Tax | The Assistant commissioner of income tax passed an order against CSL disallowing depreciation claim on BSE membership card for the Assessment year 2004-05. Aggrieved by the same an appeal was filed by CSL to the Income tax appellate tribunal which the matter was decided in favour of CSL. Pursuant to which the Commissioner of Income tax filed an appeal against the order of the Tribunal before Madras High Court. | 1.16 | Pending hearing and final disposal |
| 5. | High Court of Madras | Commissioner of Income Tax | The Assistant commissioner of income tax passed an order against CSL disallowing depreciation claim on BSE membership card and treating short term capital gains as business income for the Assessment year 2005-06. Aggrieved by the same an appeal was filed by CSL to the Income tax appellate tribunal which the matter was decided in favour of CSL. Pursuant to which the Commissioner of Income tax filed an appeal against the order of the Tribunal before Madras High Court. | 1.81 | Pending hearing and final disposal |
| 6. | Commissioner of Income Tax Appeals -Appeal dt 28.01.09 | Income Tax Officer | The Income Tax Officer passed an order against CSL disallowing depreciation claim on BSE membership card and treating short term capital gains as business income for the Assessment year 2006-07. Aggrieved by the said order CSL has filed an appeal before the Commissioner of Income Tax (Appeals). | 2.96 | Pending hearing and final disposal |
| 7. | Commissioner of Income Tax (Appeals) | Assistant Commissioner of Income Tax | The Income Tax Officer passed an order against CSL disallowing depreciation claim on BSE membership card and treating short | 0.44 | Pending hearing and final disposal |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | | | term capital gains as business income for the Assessment year 2007-08. Aggrieved by the said order CSL has filed an appeal before the Commissioner of Income Tax (Appeals). | | |
| 8. | Commissioner of Central Excise (Appeals)<br><br>(Appeal No.: 94/2010 MST) | Joint Commissioner of Central Excise | Joint Commissioner of Central Excise passed an order levying service tax on the turnover charges and disallowance of input credit on CSL debit notes for the period April 2006-December 2007. Aggrieved by the said order CSL has filed an appeal before the Commissioner of Central Excise (Appeals). | 2.29 | Pending hearing and final disposal |
| 9. | Customs Excise and Service tax Appellate Tribunal<br><br>(Appeal No.: 120/2011) | Joint Commissioner of Central Excise | Joint Commissioner of Central Excise passed an order levying service tax on the turnover charges and disallowance of input credit on CSL debit notes and employee insurance food and welfare expenses for the period April 2004-May 2008. On appeal to the Commissioner of Central Excise (Appeals) the matter was decided in favour of CSL. The Assistant Commissioner of Service tax has filed an appeal against the appellate order before the Customs Excise and Service tax Appellate Tribunal. | 5.08 | Pending hearing and final disposal |

**Past penalties/regulatory proceedings**

1. The Securities and Exchange Board of India ("**SEBI**") vide an order dated January 27, 2005 directed that the certificate of registration of CSL be suspended for a period of two months for acceptance of payment through cheques from third parties for purchases made by clients. Aggrieved by the said order filed an appeal before Securities Appellate Tribunal (SAT). SAT revised the suspension order of SEBI to a warning.

2. National Stock Exchange of India Limited had sought a clarification from CSL in connection with DBS Bank acquiring stake in Cholamandalam Investment and Finance Limited. SEBI had initiated adjudication proceedings against CSL for having failed to obtain prior approval from SEBI for change in control. Pending the adjudication proceedings, CSL had filed an application for consent dated December 17, 2008. The said order was disposed off after payment of settlement fee of ₹ 0.37 million.

**b. Cholamandalam Distribution Services Limited** ("**CDSL**")

**Criminal Proceedings**

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| 1. | Supreme Court of India | Piyush Singhania ("**Petitioner**") | Proceedings were initiated against our Company before the court of Metropolitan Magistrate, Dwarka, New Delhi by the | NA | Pending hearing and final |

| Sr. no. | Forum (Suit/Appeal etc. No.) | Initiated Against | Particulars | Quantum (₹ in million) (Approx.) | Current Status |
|---|---|---|---|---|---|
| | (Special Leave to Appeal No. 4312-4313 of 2012) | | Petitioner in connection with, inter alia, alleged commissioning of offences by our Company under section 468/471/193/211/384/120-B of the Indian Penal Code, 1860. Our Company appealed against the summoning order served upon ex-chairman/business head, the said appeal was decided in favour of our Company. Aggrieved by the appellate order, the petitioner has filed an appeal before the Supreme Court of India. | | disposal |
| 2. | Circle Inspector or Police, Thevara | Tom Augustine ("**Complainant**") | The Complainant initiated proceedings against the Manager (Preeti Damiyan), the relationship manager (Chandrashekaran V) and Managing Director of our Company, alleging inter alia, fraudulent conduct under section 420 of the Indian Penal Code and forceful extortion of a sum of ₹ 0.05 million. | NA | Pending hearing and final disposal |

**Consumer Disputes**

One (1) consumer dispute has been initiated against CDSL seeking compensation for non-allotment in an initial public offering. There is no money claim involved in these proceedings and the said proceedings are pending hearing and final disposal.

## GENERAL INFORMATION

1. We were incorporated as public limited company under the name of Cholamandalam Investment and Finance Company Limited on August 17, 1978 in the Republic of India under the Companies Act, 1956 (Act no. 1 of 1956) and commenced its business vide certificate of commencement of business dated November 22, 1978. The name of our Company was changed to Cholamandalam DBS Finance Limited pursuant to a fresh certificate of incorporation dated April 12, 2006 and was again changed to "Cholamandalam Investment and Finance Company Limited" on June 2, 2010.

2. Our Company's Equity Shares have been listed on BSE and NSE since September 24, 1991 and May 15, 1996 respectively.

3. This Issue was authorised and approved by the Board of Directors on December 27, 2012 and approved by the shareholders of our Company pursuant to a special resolution passed by way of a postal ballot the results of which were announced on February 4, 2013.

4. We have applied for in-principle approvals to list the Issue Shares on BSE and the NSE. Our Company has received in-principle approvals both dated February 5, 2013 from the BSE and the NSE respectively to list the Issue Shares on the Stock Exchanges.

5. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at our Registered Office.

6. Except as disclosed in this Placement Document, there are no significant changes in our financial position and of our Subsidiaries since December 31, 2012, the date of our last published financial results.

7. Except as disclosed in this Placement Document, we have obtained all consents, approvals and authorizations required in connection with this Issue.

8. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Issue Shares.

9. Our Company's auditor, M/s. Deloitte Haskins & Sells, Chartered Accountants have audited and reviewed our Company's standalone and consolidated accounts for the years ended, March 31, 2012, 2011 and 2010 and six months period ended September 30, 2012 and unaudited reviewed consolidated financial statements of our Company for the nine months period ended December 31, 2012 and they have consented to the inclusion of their report in this Placement Document.

10. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

11. The Floor Price for this Issue is ₹ 279.69 per Issue Share on February 6, 2013 as the Relevant Date. The Floor price has been calculated as per Regulation 85 of the SEBI Regulations.

## FINANCIAL STATEMENTS


| Description | Pages |
|---|---|
| Auditors' Report on the Standalone Summary Financial Statements of our Company as of March 31, 2012, March 31, 2011 and March 31, 2010 and six months period ended September 30, 2012 | F-1 - F-2 |
| Standalone Summary Financial Statements as of and for the years ended March 31, 2012, March 31, 2011 and March 31, 2010 and as of and for the six months period ended September 30, 2012 | F-3 - F-54 |
| Auditors' Report on the Consolidated Summary Financial Statements of our Company as of March 31, 2012, March 31, 2011 and March 31, 2010 and six months period ended September 30, 2012 | F-55 - F-57 |
| Consolidated Summary Financial Statements as of and for the years ended March 31, 2012, March 31, 2011 and March 31, 2010 and as of and for the six months period ended September 30, 2012 | F-58 - F-98 |
| Auditor's Limited Review Report on the statement of Unaudited Standalone and Consolidated Financial Results of our Company for the quarter and nine month period ended December 31, 2012 | F-99 - F-100 |
| Statement of Unaudited Standalone and Consolidated Financial Results of our Company for the quarter and nine month period ended December 31, 2012 | F-101 - F-103 |

**Report of the Independent Auditor on the**
**Standalone Summary Financial Statements**

**TO THE BOARD OF DIRECTORS OF**
**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

1. The accompanying Standalone Summary Financial Statements of **CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED** ("the Company") which comprises the Balance Sheet as at 30 September 2012, 31 March 2012, 31 March 2011 and 31 March 2010, the Statement of Profit and Loss for the six months period ended 30 September 2012 and for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 and Cash Flow Statement for the period and years ended on those dates together with the related explanatory notes referred to herein as the "Standalone Summary Financial Statements" are derived from the audited standalone financial statements (the "Audited Standalone Financial Statements") of the Company for the respective years audited by us as detailed in paragraph 2 below.

2. We have expressed audit opinions on the Audited Standalone Financial Statements of the Company for the period ended 30 September 2012 and for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 vide our reports dated 30 October 2012, 26 April 2012, 30 April 2011 and 26 April 2010 respectively.

3. The Audited Standalone Financial Statements and the Standalone Summary Financial Statements, do not reflect the effect of events that occurred subsequent to the date of our reports on the respective periods referred to in paragraph 2 above.

4. The Audited Standalone Financial Statements for the year ended 31 March 2010 has been regrouped / reclassified wherever necessary to correspond with the presentation / disclosure as per Revised Schedule VI of the Companies Act, 1956 which became effective from 1 April 2011 and also to confirm with the classification criteria for the subsequent comparative periods presented in the Standalone Summary Financial Statements.

**5. Management Responsibility**

Management is responsible for the preparation of Standalone Summary Financial Statements in accordance with Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 and accounting principles generally accepted in India.

**6. Auditors' Responsibility**

Our responsibility is to express an opinion on the Standalone Summary Financial Statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810 "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

**7. Opinion**

In our opinion, the Standalone Summary Financial Statements derived from the Audited Standalone Financial Statements of the Company for the respective years are a fair summary of those Audited Standalone Financial Statements, in accordance with Accounting Standard referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 and accounting principles generally accepted in India.

**8. Restrictive Clause**

Our report and the attached Standalone Summary Financial Statements are intended for the use of the management and for inclusion in the Preliminary Placement Document and Placement Document (hereinafter collectively referred to as the "**Placement Documents**") in connection with the proposed Qualified Institutional Placement of equity shares of the Company. Our report should not be used for any other purpose except with our consent in writing.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

**Geetha Suryanarayanan**
Partner
(Membership No. : 29519)

**CHENNAI**, 4 February 2013

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**BALANCE SHEET**

₹ 'million

| | Note | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' funds** | | | | | |
| Share capital | 3 | 1,326.23 | 1,326.20 | 1,193.49 | 3,664.71 |
| Reserves and surplus | 4 | 14,240.61 | 12,846.65 | 9,526.41 | 4,185.33 |
| | | **15,566.84** | **14,172.85** | **10,719.90** | **7,850.04** |
| **Share application money pending allotment** | 37(b) | | **-** | **0.27** | **-** |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 5 | 72,632.90 | 71,545.50 | 56,155.16 | 24,225.56 |
| Other long-term liabilities | 6 | 416.46 | 193.69 | 295.79 | 299.40 |
| Long-term provisions | 7 | 546.84 | 529.49 | 501.79 | 416.98 |
| | | **73,596.20** | **72,268.68** | **56,952.74** | **24,941.94** |
| **Current liabilities** | | | | | |
| Short-term borrowings | 5 | 37,119.18 | 15,480.63 | 10,666.61 | 18,867.47 |
| Trade Payables | 8 | 943.28 | 895.17 | 556.69 | 372.50 |
| Other current liabilities | 8 | 32,885.14 | 30,330.55 | 14,743.50 | 13,450.21 |
| Short-term provisions | 7 | 977.14 | 1,158.00 | 3,142.86 | 3,908.91 |
| | | **71,924.74** | **47,864.35** | **29,109.66** | **36,599.09** |
| **TOTAL** | | **161,087.78** | **134,305.88** | **96,782.57** | **69,391.07** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Fixed assets | 9 | | | | |
| (i) Tangible assets | | 551.11 | 494.55 | 311.86 | 111.51 |
| (ii) Intangible assets | | 42.72 | 37.09 | 19.88 | 26.03 |
| | | 593.83 | 531.64 | 331.74 | 137.54 |
| Non-current investments | 10 | 587.44 | 576.94 | 682.75 | 693.03 |
| Deferred tax asset (net) | 11 | 417.79 | 511.30 | 1,305.99 | 1,549.26 |
| Receivable under Financing activity | 12 | 100,199.86 | 83,428.99 | 54,192.62 | 34,409.59 |
| Long-term loans and advances | 13 | 542.94 | 448.64 | 584.31 | 290.75 |
| Other non-current assets | 14 | 1,263.46 | 1,217.35 | 1,045.58 | 416.17 |
| | | **103,605.32** | **86,714.86** | **58,142.99** | **37,496.34** |
| **Current assets** | | | | | |
| Current investments | 15 | 1,700.00 | 40.07 | - | 1,500.23 |
| Cash and cash equivalents | 16 | 4,173.54 | 5,013.68 | 4,462.42 | 7,451.32 |
| Receivable under Financing activity | 12 | 48,490.89 | 39,870.03 | 31,810.01 | 20,252.39 |
| Short-term loans and advances | 13 | 231.52 | 304.97 | 591.52 | 967.06 |
| Other current assets | 14 | 2,886.51 | 2,362.27 | 1,775.63 | 1,723.73 |
| | | **57,482.46** | **47,591.02** | **38,639.58** | **31,894.73** |
| **TOTAL** | | **161,087.78** | **134,305.88** | **96,782.57** | **69,391.07** |

See accompanying notes forming part of the summary financial statements

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Statement of Profit and Loss**

₹ 'million

| | Note | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|---|
| Revenue from operations | 17 | 11,624.27 | 17,653.82 | 11,866.92 | 9,241.18 |
| Other income | 18 | 17.98 | 228.30 | 151.39 | 54.01 |
| **Total Revenue** | | **11,642.25** | **17,882.12** | **12,018.31** | **9,295.19** |
| Expenses | | | | | |
| - Finance Costs | 19 | 6,570.83 | 9,881.82 | 5,682.51 | 4,948.84 |
| - Business origination outsourcing | | 797.24 | 1,269.34 | 867.72 | 574.69 |
| - Employee benefits expense | 20 | 690.18 | 1,103.72 | 896.91 | 765.32 |
| - Other operating expenses (net) | 21 | 1,055.27 | 1,905.84 | 1,489.82 | 1,293.22 |
| - Depreciation and amortisation expense | 9 | 83.02 | 89.03 | 85.14 | 152.84 |
| - Provision, loan losses and other charges | 22 | 386.67 | 396.71 | 1,755.21 | 1,218.00 |
| **Total expenses** | | **9,583.21** | **14,646.46** | **10,777.31** | **8,952.91** |
| **Profit before exceptional items and tax** | | **2,059.04** | **3,235.66** | **1,241.00** | **342.28** |
| Exceptional items | 23 | - | (334.60) | (239.94) | (28.94) |
| **Profit before tax** | | **2,059.04** | **2,901.06** | **1,001.06** | **313.34** |
| **Tax expense:** | | | | | |
| - Current tax | | | | | |
| - Current year - Expense | | 696.20 | 365.73 | 192.19 | 206.99 |
| - Prior years - Expense/(Reversal of provision) | | (124.16) | 15.22 | (56.19) | - |
| - Deferred tax | 11 | 93.51 | 794.69 | 243.27 | (47.83) |
| | | 665.55 | 1,175.64 | 379.27 | 159.16 |
| **Profit for the period/year** | | **1,393.49** | **1,725.42** | **621.79** | **154.18** |
| Earnings per equity share of ₹ 10 each | 24 | | | | |
| - Basic | | 10.51 | 14.39 | 5.67 | 1.79 |
| - Diluted | | 10.50 | 14.39 | 5.67 | 1.79 |

See accompanying notes forming part of the summary financial statements

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
Cash Flow Statement

₹ 'million

| Particulars | Six months ended 30.09.2012 | | Year ended 31.03.2012 | | Year ended 31.03.2011 | | Year ended 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| ***Cash Flow from Operating Activities*** | | | | | | | | |
| **Net Profit Before Tax** | | **2,059.04** | | **2,901.06** | | **1,001.06** | | **313.34** |
| **Adjustments for :-** | | | | | | | | |
| Depreciation and amortisation | 83.02 | | 89.03 | | 85.14 | | 152.84 | |
| Provision / (Reversal of Provision) for Standard Assets (Net) | 82.81 | | (170.96) | | 209.70 | | (1,700.00) | |
| Provision / (Reversal of Provision) for Non Performing Assets under Financing Activity (Net) | 13.20 | | (1,582.10) | | (909.58) | | 1,319.18 | |
| (Reversal of Provision)/Provision for Credit Enhancement and Servicing Costs on Assets De-recognised(Net) | (6.77) | | (258.80) | | (118.30) | | 133.03 | |
| (Reversal of Provision) / Provision for Diminution in Value of Investments | (10.50) | | 665.00 | | 209.54 | | (235.30) | |
| (Reversal of Provision)/Provision for Inter corporate Deposit | - | | (30.40) | | 30.40 | | - | |
| Provision/(Reversal of Provision) for Mark to Market Losses on Derivatives | - | | 29.64 | | 26.10 | | (5.80) | |
| Liability no longer required written back | - | | - | | (7.04) | | - | |
| Financing Charges | 6,570.83 | | 9,881.82 | | 5,682.50 | | 4,948.84 | |
| Provision for gratuity | 16.49 | | - | | - | | - | |
| Provision for Compensated Absences (Net) | 24.75 | | 12.33 | | 17.12 | | 7.39 | |
| Provision for Contingent Service tax claims | 5.68 | | 66.63 | | - | | - | |
| Loss / (Profit) on Sale of Fixed Assets ( Net ) | 0.14 | | (0.04) | | (112.72) | | (205.48) | |
| Loss on Repossessed Assets (Net) | 155.44 | | 161.71 | | 136.04 | | 312.02 | |
| Loss assets written off | 140.50 | | 1,722.30 | | 2,232.24 | | 389.54 | |
| Loss on assignment of receivables (Net) | - | | - | | 16.32 | | 0.47 | |
| Profit on Sale of Current Investments ( Net ) | (120.86) | | (104.76) | | (70.62) | | (174.65) | |
| Loss on sale of investment in Subsidiary companies | - | | - | | - | | 472.16 | |
| Amortisation of Premium on Acquisition of Government Securities | 0.07 | | 0.75 | | 0.74 | | 0.74 | |
| Interest on Bank Deposits | (153.28) | | (294.73) | | (355.02) | | (501.51) | |
| Interest on Investments | (0.26) | | (2.96) | | (6.71) | | (2.96) | |
| Dividend on Investments | (0.00) | | (0.00) | | (0.15) | | (0.47) | |
| | | | | | - | | | |
| | | 6,801.26 | | 10,184.46 | | 7,065.70 | | 4,910.04 |
| **Operating Profit Before Working Capital Changes** | | 8,860.30 | | 13,085.52 | | 8,066.76 | | 5,223.38 |
| **Adjustments for :-** | | | | | | | | |
| Increase in Receivables under Financing Activity (including Repossessed Assets) | (25,786.43) | | (50,295.47) | | (37,532.10) | | (22,939.27) | |
| Increase in Other Current Assets | (201.97) | | (550.90) | | (378.96) | | 11.03 | |
| Decrease / (Increase) in Other Loans and Advances | 51.05 | | 279.29 | | (178.72) | | (418.80) | |
| Increase / (Decrease) in Current Liabilities and Provisions | 164.13 | | 227.93 | | (614.14) | | 194.18 | |
| Securitisation / Bilateral Assignment of Receivables | - | | 11,133.75 | | 3,983.97 | | 13,078.51 | |
| | | (25,773.22) | | (39,205.40) | | (34,719.95) | | (10,074.35) |
| Financing Charges | (7,108.24) | | (9,205.23) | | (5,477.15) | | (5,567.48) | |
| Direct Taxes Paid | (626.65) | | (386.14) | | (357.67) | | (295.04) | |
| | | (7,734.89) | | (9,591.37) | | (5,834.82) | | (5,862.52) |
| **Net Cash Used in Operating Activities (A)** | | (24,647.81) | | (35,711.25) | | (32,488.01) | | (10,713.49) |
| ***Cash Flow from Investing Activities*** | | | | | | | | |
| Bank Deposits and Unpaid Dividend Accounts (See Note below) | 886.14 | | 293.06 | | 1,935.17 | | 2,571.87 | |
| Purchase of Fixed Assets | (163.16) | | (309.32) | | (353.56) | | (46.33) | |
| Sale of Fixed Assets | 0.51 | | 2.28 | | 168.91 | | 299.56 | |
| Investment in Subsidary Companies | - | | (600.00) | | (200.00) | | (239.54) | |
| Purchase of Other Investments | (118,880.00) | | (130,100.12) | | (102,672.23) | | (90,526.47) | |
| Sale of Investment in Subsidiary Companies | - | | - | | - | | 434.36 | |
| Sale/ Redemption of Other Investments | 119,040.85 | | 130,204.88 | | 102,742.85 | | 92,252.37 | |
| Interest Received on Bank Deposits and other Investments | 433.91 | | 453.59 | | 456.21 | | 439.80 | |
| Dividend Received on Investments | 0.00 | | 0.00 | | 0.15 | | 0.47 | |
| **Net Cash From / (Used in) Investing Activities (B)** | | 1,318.25 | | (55.63) | | 2,077.50 | | 5,186.09 |
| ***Cash Flow from Financing Activities*** | | | | | | | | |
| Long Term & Medium Term | | | | | | | | |
| - Increase in Equity Share Capital and Securities Premium (including conversion of Preference shares into Equity and net of Issue Expenses) | 0.51 | | 2,089.28 | | 2,460.52 | | - | |
| - Share Application money pending allotment | - | | - | | 0.27 | | - | |
| - Increase in Debentures | 4,260.00 | | 21,256.00 | | 8,315.00 | | (10,500.00) | |
| - (Decrease) / Increase in Term Loans from Banks and Others | (668.24) | | 8,882.04 | | 24,164.39 | | 16,170.57 | |
| Short Term | | | | | | | | |
| - Increase / (Decrease) in Bank Borrowings | 4,565.35 | | 8,264.02 | | (3,038.35) | | (1,870.90) | |
| - Increase / (Decrease) in Other Borrowings | 17,073.20 | | (3,463.45) | | (3,923.78) | | (3,701.14) | |
| - Decrease in Fixed Deposits | (0.59) | | (0.78) | | (2.27) | | - | |
| Dividends Paid (Including Distribution Tax) | (154.66) | | (415.92) | | (119.22) | | (1.20) | |
| **Net Cash From Financing Activities (C)** | | **25,075.57** | | **36,611.19** | | **27,856.56** | | 97.33 |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)** | | 1,746.01 | | 844.31 | | (2,553.96) | | (5,430.07) |
| Cash and Cash Equivalents at the Beginning of the Year | | 1,361.50 | | 517.19 | | 3,071.15 | | 8,501.22 |
| Cash and Cash Equivalents at the End of the Year | | 3,107.51 | | 1,361.50 | | 517.19 | | 3,071.15 |

**Note:**

| | | | | |
|---|---|---|---|---|
| Cash and Cash Equivalents at the End of the Year as per Balance Sheet | 4,173.55 | 5,013.67 | 4,462.42 | 7,451.32 |
| Add: Current Investments (Excluding Investments under Lien) | 1,700.00 | - | - | 1,500.23 |
| Less: Balance in Current Accounts held for Unpaid Dividends | 2.75 | 3.35 | 3.33 | 3.81 |
| Less: Bank Deposits held for More than Three Months | 173.13 | 499.78 | 780.41 | 4.32 |
| Less: Bank Deposits under Lien | 2,590.15 | 3,149.05 | 3,161.49 | 5,872.27 |
| | 3,107.51 | 1,361.50 | 517.19 | 3,071.15 |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

## 1. Significant Accounting Policies

### a) Accounting Convention

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956.

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

This summary financial statement is derived from the audited standalone financial statements of the company for the respective period/years and has been prepared for the purpose of inclusion in the preliminary placement document and placement document in connection with the proposed Qualified Institutional Placement of Equity shares of the company.

The audited financial statements for the year ended March 31, 2010 has been regrouped/reclassified wherever necessary to correspond with the presentation / disclosure as per the revised Schedule VI of the Companies Act, 1956 which became effective from April 1, 2011 and also to conform with the classification criteria for the subsequent comparative periods presented in the summary financial statements.

### b) Use of Estimates

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

### c) Cash flow Statement

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

### d) Revenue Recognition

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

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

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

For Bilateral assignment of receivables:
Upto the year ended March 31, 2011, the difference between the book value of the assets assigned and the sale consideration is taken to revenue after netting off incidental expenses to be incurred, provision for contingent losses arising from credit enhancements (if cash collateral is provided) and costs to be incurred in servicing the contracts.
From April 1, 2011, Interest spread on bilateral assignment or securitisation of receivables is recognized on accrual basis over the tenor of the underlying assets.

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

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

Interest income on bonds and deposits is recognized on accrual basis.

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

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

**e) Fixed Assets, Depreciation and Impairment**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

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

| Asset Description | Estimated Useful Life |
|---|---|
| Buildings | 20 years |
| Plant and Machinery<br>-Computer Equipment<br>-Others | <br>3 years<br>5 years |
| Office Equipment | 5 years |
| Furniture and Fixtures<br>-Improvement to Leasehold Premises<br>-Others | <br>Lease Period or 5 years, whichever is lower<br><br>5 years |
| Vehicles | 5 years |
| Intangible Assets – Computer Software | License Period or 3 years, whichever is lower |

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

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

**f) Investments**

Investments which are long term in nature, are stated at cost. Provision is made for diminution in value if it is of nature other than temporary. Premium on acquisition of Government securities is amortised over the balance tenure.

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

**g) Receivables under Financing Activity and Provisioning**

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off
(i) Unearned income
(ii) Instalments appropriated up to the period/year-end.

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

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

**h) Repossessed Assets**

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

**i) Retirement and Other Benefits**

(i) Defined Contribution Plan

Provident Fund: Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund, based on the Statutory provisions as per the Employee Provident Fund Scheme, are charged to Statement of Profit and loss.

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 period/year incurred.

(ii) Defined Benefit Plan & Long Term Compensated Absences

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

The 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.

The Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined every year by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the statement of profit and loss in the period/year in which they occur.

(iii) Other Employee Benefits

Other employee benefits include short term accumulated compensated absences which 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.

**j) Foreign Currency Transactions**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the balance sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and period/year-end restatements are dealt with in the statement of profit and loss.

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 are recognised in the statement of profit and loss in the period 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 period/year.

**k) Derivative Transactions**

The Company generally enters into derivative transactions for hedging purposes only. Income from derivative transactions is recognised on accrual basis. Such derivative instruments are marked to market wherever required as at the balance sheet date and provision for losses, if any, is dealt with in the statement of profit and loss.

**l) Lease Accounting**

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term in accordance with AS-19, Leases issued by the Institute of Chartered Accountants of India.

**m) Service Tax Input Credit**

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

**n) Taxation**

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

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

the tax rates and the tax laws enacted or substantially enacted as at the reporting date.

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

**o) Deferred Compensation Costs**

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

**p) Provisions, Contingent Liabilities and Contingent Assets**

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

Contingent liability is disclosed for -
(i) Possible obligations which will be confirmed only by future events not wholly within the control of the 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.

**q) Prepaid Finance Charges**

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

**r) Share issue expenses**

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

**2. a) Approval of Scheme of Amalgamation (Six months ended 30.09.2012)**

The Board of Directors at their meeting held on October 30, 2012 have considered and approved a Scheme of Amalgamation of the Company's wholly owned subsidiary M/s.Cholamandalam Factoring Limited with the Company, subject to the approval of shareholders, creditors, regulatory authorities, etc. and sanction of the Scheme by the Hon'ble High Court of Judicature at Madras.

**2) b) Change in Accounting Policy (year ended 31.03.2012)**

Up to March 31, 2011, the Company was recognising upfront income on bilateral assignment of receivables based on professional opinion confirming that bilateral assignment of receivables is outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 01, 2006.

During the year ended March 31, 2012, the Company has, by way of bilateral assignment, sold loan receivables aggregating to ₹ 7,088.35 million. The interest spread arising there from is accounted over the residual tenor of the receivables sold as against upfront recognition of such interest spread in earlier years. Income from operations & Profit before tax would have been higher by ₹ 269.92 million and Profit after Tax would have been higher by ₹ 161.95 million had the company recognized the said interest spread upfront as in previous years. This change is also in line with the draft revised guidelines on Securitization transaction issued by Reserve Bank of India in September 2011.

**2) c) Termination of Shareholders' Agreement (year ended 31.03.2011)**

The Shareholders' agreement dated June 16, 2005 entered into between the Company, Tube Investments of India Limited (TII) and DBS Bank Limited, Singapore (DBS) was terminated on April 08, 2010 pursuant to the purchase of the entire shareholding of DBS in the Company by Tube Investments of India Ltd., & New Ambadi Estates Private Ltd., (constituents of the Murugappa Group). Consequently, the Company ceased to be a Joint Venture between Murugappa Group and DBS, with effect from April 08, 2010 and has become a subsidiary of Tube Investment of India Limited effective from that date.

Consequent to the above, the name of the company and its subsidiaries have been changed as follows:

**i)** Cholamandalam DBS Finance Limited changed to **Cholamandalam Investment and Finance Company Limited**

**ii)** DBS Cholamandalam Securities Limited changed to **Cholamandalam Securities Limited**

**iii)** DBS Cholamandalam Distribution Limited changed to **Cholamandalam Distribution Services Limited**

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
Notes forming part of the Financial statements

₹ 'million

| Note : 3 SHARE CAPITAL | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| **AUTHORISED** | | | | |
| 15,00,00,000 Equity Shares of ₹ 10 each (year ended 2012 - 15,00,00,000; 2011 - 12,00,00,000; 2010 - 10,00,00,000 Equity shares) | 1,500.00 | 1,500.00 | 1,200.00 | 1,000.00 |
| 3,00,00,000 Preference Shares of ₹ 100 each | 3,000.00 | 3,000.00 | 3,000.00 | 3,000.00 |
| | **4,500.00** | **4,500.00** | **4,200.00** | **4,000.00** |
| **ISSUED** | | | | |
| 13,26,94,736 Equity Shares of ₹ 10 each (as at March, 2012 - 13,26,91,303; 2011 - 11,94,20,635; 2010 - 6,65,43,088 Equity shares) | 1,326.95 | 1,326.91 | 1,194.21 | 665.43 |
| 3,00,00,000 Preference Shares of ₹ 100 each | 3,000.00 | 3,000.00 | 3,000.00 | 3,000.00 |
| | **4,326.95** | **4,326.91** | **4,194.21** | **3,665.43** |
| **SUBSCRIBED AND FULLY PAID UP** | | | | |
| 13,25,57,982 Equity Shares of ₹ 10 each (as at March, 2012 - 13,25,54,549 2011 - 11,92,83,881 2010 - 6,64,06,334 Equity shares) | 1,325.58 | 1,325.55 | 1,192.84 | 664.06 |
| Add : Forfeited Shares | 0.65 | 0.65 | 0.65 | 0.65 |
| 3,00,00,000 1% Fully Convertible Cumulative Preference Shares of ₹ 100 each (Fully converted on May 17, 2010 into 3,26,08,695 equity shares) | - | - | - | 3,000.00 |
| | **1,326.23** | **1,326.20** | **1,193.49** | **3,664.71** |

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

| | As at 30.09.2012 | | As at 31.03.2012 | | As at 31.03.2011 | | As at 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| **Equity Shares** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** |
| At the beginning of the period/year | 132,554,549 | 1,325.55 | 119,283,881 | 1,192.84 | 66,406,334 | 664.06 | 66,406,334 | 664.06 |
| Issued during the year - conversion of 3,00,00,000 1% Fully convertible preference shares | - | - | - | - | 32,608,695 | 326.09 | - | - |
| Issued during the year on preferential basis | - | - | 13,255,454 | 132.56 | 20,268,852 | 202.69 | - | - |
| Issued during the year - Employees Stock Option Scheme | 3,433 | 0.03 | 15,214 | 0.15 | - | - | | |
| **Outstanding at the end of the period/year** | **132,557,982** | **1,325.58** | **132,554,549** | **1,325.55** | **119,283,881** | **1,192.84** | **66,406,334** | **664.06** |
| **Forfeited shares** | | | | | | | | |
| Equity - Amount originally paid up | **130,900** | **0.65** | **130,900** | **0.65** | **130,900** | **0.65** | **130,900** | **0.65** |
| **Fully convertible cumulative Preference Shares** | | | | | | | | |
| At the beginning of the year | - | - | - | - | 3,000,000 | 3,000.00 | 3,000,000 | 3,000.00 |
| Converted into Equity shares during the year | - | - | - | - | (3,000,000) | (3,000.00) | - | - |
| **Outstanding at the end of the year** | **-** | **-** | **-** | **-** | **-** | **-** | **3,000,000** | **3,000.00** |

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

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

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.

| **c) Equity Shares held by Holding company and its Associates** | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| Tube Investments of India Limited - Holding company (w.e.f April 8, 2010) | 72,233,019 | 72,233,019 | 72,233,019 |
| Murugappa Holdings Limited (earlier known as Parry Agro Industries Ltd)- Associate of Holding company | 176 | 176 | 176 |

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

| | As at 30.09.2012 | | As at 31.03.2012 | | As at 31.03.2011 | | As at 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| | No. | % holding in the class | No. | % holding in the class | No. | % holding in the class | No. | % holding in the class |
| **For Equity shares:** | | | | | | | | |
| DBS Bank Limited | - | - | - | - | - | - | 24,888,473 | 37.48 |
| Tube Investments of India Limited | 72,233,019 | 54.49 | 72,233,019 | 54.49 | 72,233,019 | 60.56 | 20,542,448 | 30.93 |
| International Finance corporation | 11,831,352 | 8.93 | 11,831,352 | 8.93 | 11,831,352 | 9.92 | - | - |
| New Ambadi Estates Private Limited | 7,218,410 | 5.45 | 7,218,410 | 5.45 | 7,218,410 | 6.05 | - | - |
| **For Preference shares:** | | | | | | | | |
| DBS Bank Limited | - | - | - | - | - | - | 150,000,000 | 50.00 |
| Tube Investments of India Limited | - | - | - | - | - | - | 150,000,000 | 50.00 |

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

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

i) Refer Note 37 for details of shares reserved for issue under the Employees Stock option Scheme

ii) The Company had issued and allotted 30,000,000 1% Fully Convertible Cumulative Preference Shares (FCCPS) of Rs 100 each at Par aggregating to Rs 30,000 lakhs on March 13, 2009 to the existing promoters of the Company on a preferential basis. The FCCPS are convertible into Equity Shares of Rs. 10 each for cash within a period of 18 months from the date of issue and have been fully converted on May 17, 2010 into 3,26,08,695 Equity shares.

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₹ 'million

| Note : 4 RESERVES AND SURPLUS | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| **Capital Reserve** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Capital Redemption Reserve (Note 4.1)** | **330.00** | **330.00** | **330.00** | **330.00** |
| **Securities Premium Account** | | | | |
| Balance at the beginning of the year | 8,777.97 | 6,821.11 | 1,889.36 | 1,889.36 |
| Add: Premium on issue of shares on preferential basis (Note 4.2) | - | 1,988.32 | 2,299.55 | - |
| Premium on conversion of Preference shares | - | - | 2,673.91 | - |
| Premium on ESOPs exercised | 0.47 | 0.56 | - | - |
| Less: Share issue expenses | - | (32.02) | (41.71) | - |
| **Closing balance** | **8,778.44** | **8,777.97** | **6,821.11** | **1,889.36** |
| **Statutory Reserve (Note 4.3)** | | | | |
| Balance at the beginning of the year | 1,259.38 | 914.28 | 789.88 | 758.98 |
| Add: Amount transferred from surplus in the statement of profit and loss | - | 345.10 | 124.40 | 30.90 |
| **Closing balance** | **1,259.38** | **1,259.38** | **914.28** | **789.88** |
| **General Reserve** | | | | |
| Balance at the beginning of the year | 1,642.61 | 642.61 | 611.51 | 611.51 |
| Add: Amount transferred from surplus in the statement of profit and loss | - | 1,000.00 | 31.10 | - |
| **Closing balance** | **1,642.61** | **1,642.61** | **642.61** | **611.51** |
| **Surplus in the statement of Profit and loss** | | | | |
| Balance at the beginning of the year | 836.69 | 818.41 | 564.58 | 555.54 |
| Profit for the year | 1,393.49 | 1,725.42 | 621.79 | 154.18 |
| Less: | | | | |
| Dividend | | | | |
| Equity for previous year | (0.00) | (0.01) | - | - |
| Equity Interim | - | (178.95) | - | - |
| Equity Proposed | - | (132.55) | (178.93) | (66.41) |
| Preference Proposed | - | - | (3.86) | (31.56) |
| Distribution tax on Equity Dividend | (0.00) | (50.53) | (29.03) | (11.03) |
| Distribution tax on Preference Dividend | - | - | (0.64) | (5.24) |
| Transfer to Statutory Reserve | - | (345.10) | (124.40) | (30.90) |
| Transfer to General Reserve | - | (1,000.00) | (31.10) | - |
| **Net surplus in the statement of profit and loss** | **2,230.18** | **836.69** | **818.41** | **564.58** |
| **Total Reserves and surplus** | **14,240.61** | **12,846.65** | **9,526.41** | **4,185.33** |

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

4.2 Premium on allotment of shares on preferential basis :

| No of equity shares | Premium per share | | | | |
|---|---|---|---|---|---|
| 13,255,454 | 150.00 | - | 1,988.32 | - | - |
| 10,893,852 | 82.00 | - | - | 893.30 | - |
| 9,375,000 | 150.00 | - | - | 1,406.25 | - |
| | | **-** | **1,988.32** | **2,299.55** | **-** |

4.3 Represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934. As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profits of the Company every year. This being a year-end requirement, no such transfer has been considered in the interim financial statements for the period from 1 April 2012 to 30 September 2012. The required transfer to reserve fund will be made in the annual financial statements for the year ending 31 March 2013, based on the net profit of the Company for the financial year 2012-2013

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₹ 'million

**Note : 5 BORROWINGS**

| | Non - Current | | | | Current | | | |
|---|---|---|---|---|---|---|---|---|
| | **As At 30.09.2012** | **As At 31.03.2012** | **As At 31.03.2011** | **As At 31.03.2010** | **As At 30.09.2012** | **As At 31.03.2012** | **As At 31.03.2011** | **As At 31.03.2010** |
| **LONG TERM** | | | | | | | | |
| Redeemable Non-Convertible Debentures | | | | | | | | |
| Medium Term - Secured -Refer Note 5.1 (i) | 15,777.00 | 16,079.00 | 7,000.00 | 2,800.00 | 11,532.00 | 9,350.00 | 3,000.00 | 2,000.00 |
| Subordinated Debt - Unsecured | 8,930.00 | 7,780.00 | 7,030.00 | 5,415.00 | 1,300.00 | 1,500.00 | - | - |
| Perpetual Debt - Unsecured | 6,507.00 | 5,077.00 | 1,500.00 | - | - | - | - | - |
| Term Loan | | | | | | | | |
| Rupee Loans from Banks - Secured -Refer Note 5.1 (ii) | 39,833.40 | 41,083.40 | 37,566.65 | 13,975.55 | 16,333.30 | 13,983.30 | 8,783.35 | 8,037.50 |
| Foreign currency Loans from Banks - Secured -Refer Note 5.1(ii) | 1,585.50 | 1,526.10 | 3,058.51 | 2,035.01 | 754.07 | 2,581.70 | 883.95 | 1,017.51 |
| | 72,632.90 | 71,545.50 | 56,155.16 | 24,225.56 | 29,919.37 | 27,415.00 | 12,667.30 | 11,055.01 |
| The above amount includes | | | | | | | | |
| Secured borrowings | 57,195.90 | 58,688.50 | 47,625.16 | 18,810.56 | 28,619.37 | 25,915.00 | 12,667.30 | 11,055.01 |
| Unsecured borrowings | 15,437.00 | 12,857.00 | 8,530.00 | 5,415.00 | 1,300.00 | 1,500.00 | - | - |
| Amount disclosed under the head "Other Current Liabilities" | | | | | (29,919.37) | (27,415.00) | (12,667.30) | (11,055.01) |
| | **72,632.90** | **71,545.50** | **56,155.16** | **24,225.56** | **-** | **-** | **-** | **-** |
| **SHORT TERM** | | | | | | | | |
| Term Loan | | | | | | | | |
| Rupee Loans from Banks - Secured -Refer Note 5.1 (ii) | | | | | - | - | - | 1,062.50 |
| - Unsecured | | | | | - | - | - | 250.00 |
| Working Capital Demand loans and Cash Credit from Banks - Secured (Refer Note 5.1 (iii)) | - | - | - | - | 17,195.98 | 13,130.63 | 4,866.61 | 7,654.97 |
| - Unsecured | - | - | - | - | 500.00 | - | - | - |
| Commercial Paper - Unsecured | - | - | - | - | 19,320.50 | 2,350.00 | 5,800.00 | 9,900.00 |
| Inter-corporate Deposit - Unsecured from subsidiaries | | | | | 102.70 | | | |
| | - | - | - | - | 37,119.18 | 15,480.63 | 10,666.61 | 18,867.47 |
| The above amount includes | | | | | | | | |
| Secured borrowings | - | - | - | | 17,195.98 | 13,130.63 | 4,866.61 | 8,717.47 |
| Unsecured borrowings | - | - | - | | 19,923.20 | 2,350.00 | 5,800.00 | 10,150.00 |
| | **-** | **-** | **-** | **-** | **37,119.18** | **15,480.63** | **10,666.61** | **18,867.47** |

**5.1 Security**

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

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

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

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| Note : 6 OTHER LONG TERM LIABILITIES | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| Advances from customers | 10.47 | 7.92 | 6.63 | 4.72 |
| Interest Accrued but Not Due on Loans | 387.32 | 167.94 | - | - |
| Financial liabilities on derivative transactions | - | - | 281.94 | 285.55 |
| Deferred Rent | 18.67 | 17.83 | 7.22 | 9.13 |
| | **416.46** | **193.69** | **295.79** | **299.40** |

₹ 'million

**Note : 7 PROVISIONS**

| | Long term | | | | Short term | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
| **Provision for Employee Benefits** | | | | | | | | |
| - Compensated Absences | - | - | - | - | 99.72 | 74.96 | 62.63 | 45.52 |
| - Gratuity | - | - | - | - | 16.48 | - | - | - |
| | - | - | - | - | 116.20 | 74.96 | 62.63 | 45.52 |
| **Other provisions** | | | | | | | | |
| Provision for Standard Assets | 249.08 | 207.55 | 134.81 | - | 172.47 | 131.19 | 374.90 | 300.00 |
| Provision for Non performing Assets | 222.42 | 253.17 | 113.63 | 227.91 | 597.46 | 553.50 | 2,275.14 | 3,070.44 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 75.34 | 68.77 | 253.35 | 189.07 | 11.77 | 25.12 | 99.33 | 281.91 |
| Provisions for Mark to Market Losses on Derivatives | - | - | - | - | - | 145.62 | 115.97 | 89.87 |
| Contingent Service Tax claims | - | - | - | - | 79.24 | 73.56 | 6.93 | 6.93 |
| Proposed Dividend - Equity | - | - | - | - | - | 132.55 | 178.93 | 97.97 |
| Provision for Distribution tax on proposed Dividend - Equity | - | - | - | - | - | 21.50 | 29.03 | 16.27 |
| | 546.84 | 529.49 | 501.79 | 416.98 | 860.94 | 1,083.04 | 3,080.23 | 3,863.39 |
| | **546.84** | **529.49** | **501.79** | **416.98** | **977.14** | **1,158.00** | **3,142.86** | **3,908.91** |

₹ 'million

| Note : 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| **Trade payables** | | | | |
| - Outstanding dues to Micro Enterprises & Small enterprises (Refer Note 28 for details of dues) | - | 0.37 | 0.64 | 0.77 |
| - Others | 943.28 | 894.80 | 556.05 | 371.73 |
| | **943.28** | **895.17** | **556.69** | **372.50** |
| **Other current liabilities** | | | | |
| Current maturities of long term debt | 29,919.37 | 27,415.00 | 12,667.30 | 11,055.01 |
| Interest Accrued but Not Due on Loans / Other Deposits | 1,864.06 | 1,881.93 | 1,173.66 | 845.59 |
| Income received in advance | - | 1.41 | - | - |
| Unclaimed Dividend (Refer Note 8.1) | 2.75 | 3.35 | 3.33 | 3.81 |
| Fixed Deposits including interest accrued thereon - Matured and unclaimed (Refer Note 8.2 & 8.3) | 4.78 | 5.37 | 6.74 | 9.28 |
| Advances from customers/others | 157.29 | 188.21 | 162.81 | 153.87 |
| Security Deposit received | 31.40 | 28.21 | 23.91 | 16.43 |
| Dues to : | | | | |
| - Assignees/investors towards collections in derecognised assets (Refer Note 16.1) | 740.62 | 671.21 | 625.61 | 1,290.30 |
| - Insurance companies towards premium collected from customers | 84.86 | 66.87 | 50.45 | 12.49 |
| - Statutory authorities | 28.08 | 33.90 | 20.19 | 23.45 |
| Financial liabilities on derivative transactions | - | - | - | 18.60 |
| Other liabilities * | 51.93 | 35.09 | 9.50 | 21.38 |
| | **32,885.14** | **30,330.55** | **14,743.50** | **13,450.21** |
| * Other liabilities include dues to subsidiary | | | | |
| - Cholamandalam Securities Limited | - | 0.23 | - | - |
| - Cholamandalam Distribution services Limited | - | - | 0.31 | - |

8.1 There are no amounts of Unclaimed Dividend due and outstanding to be credited to Investor Education and Protection Fund (IEPF)
8.2 There are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for ₹ 0.19 million, the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to ₹ 0.01 million payments have not been made as per instructions received from Central Bureau of Investigation .
8.3 Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of ₹ 8.88 million (September 30, 2012), ₹ 8.52 million (March 31, 2012), ₹ 9.73 million (March 31, 2011), ₹ 13.40 million (March 31, 2010) in an Escrow Account, as directed by the RBI. Also refer Note 16.

**Note 9 : FIXED ASSETS**

| Description | Gross Block | | | | Depreciation and amortisation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2012 | Additions | Deletions | Cost as at 30.09.2012 | Upto 31.03.2012 | Provided | Withdrawn | Upto 30.09.2012 | 30.09.2012 | 31.03.2012 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | 46.42 | - | | 46.42 | - | - | | - | 46.42 | 46.42 |
| Buildings (Note below) | 342.49 | - | | 342.49 | 38.50 | 8.55 | | 47.05 | 295.44 | 303.99 |
| Plant and Machinery | 162.16 | 27.87 | | 190.03 | 114.70 | 20.01 | | 134.71 | 55.32 | 47.46 |
| Office Equipment | 54.87 | 23.25 | 0.05 | 78.07 | 30.99 | 14.35 | 0.02 | 45.32 | 32.75 | 23.88 |
| Furniture and Fixtures | 51.71 | 33.75 | | 85.46 | 36.01 | 12.05 | | 48.06 | 37.40 | 15.70 |
| Leasehold improvements | 59.62 | 30.23 | | 89.85 | 33.67 | 10.29 | | 43.96 | 45.89 | 25.94 |
| Vehicles | 41.11 | 11.74 | 2.23 | 50.62 | 9.96 | 4.38 | 1.61 | 12.73 | 37.89 | 31.15 |
| **Total** | **758.38** | **126.84** | **2.28** | **882.94** | **263.83** | **69.63** | **1.63** | **331.83** | **551.11** | **494.54** |
| **Intangible Asset** | | | | | | | | | | |
| - Computer Software | 225.56 | 19.02 | - | 244.58 | 188.47 | 13.39 | - | 201.86 | 42.72 | 37.09 |
| **Total** | **225.56** | **19.02** | **-** | **244.58** | **188.47** | **13.39** | **-** | **201.86** | **42.72** | **37.09** |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

₹ 'million

| Description | Gross Block | | | | Depreciation and amortisation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2011 | Additions | Deletions | Cost as at 31.03.2012 | Upto 31.03.2011 | Provided | Withdrawn | Upto 31.03.2012 | 31.03.2012 | 31.03.2011 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | - | 46.42 | - | 46.42 | - | - | - | - | 46.42 | - |
| Buildings (Note below) | 296.26 | 46.23 | - | 342.49 | 22.81 | 15.69 | - | 38.50 | 303.99 | 273.45 |
| Plant and Machinery | 108.47 | 53.78 | 0.09 | 162.16 | 102.40 | 12.34 | 0.04 | 114.70 | 47.46 | 6.07 |
| Office Equipment | 24.67 | 30.35 | 0.15 | 54.87 | 16.87 | 14.24 | 0.12 | 30.99 | 23.88 | 7.80 |
| Furniture and Fixtures | 24.98 | 26.88 | 0.15 | 51.71 | 23.71 | 12.43 | 0.13 | 36.01 | 15.70 | 1.27 |
| Leasehold improvements | 30.90 | 29.61 | 0.89 | 59.62 | 25.51 | 8.82 | 0.66 | 33.67 | 25.95 | 5.39 |
| Vehicles | 26.69 | 21.97 | 7.55 | 41.11 | 8.81 | 6.80 | 5.65 | 9.96 | 31.15 | 17.88 |
| **Total** | **511.97** | **255.24** | **8.83** | **758.38** | **200.11** | **70.32** | **6.60** | **263.83** | **494.55** | **311.86** |
| **Intangible Asset** | | | | | | | | | | |
| - Computer Software | 189.64 | 35.92 | - | 225.56 | 169.76 | 18.71 | - | 188.47 | 37.09 | 19.88 |
| **Total** | **189.64** | **35.92** | **-** | **225.56** | **169.76** | **18.71** | **-** | **188.47** | **37.09** | **19.88** |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

₹ 'million

| Description | Gross Block | | | | Depreciation and amortisation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2010 | Additions | Deletions | Cost as at 31.03.2011 | Upto 31.03.2010 | Provided | Withdrawn | Upto 31.03.2011 | 31.03.2011 | 31.03.2010 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | - | - | - | - | - | - | - | - | - | - |
| Buildings (Note below) | 32.70 | 263.56 | - | 296.26 | 18.99 | 3.82 | - | 22.81 | 273.45 | 13.71 |
| Plant and Machinery | 253.70 | 8.91 | 154.14 | 108.47 | 223.49 | 15.05 | 136.14 | 102.40 | 6.07 | 30.21 |
| Office Equipment | 41.90 | 6.74 | 23.97 | 24.67 | 27.89 | 4.50 | 15.52 | 16.87 | 7.80 | 14.01 |
| Furniture and Fixtures | 48.51 | 0.79 | 24.32 | 24.98 | 39.23 | 2.75 | 18.27 | 23.71 | 1.27 | 9.28 |
| Leasehold improvements | 94.80 | 1.74 | 65.64 | 30.90 | 62.90 | 7.61 | 45.00 | 25.51 | 5.39 | 31.90 |
| Vehicles | 19.89 | 13.65 | 6.85 | 26.69 | 7.49 | 5.13 | 3.81 | 8.81 | 17.88 | 12.40 |
| **Total** | **491.50** | **295.39** | **274.92** | **511.97** | **379.99** | **38.86** | **218.74** | **200.11** | **311.86** | **111.51** |
| **Intangible Asset** | | | | | | | | | | |
| - Computer Software | 149.51 | 40.13 | - | 189.64 | 123.48 | 46.28 | - | 169.76 | 19.88 | 26.03 |
| **Total** | **149.51** | **40.13** | **-** | **189.64** | **123.48** | **46.28** | **-** | **169.76** | **19.88** | **26.03** |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

₹ 'million

| Description | Gross Block | | | | Depreciation and amortisation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2009 | Additions | Deletions | Cost as at 31.03.2010 | Upto 31.03.2009 | Provided | Withdrawn | Upto 31.03.2010 | 31.03.2010 | 31.03.2009 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | 3.11 | - | 3.11 | - | - | - | - | - | - | 3.11 |
| Buildings (Note below) | 117.39 | - | 84.69 | 32.70 | 30.41 | 5.83 | 17.25 | 18.99 | 13.71 | 86.98 |
| Plant and Machinery | 273.64 | 1.23 | 21.17 | 253.70 | 190.79 | 52.97 | 20.27 | 223.49 | 30.21 | 82.86 |
| Office Equipment | 47.73 | 1.59 | 7.42 | 41.90 | 22.39 | 10.59 | 5.09 | 27.89 | 14.01 | 25.34 |
| Furniture and Fixtures | 69.74 | 0.53 | 21.76 | 48.51 | 47.44 | 9.05 | 17.26 | 39.23 | 9.28 | 22.30 |
| Leasehold improvements | 109.24 | 2.79 | 17.23 | 94.80 | 57.02 | 17.90 | 12.02 | 62.90 | 31.90 | 52.23 |
| Vehicles | 29.63 | 7.17 | 16.91 | 19.89 | 10.37 | 3.60 | 6.48 | 7.49 | 12.40 | 19.26 |
| **Total** | **650.48** | **13.31** | **172.29** | **491.50** | **358.42** | **99.94** | **78.37** | **379.99** | **111.51** | **292.07** |
| **Intangible Asset** | | | | | | | | | | |
| - Computer Software | 117.08 | 32.74 | 0.31 | 149.51 | 70.74 | 52.90 | 0.16 | 123.48 | 26.03 | 46.34 |
| **Total** | **117.08** | **32.74** | **0.31** | **149.51** | **70.74** | **52.90** | **0.16** | **123.48** | **26.03** | **46.34** |

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

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Notes forming part of the financial statements

₹ 'million

| **Note : 10 NON CURRENT INVESTMENTS (valued at cost unless stated otherwise)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| **Trade Investments - Unquoted** | | | | |
| Investment in Equity shares of subsidiaries | | | | |
| Cholamandalam Distribution Services Limited | | | | |
| 4,24,00,000 Equity shares of ₹ 10 each fully paid up | 424.00 | 424.00 | 424.00 | 424.00 |
| Cholamandalam Securities Limited | 205.00 | 205.00 | 205.00 | 205.00 |
| 2,05,00,014 Equity shares of ₹ 10 each fully paid up | | | | |
| Cholamandalam Factoring Limited | 809.54 | 809.54 | 209.54 | 9.54 |
| 8,03,62,779 Equity shares of ₹ 10 each fully paid up | | | | |
| (as at March, 2012 - 8,03,62,779; 2011 - 2,03,62,779; | | | | |
| 2010 - 362,779) | | | | |
| | 1,438.54 | 1,438.54 | 838.54 | 638.54 |
| Less: Provision for diminution in the value of investment | (864.04) | (874.54) | (209.54) | - |
| Total (a) | 574.50 | 564.00 | 629.00 | 638.54 |
| **Non Trade Investments** | | | | |
| Investment in Government Securities - **Quoted** | | | | |
| Government of India Stock : 7.40% - 2012 (Face Value ₹ 400 lakhs) | - | - | 46.03 | 46.03 |
| Less: Amortisation of premium on acquisition | - | - | (5.22) | (4.48) |
| | - | - | 40.81 | 41.55 |
| Investment in Equity shares - **Unquoted** | | | | |
| Amaravathi Sri Venkatesa Paper Mills Ltd. | 12.90 | 12.90 | 12.90 | 12.90 |
| 293,272 Equity shares of ₹ 10 each fully paid up | | | | |
| Saraswat Co-operative Bank Ltd. | | | | |
| 1,000 Equity shares of ₹ 10 each fully paid up | 0.01 | 0.01 | 0.01 | 0.01 |
| The Shamrao Vithal Co-operative Bank Ltd. | | | | |
| 1,000 Equity shares of ₹ 25 each fully paid up | 0.03 | 0.03 | 0.03 | 0.03 |
| Investment in other shares - **Unquoted** | | | | |
| Abhishek Co-operative Housing Society | | | | |
| 5 shares of ₹ 50 each : Cost ₹ 250 only | 0 | 0 | 0 | 0 |
| Chennai Willingdon Corporate Foundation | | | | |
| 5 shares of ₹ 10 each : Cost ₹ 50 only | 0 | 0 | 0 | 0 |
| Total (b) | 12.94 | 12.94 | 12.94 | 12.94 |
| **Total Non current Investments (a + b)** | **587.44** | **576.94** | **682.75** | **693.03** |
| Aggregate Value of Quoted Investments - At Cost | | - | 46.04 | 46.04 |
| - At Market Value | | - | 39.95 | 40.96 |
| Aggregate Value of Unquoted Investments - At Cost | 1,451.48 | 1,451.48 | 851.48 | 651.48 |
| Aggregate provision for diminution in the value of investments | 864.04 | 874.54 | 209.54 | - |

₹ 'million

| **Note 11 DEFERRED TAX ASSET (net)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| **Deferred Tax Asset** | | | | |
| Provision for Standard Assets | 136.77 | 109.91 | 165.37 | 99.65 |
| Provision for Non-Performing Assets | 266.01 | 261.72 | 775.04 | 1,095.63 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 28.26 | 30.46 | 114.43 | 156.45 |
| Provision for Repossessed Stock | 47.37 | 30.78 | 33.12 | 27.59 |
| Provision for Doubtful advances | 25.71 | - | 9.86 | - |
| Income Derecognised on Non Performing Assets | 65.44 | 196.38 | 279.08 | 200.53 |
| Provision for dimunition in value of investment | - | 0.48 | 0.24 | - |
| Provisions for mark to market losses on derivatives | - | 47.25 | 37.63 | - |
| Provision for compensated absences | 32.35 | 24.32 | 20.32 | - |
| Difference between Depreciation as per Books of Account and the Income Tax Act, 1961. | 16.38 | 7.23 | 4.66 | 19.48 |
| Others | 6.35 | 5.85 | 4.55 | 50.77 |
| **(A)** | **624.64** | **714.38** | **1,444.30** | **1,650.10** |
| **Deferred Tax Liability** | | | | |
| Unamortised Prepaid Finance Charges | 206.85 | 203.08 | 138.31 | 100.84 |
| **(B)** | **206.85** | **203.08** | **138.31** | **100.84** |
| **Net Deferred Tax Asset (A) - (B)** | **417.79** | **511.30** | **1,305.99** | **1,549.26** |
| **Movement in Net Deferred Tax Asset during the period/year** | **(93.51)** | **(794.69)** | **(243.27)** | **47.83** |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

**Note : 12 RECEIVABLES UNDER FINANCING ACTIVITY**

| | Non - Current | | | | Current | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Secured** | | | | | | | | |
| Automobile Financing | 65,861.52 | 54,359.27 | 33,948.28 | 17,891.36 | 41,713.66 | 32,748.00 | 22,524.26 | 12,683.66 |
| Loans against Immovable Property | 33,852.42 | 27,856.31 | 17,320.78 | 12,278.50 | 2,280.86 | 2,053.12 | 1,467.93 | 1,109.91 |
| Loans against Securities | 478.40 | 966.78 | 2,823.77 | 3,625.29 | 1,385.85 | 2,392.25 | 4,039.16 | 463.51 |
| Loans against Gold (Refer Note 12.6) | - | - | - | - | 351.74 | 413.13 | - | - |
| Other Loans | - | 230.00 | 20.00 | - | - | - | - | 45.00 |
| Instalments and Other Dues from Borrowers (Refer Note 12.3 & 12.4) | | | | | 1,764.15 | 1,210.86 | 950.72 | 1,199.45 |
| Total (a) | 100,192.34 | 83,412.36 | 54,112.83 | 33,795.15 | 47,496.26 | 38,817.36 | 28,982.07 | 15,501.53 |
| **Unsecured** (Refer Note 12.2) | | | | | | | | |
| Consumer Loans | 7.52 | 16.63 | 79.79 | 614.44 | 22.95 | 76.18 | 597.51 | 2,041.72 |
| Other Loans | - | - | - | - | 834.18 | 822.04 | 421.57 | 211.54 |
| Instalments and Other Dues from Borrowers (Refer Note 12.3 & 12.5) | - | - | - | - | 137.50 | 154.45 | 1,808.86 | 2,497.60 |
| Total (b) | 7.52 | 16.63 | 79.79 | 614.44 | 994.63 | 1,052.67 | 2,827.94 | 4,750.86 |
| **Total receivables under financing activity (a) + (b)** | **100,199.86** | **83,428.99** | **54,192.62** | **34,409.59** | **48,490.89** | **39,870.03** | **31,810.01** | **20,252.39** |

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

12.2 Refer Note 7 for Provision for Non Performing Assets. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 12.3 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment of Receivables. | | | | | 140.91 | 92.78 | 309.76 | 1,182.61 |
| 12.4 Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months | | | | | 453.00 | 429.21 | 259.92 | 331.98 |
| 12.5 Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months | | | | | 152.14 | 132.25 | 1,664.53 | 1,908.81 |
| Of the above: | | | | | | | | |
| Considered Good | 98,976.65 | 82,964.03 | 53,921.98 | 33,784.89 | 47,922.95 | 39,158.89 | 29,353.30 | 16,378.02 |
| Others - Non Performing Assets | 1,223.21 | 464.96 | 270.64 | 624.70 | 567.94 | 711.14 | 2,456.71 | 3,874.37 |
| | 100,199.86 | 83,428.99 | 54,192.62 | 34,409.59 | 48,490.89 | 39,870.03 | 31,810.01 | 20,252.39 |
| 12.6 Percentage of Loans against Gold to Total Assets | - | - | | | 0.22% | 0.31% | - | - |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note :13 LOANS AND ADVANCES** | **Long Term** | | | | **Short Term** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Unsecured - considered good (unless otherwise stated)** | | | | | | | | |
| Capital Advances | 53.77 | 36.47 | 18.32 | 0.28 | - | - | - | - |
| Security Deposits | 103.78 | 81.36 | 61.05 | 61.33 | 27.38 | 35.30 | 30.56 | 43.15 |
| Deposits placed towards cash collateral for assets de-recognised | - | - | - | - | - | - | 376.56 | 689.38 |
| Inter corporate Deposit placed with subsidiary - Cholamandalam Factoring Limited (considered Doubtful) | - | - | - | - | - | - | 30.40 | 37.70 |
| Less: Provision | - | - | - | - | - | - | (30.40) | - |
| Prepaid expenses | 1.70 | 1.73 | 1.57 | 15.15 | 52.73 | 37.47 | 32.24 | 1.27 |
| Service tax input credit | - | - | 179.47 | 115.92 | 123.88 | 203.22 | 112.50 | 160.50 |
| Advance tax (net of provision for tax) | 383.69 | 329.08 | 323.90 | 98.07 | - | - | - | - |
| Other advances | - | - | - | - | 27.53 | 28.98 | 39.66 | 35.06 |
| | **542.94** | **448.64** | **584.31** | **290.75** | **231.52** | **304.97** | **591.52** | **967.06** |
| * Other advances includes dues from subsidiary company | | | | | | | | |
| Cholamandalam Securities Limited | - | - | - | - | 0.43 | - | 0.18 | - |
| Cholamandalam Distribution Services Limited | - | - | - | - | 0.61 | - | - | - |
| Cholamandalam Factoring Limited | - | - | - | - | - | - | - | 2.21 |

₹ 'million

| **Note : 14 OTHER ASSETS** | **Non current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Unsecured - considered good (unless otherwise stated)** | | | | | | | | |
| Excess Interest spread - Derecognised assets | 574.00 | 579.10 | 749.36 | 232.99 | 77.08 | 167.97 | 129.88 | 77.80 |
| Prepaid Finance Charges | 485.82 | 482.93 | 296.22 | 183.18 | 151.72 | 143.00 | 130.08 | 120.41 |
| Prepaid Discount on Commercial paper | - | - | - | - | 631.32 | 49.65 | 36.20 | 212.41 |
| Reposessed Automobile assets | - | - | - | - | 74.90 | 19.46 | 43.51 | 76.44 |
| Interest and Other Income Accrued but Not Due | | | | - | | | | |
| - on Loans to Borrowers | - | - | - | - | 1,703.08 | 1,370.47 | 858.53 | 560.02 |
| - on Deposits and Investments | - | - | - | - | 86.22 | 366.58 | 522.48 | 625.81 |
| Financial assets on derivative transactions | 203.64 | 155.32 | - | - | 92.57 | 151.25 | - | - |
| Other Accruals and receivables | - | - | - | - | 69.62 | 93.89 | 54.95 | 50.84 |
| | **1,263.46** | **1,217.35** | **1,045.58** | **416.17** | **2,886.51** | **2,362.27** | **1,775.63** | **1,723.73** |

₹ 'million

| **Note : 15 CURRENT INVESTMENTS (valued at lower of cost and fair value, unless stated otherwise - Non Trade)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| Investment in Government Securities - **Quoted** | | | | |
| Government of India Stock : 7.40% - 2012 (Face Value ₹ 400 lakhs) | - | 46.04 | - | - |
| Less: Amortisation of premium on acquisition | - | (5.97) | - | - |
| | - | 40.07 | - | - |
| Invsetments in Mutual Funds - **Unquoted** | | | | |
| L072SG SBI Premier Liquid Fund - Super Institutional- Growth<br>1,41,507 units of Face value ₹ 10 each | 250.00 | - | - | - |
| Birla Sun Life Cash Plus - Instl. Prem. - Growth<br>27,77,896 units of Face value ₹ 10 each | 500.00 | - | - | - |
| Peerless Liquid Fund Super IP Growth<br>3,66,27,651 units of Face value ₹ 10 each | 450.00 | - | - | - |
| Kotak Floater ST Growth<br>2,71,63,579 units of Face value ₹ 10 each | 500.00 | - | - | - |
| L & T Freedom Income - STP - Inst- Cum- Original<br>6,74,44,807 units of Face value ₹ 10 each | - | - | - | 1,000.17 |
| Baroda Pioneer Treasury Advantage Fund<br>2,41,05,152 units of Face value ₹ 10 each | - | - | - | 250.04 |
| LIC Mutual Fund Savings Plus Fund<br>1,70,81,608 units of Face value ₹ 10 each | - | - | - | 250.02 |
| | **1,700.00** | **40.07** | **-** | **1,500.23** |
| Aggregate Value of Quoted Investments - At Cost | | 46.04 | - | - |
| - At Market Value | | 39.95 | - | - |
| Aggregate Value of Unquoted Investments - At Cost | 1,700.00 | - | - | 1,500.23 |

₹ 'million

| Note : 16 CASH AND CASH EQUIVALENTS | | | Current | |
|---|---|---|---|---|
| | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
| Cash on hand | 85.53 | 208.94 | 103.03 | 104.20 |
| Cheques, drafts on hand | 27.20 | 77.89 | 113.43 | 98.54 |
| Balances with banks | | | | |
| - In Current Accounts (Refer Note 16.1) | 1,294.78 | 1,074.67 | 300.73 | 1,368.18 |
| - In Deposit Accounts (Refer Note 16.2) | 173.13 | 499.78 | 780.41 | 4.32 |
| - In earmarked accounts | | | | |
| - In Unpaid Dividend Accounts | 2.75 | 3.35 | 3.33 | 3.81 |
| - Deposits as collateral towards assets de recognised (Refer Note 16.3) | 2,581.27 | 3,140.53 | 3,151.76 | 5,858.87 |
| - Public deposit Escrow Account (Refer Note 8.3) | 8.88 | 8.52 | 9.73 | 13.40 |
| | **4,173.54** | **5,013.68** | **4,462.42** | **7,451.32** |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS3 cash flow statements is | 1,407.51 | 1,361.50 | 517.19 | 1,570.92 |

16.1 Balances with Banks on Current Account include amounts collected in respect of assets de-recognised on account of Assignment of Receivables pending remittance to the assignees. Refer Note 8

| | | | | |
|---|---|---|---|---|
| 16.2 Balance on Deposit Accounts - Free of lien includes deposits which have an original maturity of more than 12 months | 170.11 | 499.78 | 418.26 | 1.55 |
| 16.3 Balance on Deposits given as collateral includes deposits which have a maturity of more than 12 months from the Balance Sheet date | 2,304.66 | 2,429.68 | 2,774.63 | 1,869.46 |

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₹ 'million

| **Note : 17 REVENUE FROM OPERATIONS** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| (a) Income from Financing activity | | | | |
| i) Interest | | | | |
| -Automobile Financing | 7460.49 | 10,756.36 | 6,705.17 | 3,984.59 |
| -Loans against Immovable Property | 2214.88 | 3,148.94 | 1,926.16 | 1,253.27 |
| -Loans against Securities | 184.54 | 873.80 | 598.08 | 340.69 |
| -Loans against Gold | 42.16 | 15.46 | - | - |
| -Consumer Loans | | - | - | 1,132.76 |
| -Other Loans | 54.46 | 80.09 | 45.15 | 90.98 |
| -Interest spread on assignment/securitisation (Refer Note 2) | 201.01 | 288.04 | 535.12 | 663.07 |
| ii) Other Operating Revenue | | | | |
| -Automobile Financing | 911.81 | 1,692.82 | 1,269.93 | 797.66 |
| -Loans against Immovable Property | 148.57 | 265.38 | 279.53 | 207.34 |
| -Loans against Securities | 5.07 | 19.80 | 18.40 | 29.21 |
| -Loans against Gold | 0.21 | 0.23 | - | - |
| -Consumer Loans | 7.20 | 11.35 | - | 87.22 |
| -Other Loans | 0.03 | 0.62 | - | 0.71 |
| (b) Interest on deposits placed as collateral towards assets derecognised | 152.50 | 289.19 | 349.29 | 450.93 |
| (c) Profit on sale of investments - Current Investment | 120.86 | 104.77 | 70.62 | 174.15 |
| - Long term Investment | | - | - | 0.50 |
| (d) Income from Non Financing activity | 120.48 | 106.97 | 69.47 | 28.10 |
| | **11,624.27** | **17,653.82** | **11,866.92** | **9,241.18** |

₹ 'million

| **Note : 18 OTHER INCOME** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Interest Income | | | | |
| on Deposits | 0.78 | 5.55 | 9.41 | 50.58 |
| on Investments - Non current , Non Trade & Quoted | 0.26 | 2.96 | 3.03 | 2.96 |
| on Income tax refund | 4.04 | 2.05 | - | - |
| | - | | | |
| Dividend Income from long term investments | 0.00 | - | 0.15 | 0.47 |
| Other Non-operating Income | | | | |
| Rent | 1.32 | 1.62 | - | - |
| Profit on sale of Fixed assets | - | 0.04 | 112.73 | - |
| Miscellaneous Income * | 11.58 | 216.08 | 26.07 | - |
| | **17.98** | **228.30** | **151.39** | **54.01** |
| * Gain on Premature Redemption of Commercial Paper included in Miscellaneous Income | - | - | 19.04 | - |
| * Includes reversal of provision on dimunition in the value of investment in subsidiary | 10.50 | - | - | - |
| * Includes reversal of provision for credit enhancement on consumer loan assets derecognised | - | 216.07 | - | - |

₹ 'million

| **Note : 19 FINANCE COSTS** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Interest Expense | | | | |
| - Debentures | 2,366.10 | 3,199.78 | 1,721.06 | 1,518.62 |
| - Bank Loans | 3,408.19 | 5,438.04 | 2,790.41 | 1,931.47 |
| - Fixed Deposit | - | - | - | 1.17 |
| - Intercorporate Deposit | 2.08 | - | 7.78 | - |
| Discount /loss on issue on redemption of Commercial Papers | 625.09 | 871.44 | 815.09 | 1,017.27 |
| Others | - | | | |
| - Amortisation of ancillary borrowing costs | 133.91 | 316.11 | 309.37 | 372.00 |
| - Amortisation of premium on Forward contracts | 11.08 | 14.78 | - | 69.19 |
| - Bank charges | 24.38 | 41.67 | 38.80 | 39.12 |
| | **6,570.83** | **9,881.82** | **5,682.51** | **4,948.84** |

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₹ 'million

| **Note : 20 EMPLOYEE BENEFIT EXPENSE** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Salaries, Bonus and Commission | 612.26 | 1,002.23 | 827.71 | 707.09 |
| Contribution to Provident and Other Funds | 41.29 | 47.67 | 37.36 | 27.42 |
| Staff Welfare Expenses | 36.63 | 53.82 | 31.84 | 30.81 |
| | **690.18** | **1,103.72** | **896.91** | **765.32** |

₹ 'million

| **Note : 21 OTHER OPERATING EXPENSES** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Rent (Refer Note 21.1) | 129.30 | 189.85 | 152.75 | 145.81 |
| Electricity Charges | 23.74 | 37.57 | 22.34 | 26.91 |
| Rates and Taxes (Refer Note 21.2) | 89.25 | 204.91 | 8.27 | 4.59 |
| Communication Cost | 48.62 | 70.71 | 60.70 | 59.91 |
| Traveling and Conveyance | 93.86 | 125.45 | 61.57 | 75.14 |
| Advertisement Expenses | 19.53 | 74.81 | 35.53 | 2.28 |
| Insurance | 22.54 | 35.09 | 26.31 | 17.76 |
| Repairs and Maintenance | | | | |
| - Buildings | 0.16 | 0.63 | 0.32 | 0.06 |
| - Others | 0.28 | 3.48 | 1.20 | 1.32 |
| Printing and Stationery | 29.28 | 48.83 | 32.90 | 29.59 |
| Information Technology Expenses (Refer Note 21.1) | 45.26 | 62.49 | 55.29 | 56.43 |
| Auditors' Remuneration | 1.00 | 2.91 | 3.00 | 3.20 |
| Professional Charges | 176.76 | 243.29 | 80.35 | 91.07 |
| Lease Rental Expense | 28.69 | 61.97 | 47.58 | - |
| Loss on Sale of Fixed Assets (Net) | 0.14 | - | - | 2.44 |
| Commission to Directors | 1.50 | 3.51 | 3.03 | - |
| Sitting Fees to Directors | 0.35 | 0.80 | 0.95 | 1.27 |
| Foreign Exchange Loss (net) | 37.90 | 150.63 | 174.35 | 87.03 |
| Recovery Charges (Refer Note 21.4) | 285.03 | 575.46 | 699.41 | 695.66 |
| Miscellaneous Expenses (Refer Note 21.3) | 22.93 | 15.71 | 27.21 | 11.56 |
| | 1,056.12 | 1,908.10 | 1,493.06 | 1,312.03 |
| Less : Expenses Recovered | (0.85) | (2.26) | (3.24) | (18.81) |
| | **1,055.27** | **1,905.84** | **1,489.82** | **1,293.22** |
| 21.1 Lease equalisation charge included in: | | | | |
| - Rent | 1.55 | 6.81 | 3.77 | 4.073 |
| - Information technology expense | - | (0.14) | (2.97) | (1.79) |
| 21.2 Service Tax charge included in Rates and Taxes | 88.21 | 196.34 | - | - |
| 21.3 Donation included in Miscellaneous expenses | - | 14.50 | 4.25 | 0.50 |
| 21.4 Net of reversal of provision for servicing costs on assets derecognised | 1.42 | 7.73 | 59.17 | 57.103 |

₹ 'million

| Note : 22 PROVISIONS AND LOAN LOSSES | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Loss Assets Written Off | 140.50 | 1,722.30 | 2,232.24 | 389.54 |
| Loss on Repossessed Assets(Net) | 155.44 | 161.72 | 136.04 | 312.02 |
| Provision for Non Performing Assets | 146.63 | 371.69 | 1,219.47 | 2,499.64 |
| Provision Released for Non Performing Assets on recovery/write off | (138.78) | (1,988.79) | (2,150.53) | (284.42) |
| Total | 303.79 | 266.92 | 1,437.22 | 2,916.78 |
| Loss on Assignment of Receivables | - | - | 106.56 | 947.32 |
| Less: Provision Released | - | - | (90.24) | (946.84) |
| Total | - | - | 16.32 | 0.48 |
| Income reversal for Non Performing Consumer Loans | - | - | 91.23 | - |
| Provision /(Provision Released)for Standard Assets (Net) | 82.81 | 129.04 | 209.70 | (1,700.00) |
| Amortisation of Premium on Acquisition of Government Securities | 0.07 | 0.75 | 0.74 | 0.74 |
| | **386.67** | **396.71** | **1,755.21** | **1,218.00** |

## 23. Exceptional Items –Gain / (Loss)

₹ 'million

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|
| (Provision)/Reversal of provision made for diminution in value of investment and Inter corporate deposit placed with Subsidiaries | | | |
| - Cholamandalam Factoring Limited (investment and deposit) | (544.60) | (239.94) | - |
| - Cholamandalam Securities Limited (investment) | (90.00) | - | - |
| - Cholamandalam Distribution Services Limited (investment) | - | - | 235.30 |
| Reversal of Provision for Standard Assets made in March 2009 as per capital reduction scheme | 300.00 | - | - |
| Loss on Sale of Investment in Subsidiary companies<br>- DBS Cholamandalam Asset Management Limited and DBS Cholamandalam Trustees Limited | - | - | (472.16) |
| Profit on sale of land and building | - | - | 207.92 |
| **Exceptional Items (Net)** | **(334.60)** | **(239.94)** | **(28.94)** |

Note (a)

During the year ended March 2010, the Company sold its entire equity investment in the mutual fund subsidiaries, M/s DBS Cholamandalam Asset Management Limited (DCAM) and DBS Cholamandalam Trustees Limited ( DCTL) for a total sale consideration of ₹ 448.20 million and incurred a loss of ₹ 472.16 million (including expenses of ₹ 13.85 million).

Note (b)

During the year ended March 2009 , the Company had created a provision of ₹ 235.30 million towards diminution in the value of investment in its wholly owned subsidiary, DBS Cholamandalam Distribution Limited (DCDL) in view of substantial erosion in its net worth. However, during the year ended March 31, 2010, DCDL has made a profit of ₹ 68.85 million as against a loss of ₹ 183.70 million in the previous year. The significant improvement in the operations of DCDL together with the infusion of additional capital by the Company, has resulted in substantial improvement in its net worth. In view of the rise in the value of the investment and also considering that the factors which contributed to the reduction in the net worth of DCDL in the earlier year no longer exist, the provision of ₹ 235.30 million is not considered necessary and accordingly has been written back to the statement of profit and loss.

## 24. Earnings per share

₹ million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| **Profit After Tax** | **1,393.49** | **1,725.42** | **621.79** | **154.18** |
| Less: Preference Dividend Payable (Including Distribution Tax Thereon) | - | - | (4.51) | (34.98) |
| **Profit Attributable to Equity Shareholders** | **1,393.49** | **1,725.42** | **617.28** | **119.20** |
| Weighted Average Number of Equity Shares (Basic) | 13,25,56,893 | 11,98,71,902 | 10,88,18,492 | 6,64,06,334 |
| **Earnings per Share - Basic (₹)** | **10.51** | **14.39** | **5.67** | **1.79** |
| Weighted Average Number of Equity Shares (Diluted) | 13,27,31,430 | 11,98,86,211 | 10,88,44,714 | 6,64,20,433 |
| **Earnings per Share- Diluted (₹)** | **10.50** | **14.39** | **5.67** | **1.79** |
| Face Value Per Share (₹) | 10.00 | 10.00 | 10.00 | 10.00 |

**Note:**
Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share".

## 25. Premature redemption of Commercial Paper

Gain / (Loss) on premature redemption of commercial papers is recognised in the Statement of Profit and Loss and included under Miscellaneous Income (2010-11) and Other Financing Expenses (2009-10).

₹ million

| Particulars | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|
| Book Value (including interest accrued) on the date of redemption of commercial papers | 3,223.24 | 8,710.53 |
| Consideration paid for premature redemption of commercial papers | 3,204.20 | 8,712.80 |
| **Gain / (Loss)** | **19.04** | **(2.27)** |

## 26. Assets De-recognised

₹ million

| Particulars | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| Assets De-recognised – | | | | |
| on Bilateral Assignment of Receivables | 7,396.50 | 10,085.30 | 9,019.90 | 16,908.31 |
| on Securitisation of Receivables | 2,052.01 | 3,133.79 | - | - |
| Deposits provided as Collateral | | | | |
| - For Credit Enhancements | 2,581.27 | 3,140.53 | 3,528.32 | 5,818.94 |
| - For Liquidity support | - | - | - | 589.80 |
| - For Interest Rate Changes from Specified Rate | - | - | - | 139.49 |

## 27. Details of outstanding derivatives

₹ million

| Particulars | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| (i)Outstanding Derivatives: | | | | |
| (a) Contracted Value | | | | |
| - Interest rate derivatives | - | - | - | - |
| - Currency derivatives | 2,417.50 | 5,804.60 | 5,358.60 | 3,366.03 |
| (ii) Foreign currency exposure not hedged by derivative instrument or otherwise | - | - | - | - |

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

₹ million

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|
| Statutory Audit | 1.80 | 1.80 | 1.50 |
| Tax Audit | 0.20 | 0.20 | 0.15 |
| Other Services | 0.80 | 0.84 | 1.49 |
| Reimbursement of Expenses | 0.11 | 0.16 | 0.06 |
| **Total** | **2.91** | **3.00*** | **3.20** |

(*) Excludes ₹ 0.35 million paid for Preferential Issue related certification services, debited to Share Premium account.

## 29. Micro, Small & Medium Enterprises

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year end are furnished below:

₹ million

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|
| Principal amount due to suppliers under MSMED Act,as at the year end | 0.36 | 0.64 | 0.77 |
| Interest accrued and due to suppliers under MSMED Act, on the above amount as at the year end | - | - | - |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | - | - | - |
| Interest paid to suppliers under MSMED Act (other than Section 16) | - | - | - |
| Interest paid to suppliers under MSMED Act (Section 16) | - | - | - |
| Interest due and payable to suppliers under MSMED Act, for payments already made | - | - | - |
| Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act | - | - | - |

## 30. Expenditure in Foreign Currency

₹ million

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|
| Travel | 0.06 | 0.20 | 0.48 |
| Interest on External Commercial Borrowing (including amount accrued and not due) | 26.83 | 46.14 | 72.56 |
| Professional charges/Others | 1.01 | - | 0.03 |

## 31. Gratuity

**Details of Actuarial Valuation**:

₹ million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| **Projected Benefit Obligation at the Beginning of the Year** | **35.75** | **23.75** | **14.59** | **12.00** |
| Current Service Cost | 7.22 | 5.46 | 4.32 | 4.13 |
| Interest Cost | 1.42 | 1.90 | 1.17 | 0.96 |
| Actuarial Losses / (Gains) | 8.11 | 5.47 | 5.31 | (1.77) |
| Benefits Paid | (0.42) | (0.82) | (1.64) | (0.73) |
| **Projected Benefit Obligation at the End of the Period/Year** | **52.09** | **35.75** | **23.75** | **14.59** |
| **Change in Plan Assets** | | | | |
| Fair Value of Plan Assets at the Beginning of the Year | 36.02 | 25.15 | 15.74 | 7.68 |
| Expected Returns on Plan Assets | 1.43 | 2.29 | 1.40 | 1.15 |
| Employer's Contribution | - | 9.40 | 9.65 | 7.64 |
| Benefits Paid | (0.42) | (0.82) | (1.64) | (0.73) |
| Actuarial Gains / (Losses) | (1.43) | - | - | - |
| **Fair Value of Plan Assets at the End of the Period/Year** | **35.60** | **36.02** | **25.15** | **15.74** |
| **Amount Recognised in the Balance Sheet** | | | | |
| Liability at the End of the Year | 52.09 | 35.75 | 23.75 | 14.59 |
| Fair Value of Plan Assets as at the End of the Year | 35.60 | 36.02 | 25.15 | 15.74 |
| **Amount Recognised in the Balance Sheet under Note 7 (Provisions – Current) / Note 13 (Other Loans and advances - Current)** | **16.49** | **(0.27)** | **(1.40)** | **(1.15)** |
| **Cost of the Defined Benefit Plan for the Peroid/Year** | | | | |
| Current Service Cost | 7.22 | 5.46 | 4.32 | 4.13 |
| Interest on Obligation | 1.42 | 1.90 | 1.17 | 0.96 |
| Expected Return on Plan Assets | (1.43) | (2.29) | (1.40) | (1.15) |
| Net Actuarial Losses/(Gains) Recognized in the Year | 9.55 | 5.47 | 5.31 | (1.78) |
| **Net Cost Recognized in the** | **16.75** | **10.54** | **9.40** | **2.17** |

₹ million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| **Statement of Profit and Loss** | | | | |
| **Assumptions** | | | | |
| Discount Rate | 8.00% p.a. | 8.00% p.a. | 8.00% p.a. | 8.00% p.a. |
| Future Salary Increase | 5.00% p.a. | 5.00% p.a. | 5.00% p.a. | 5.00% p.a. |
| Attrition Rate<br>- Senior Management<br>- Middle Management<br>- Others | <br>1% p.a.<br>10% p.a.<br>20% p.a | <br>1% p.a.<br>2% p.a.<br>3% p.a. | <br>1% p.a.<br>2% p.a.<br>3% p.a. | <br>1% p.a.<br>2% p.a.<br>3% p.a. |
| Expected Rate of Return on Plan Assets | 8.00% p.a. | 9.25% p.a. | 9.25% p.a. | 9.50% p.a. |

**Other Disclosures:**

| Benefit | 30.09.2012 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|---|---|---|---|---|---|
| Projected Benefit Obligation | 52.09 | 35.75 | 23.75 | 14.59 | 12.00 |
| Fair Value of Plan Assets | 35.60 | 36.02 | 25.15 | 15.74 | 7.68 |
| **Surplus/(Deficit)** | **(16.49)** | **0.27** | **1.40** | **1.15** | **(4.32)** |

**Notes:**

1. The expected return on plan assets is as furnished by LIC for all the periods except for the period ended September 2012 which is as per the prevailing yield on Government Bonds.
2. The entire plan assets are managed by LIC. The data on plan assets and experience adjustment has not been furnished by LIC and hence there are no disclosures in this regard.
3. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factor
4. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

## 32. 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".

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

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power**: Tube Investments of India Limited , DBS Bank Limited , Singapore (upto April 7, 2010)
- **Associate of Holding Company** : Murugappa Holdings Limited (w.e.f April 01,2011)
- **Joint venture of Holding Company** : Cholamandalam MS Risk Services Limited (w.e.f May 11, 2010)
- **Subsidiaries**: Cholamandalam Securities Limited, Cholamandalam Distribution Services Limited, Cholamandalam Factoring Limited (w.e.f January 19, 2010), DBS Cholamandalam Asset Management Limited (upto January 19, 2010) and DBS Cholamandalam Trustees Limited (upto January 19, 2010)
- **Fellow Subsidiaries:** Cholamandalam MS General Insurance Company Limited

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

- **Key Management Person**: Mr. N. Srinivasan, Director **(**upto August 18, 2010)
  Mr. S. Vellayan, Managing Director
  (w.e.f August 19, 2010)

**Note:**
Related party relationships are as identified by the Management and relied upon by the Auditor

**a) Tube Investments of India Limited** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Dividend Payments | | | | |
| - Equity shares | 72.23 | 108.35 | 38.12 | - |
| - Preference shares | - | - | 19.64 | - |
| Rent (including hiring) receipts | 0.56 | 3.34 | 3.74 | 7.24 |
| Expenses - Reimbursed | - | - | 0.05 | 0.05 |
| Amount received towards reimbursement of Expenses | - | - | 0.16 | 0.48 |
| Purchase of Fixed Assets | 0.30 | - | - | - |
| Sale of Fixed Assets | - | - | - | 0.93 |
| Advances/Deposits Given | - | - | - | 0.18 |
| Advances/Deposits Recovered | - | - | 0.06 | - |
| Conversion of Fully Convertible cumulative Preference Shares into Equity shares | - | - | 3000.00 | - |
| Net Amount Receivable/(Due) as at period/year end | 0.28 | 0.34 | 0.46 | 2.70 |

**b) DBS Bank Limited, Singapore (upto April 7, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest Payments | - | - | 0.00 | 32.40 |
| Expenses – Reimbursed | - | - | - | 0.48 |
| Directors sitting fees and commission | - | - | 0.04 | 0.21 |
| Net Amount Receivable/(Due) as at period/year end | - | - | - | (273.02) |

**c) Murugappa Holdings Limited (w.e.f May 11, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Dividend payments – Equity shares | 0.00<br>₹ 176.00 | 0.00<br>₹ 264.00 | - | - |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**d) Cholamandalam MS Risk Services Limited (w.e.f May 11, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Rent (including hiring) Receipts | 0.20 | 0.32 | 0.22 | - |
| Expenses – Reimbursed | 0.02 | 0.07 | - | - |
| Amount received towards reimbursement of Expenses | 0.02 | 0.03 | 0.04 | - |
| Net Amount Receivable/(Due) as at period/year end | 0.11 | - | 0.12 | - |

**e) Cholamandalam Securities Limited** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest Receipts | 0.34 | 0.00 | 0.04 | - |
| Rent payments | 0.30 | 0.12 | - | 0.05 |
| Rent (including hiring) receipts | 1.47 | 2.80 | 1.72 | 4.48 |
| Payments for services availed | 5.52 | 7.56 | 4.85 | 9.30 |
| Expenses – Reimbursed | 0.14 | 0.05 | 0.06 | 0.52 |
| Amount received towards reimbursement of Expenses | 1.05 | 1.66 | 1.12 | 1.46 |
| Purchase of Fixed Assets | 0.12 | 0.03 | 0.66 | - |
| Sale of Fixed Assets | - | - | - | 0.14 |
| Advances/Deposits Given | 205.00 | 15.00 | 175.00 | 80.00 |
| Advances/Deposits Recovered | 205.00 | 15.00 | 175.00 | 80.00 |
| Net Amount Receivable/(Due) as at period/year end | 0.43 | (0.23) | 0.18 | - |

**f) Cholamandalam Distribution Services Limted** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest Receipts | - | 0.00 | - | 0.17 |
| Interest Payments | 1.92 | - | 7.79 | - |
| Rent payments | 1.03 | 6.06 | 7.89 | 8.84 |
| Rent (including hiring) receipts | 2.86 | 5.20 | 1.53 | 1.32 |
| Expenses – Reimbursed | 0.13 | 2.06 | 1.79 | 1.53 |
| Amount received towards reimbursement of Expenses | 1.37 | 1.96 | 1.01 | 1.11 |
| Purchase of Fixed Assets | 1.64 | 0.49 | 0.89 | 0.75 |
| Advances/Deposits Given | - | 5.50 | - | 5.54 |
| Advances/Deposits Recovered | - | 5.50 | - | 5.54 |
| Advances/Deposits Availed | 165.00 | - | 327.00 | - |
| Advances/Deposits Repaid | 97.49 | - | 327.00 | - |
| Investment in Equity shares | - | - | - | 100.00 |
| Net Amount Receivable/(Due) as at period/year end | (67.39) | - | (0.31) | - |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**g) Cholamandalam Factoring Limted (w.e.f January 19, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest Payments | 0.16 | - | - | - |
| Advances/Deposits Given | - | 65.40 | 243.80 | 917.00 |
| Advances/Deposits Recovered | - | 95.80 | 251.10 | 879.30 |
| Advances/Deposits Availed | 34.70 | - | - | - |
| Bilateral Assignment of Receivables | - | - | 124.35 | 857.40 |
| Remittance of amounts collected in respect of assets derecognized on account of Assignment of Receivables | 12.18 | 68.56 | 135.36 | 68.78 |
| Investment in Equity shares | - | 600.00 | 200.00 | - |
| Net Amount Receivable/(Due) as at period/year end | (34.71) | (3.76) | 19.47 | 39.91 |

**Note:**

| | | | | |
|---|---|---|---|---|
| Shortfall undertaking given to the lender of Cholamandalam Factoring Limited in respect of its outstanding term loan | - | - | 600.00 | 750.00 |

**h) DBS Cholamandalam Asset Management Limited (upto January 19, 2010)**

₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Rent (including hiring) receipts | - | - | - | 4.62 |
| Expenses – Reimbursed | - | - | - | 0.12 |
| Amount received towards reimbursement of Expenses | - | - | - | 1.68 |
| Sale of Fixed Assets | - | - | - | 0.04 |
| Subscription of Equity shares (Investment) | - | - | - | 130.00 |

**i) Cholamandalam MS General Insurance Company Limited (w.e.f April 8, 2010)**

₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest payments | 18.93 | 25.73 | 19.34 | - |
| Rent payments | 1.59 | 3.20 | 2.08 | - |
| Rent (including hiring) receipts | 4.05 | 7.75 | 6.65 | - |
| Payments for services availed | 31.17 | 48.66 | 25.92 | - |
| Advance Premium Deposit Given | 284.49 | 483.96 | 155.50 | - |
| Receipts for services rendered | 72.37 | 106.40 | 28.20 | - |
| Receipts on settlement of insurance claim | 3.82 | 6.96 | 7.01 | - |
| Expenses – Reimbursed | 0.75 | 1.38 | 1.09 | - |
| Amount received towards reimbursement of Expenses | 2.52 | 2.80 | 2.33 | - |
| Sale of Fixed Assets | - | - | 0.56 | - |
| Net Amount Receivable/(Due) as at period/year end | 15.29<br>(518.09) | 18.29<br>(199.41) | 0.98<br>(150.42) | -<br>- |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**j) Key Management Person**

₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Remuneration - S Vellayan (w.e.f August 19, 2010) | 9.98 | 14.61 | 8.78 | - |
| Directors sitting fees and commission – N Srinivasan (upto August 18, 2010) | - | - | 0.08 | 0.18 |

## 34. Contingent Liabilities and Commitments

₹ million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Counter guarantees provided to banks | 11.97 | 11.35 | 7.80 | 10.80 |
| Shortfall undertaking given to the lender of Cholamandalam Factoring Limited in respect of its outstanding term loan | - | - | 600.00 | 750.00 |
| Contested claims not provided for:- | | | | |
| Income tax and Interest Tax issues where the company is in appeal | 216.84 | 229.02 | 212.87 | 61.29 |
| 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 | 10.86 | 10.86 | 10.52 | 3.96 |
| Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal | 38.42 | 38.42 | 42.60 | 45.00 |
| Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable) | 155.40 | 106.27 | 91.25 | 89.54 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 39.44 | 57.27 | 9.86 | 0.15 |

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

**35. Changes in Provisions**

**For the six months ended 30.09.2012**

₹ 'million

| Particulars | As at 31.03.2012 | Additional Provision | Utilisation/ Reversal | As at 30.09.2012 |
|---|---|---|---|---|
| Provision for Standard Assets | 338.74 | 82.81 | - | 421.55 |
| Provision for Non-Performing Assets | 806.67 | 231.48 | (218.27) | 819.88 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 93.89 | - | (6.77) | 87.12 |
| Contingent Service Tax claims | 73.56 | 5.68 | - | 79.24 |

**For the year ended 31.03.2012**

₹ 'million

| Particulars | As at 31.03.2011 | Additional Provision | Utilisation/ Reversal | As at 31.03.2012 |
|---|---|---|---|---|
| Provision for Standard Assets | 509.70 | 129.04 | (300.00) | 338.74 |
| Provision for Non-Performing Assets | 2,388.77 | 155.62 | (1,737.72) | 806.67 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 352.69 | - | (258.80) | 93.89 |
| Contingent Service Tax claims | 6.93 | 73.56 | (6.93) | 73.56 |
| Provision for Doubtful Advances | 30.40 | - | (30.40) | - |

**For the year ended 31.03.2011**

₹ 'million

| Particulars | As at 31.03.2010 | Additional Provision | Utilisation/ Reversal | As at 31.03.2011 |
|---|---|---|---|---|
| Provision for Standard Assets | 300.00 | 209.70 | - | 509.70 |
| Provision for Non-Performing Assets | 3,298.35 | 1,331.18 | 2,240.77 | 2,388.77 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 470.99 | 52.59 | 170.89 | 352.69 |
| Provision for Contested Service Tax | 6.93 | - | - | 6.93 |
| Provision for Doubtful Advances | - | 30.40 | - | 30.40 |

**For the year ended 31.03.2010**

₹ 'million

| Particulars | As at 31.03.2009 | Additional Provision | Utilisation/ Reversal | As at 31.03.2010 |
|---|---|---|---|---|
| Provision for Standard Assets | 2000.00 | - | 1700.00 | 300.00 |
| Provision for Non-Performing Assets | 1,979.18 | 2,266.02 | 946.84 | 3,298.35 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 337.96 | 241.15 | 108.12 | 4,709.99 |
| Provision for Contested Service Tax | 6.93 | - | - | 6.93 |

## 36. Leases

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

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

₹ 'million

| Period | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Not later than one year | 55.03 | 56.14 | 56.85 | - |
| Later than one year and not later than five years | 41.27 | 70.17 | 127.91 | - |
| Later than five years | - | - | - | - |
| **Total** | **96.30** | **126.31** | **184.76** | - |

## 37. a) Employee Stock Option Plan

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

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**For the six months ended 30.09.2012**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen -ces on | Options Granted | Options Exercise d | Options Forfeited / Lapsed | Options Outstanding at the end of the period | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | 2,000 | 6,35,732 | 1,28,168 | - |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | 44,337 | 10,096 | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,33,638 | 29,162 | - |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 3,10,955 | 1,57,785 | - |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 3,445 | 1,491 | 5,134 | - |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 13,202 | 35,998 | 6,560 | 9,840 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | 21,808 | 48,072 | 2,24,720 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | 21,576 | 69,744 | 1,18,380 |
| 8 | Original | 30-04-11 | 162.55 | 30-04-12 | 1,13,400 | - | 36,414 | 13,466 | 63,520 |
| 9 | Original | 28-07-11 | 175.35 | 28-07-12 | 61,800 | - | 2,208 | 10,152 | 49,440 |
| 10 | Original | 27-10-11 | 154.55 | 27-10-12 | 1,95,680 | - | - | - | 1,95,680 |

**For the year ended 31.03.2012**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen -ces on | Options Granted | Options Exercise d | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 6,35,732 | 1,30,168 | - |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | 44,337 | 10,096 | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,33,638 | 29,162 | - |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,61,507 | 1,41,173 | 66,060 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 2,012 | 1,020 | 4,017 | 3,021 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 13,202 | 35,998 | 6,560 | 9,840 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | 10,848 | 48,072 | 2,35,680 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | 21,576 | 69,744 | 1,18,380 |
| 8 | Original | 30-04-11 | 162.55 | 30-04-12 | 1,13,400 | - | 34,000 | - | 79,400 |
| 9 | Original | 28-07-11 | 175.35 | 28-07-12 | 61,800 | - | - | - | 61,800 |
| 10 | Original | 27-10-11 | 154.55 | 27-10-12 | 1,95,680 | - | - | - | 1,95,680 |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**For the year ended 31.03.2011**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen -ces on | Options Granted | Options Exercise d | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 6,31,077 | 1,27,315 | 61,941 |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | - | - | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,24,354 | 25,546 | 12,900 |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,56,128 | 80,492 | 1,32,120 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 2,012 | 583 | 1,433 | 6,042 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 1,640 | 34,768 | 9,512 | 19,680 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | - | - | 2,94,600 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | - | - | 2,09,700 |

**For the year ended 31.03.2010**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen -ces on | Options Granted | Options Exercise d | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 5,63,559 | 93,710 | 1,63,064 |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | - | - | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,05,640 | 20,800 | 36,360 |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,25,800 | 44,780 | 1,98,160 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | - | 291 | 1723 | 8,056 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | - | 33,620 | 5,740 | 26,240 |

*CAA-Corporate Action adjustment

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

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

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

| | Variables | | | | | |
|---|---|---|---|---|---|---|
| **Date of Grant** | **1. Risk Free Interest Rate** | **2. Expected Life** | **3. Expected Volatility** | **4. Dividend Yield** | **5. Price of the underlying Share in the Market at the time of the Option Grant (₹)** | **6. Fair Value of the Option (₹)** |
| **30-Jul-07** | 7.10% - 7.56% | 3-6 years | 40.64% -43.16% | 5.65% | 193.40 | 61.42 |
| **24-Oct-07** | 7.87% -7.98% | 3-6 years | 41.24% -43.84% | 5.65% | 149.90 | 44.25 |
| **25-Jan-08** | 6.14% -7.10% | 3-6 years | 44.58% -47.63% | 5.65% | 262.20 | 78.15 |
| **25-Apr-08** | 7.79% - 8.00% | 2.5-5.5 years | 45.78% - 53.39% | 3.97% | 191.80 | 76.74 |
| **30-Jul-08** | 9.14% - 9.27% | 2.5-5.5 years | 46.52% - 53.14% | 3.97% | 105.00 | 39.22 |
| **24-Oct-08** | 7.54% - 7.68% | 2.5-5.5 years | 48.2% - 55.48% | 3.97% | 37.70 | 14.01 |
| **27-Jan-11** | | | | | | |
| **- Tranche I** | 8% | 4 years | 59.50% | 10% | 187.60 | 94.82 |
| **- Tranche II** | 8% | 3.4 years | 61.63% | 10% | 187.60 | 90.62 |
| **30-Apr-11** | 8% | 4 years | 59.40% | 25% | 162.55 | 73.07 |
| **28-Jul-11** | 8% | 4 years | 58.64% | 25% | 175.35 | 79.17 |
| **27-Oct-11** | 8% | 4 years | 57.52% | 25% | 154.55 | 67.26 |

Had compensation cost for the stock options granted under the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

₹ 'million

| **Particulars** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Net Profit attributable to Equity Share Holders (as reported) | 1,393.50 | 1,725.43 | 617.29 | 119.20 |
| Add: Stock based employee compensation expense included in net profit | - | - | - | - |
| Less: Stock based compensation expense/(gain) determined under fair value based method (Proforma) | 6.10 | 25.98 | 5.76 | (3.16) |
| Net Profit (Proforma) | 1,387.40 | 1,699.45 | 611.52 | 122.36 |
| Basic Earnings per Share of ₹ 10 each (as reported) (₹) | 10.51 | 14.39 | 5.67 | 1.79 |
| Basic Earnings per Share of ₹ 10 each (pro forma) (₹) | 10.47 | 14.18 | 5.62 | 1.84 |
| Diluted Earnings per Share of ₹ 10 each (as reported) (₹) | 10.51 | 14.39 | 5.67 | 1.79 |
| Diluted Earnings per Share of ₹ 10 each (pro forma) (₹) | 10.45 | 14.18 | 5.62 | 1.84 |

**b)** Share application money pending allotment as on March 31, 2011 represents application money received on exercise of 3,652 options on March 31, 2011 which were subsequently allotted on April 11, 2011.

## 38. Sharing of Costs

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

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

**As at March 31, 2012** ₹ 'million

| Sl. No. | Particulars | Amount Outstanding as at March 31, 2012 | Amount Overdue as at March 31, 2012 |
|---|---|---|---|
| *(1)* | ***Liabilities:*** <br> ***Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:*** | | |
| (a) | Debentures | | |
| | - Secured | 26,715.62 | - |
| | - Unsecured | 9,726.43 | - |
| | (other than falling within the meaning of public deposits) | | |
| | - Perpetual Debt Instrument | 5,277.85 | - |
| (b) | Deferred Credits | - | - |
| (c) | Term Loans | 59,289.99 | - |
| (d) | Inter-Corporate Loans and Borrowings | - | - |
| (e) | Commercial Paper | 2,300.35 | - |
| (f) | Other Loans | 13,136.00 | - |
| | (Represents Working Capital Demand Loans, Cash Credit from Banks & Fixed Deposits along with Interest Accrued but Not Due on above) [Refer Notes 1 and 2 below] | | |

**Notes:**

1. Though the Company has become a Non-deposit taking Non-Banking Finance Company, since the Company still has fixed deposits from the public accepted prior to November 1, 2006 which have not yet been liquidated, the details of the same have been disclosed above.

2. Fixed Deposits include Matured / Unclaimed Deposits (together with Interest on Matured / Unclaimed Deposits) amounting to ₹ 5.37 million as at March 31, 2012.

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

₹ million

| Sl. No. | Particulars | Amount Outstanding as at March 31, 2012 |
|---|---|---|
| ***(2)*** | ***Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below]:*** | |
| (a) | Secured | 34,342.59 |
| (b) | Unsecured | 249.85 |
| ***(3)*** | ***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 | |
| | (b) Repossessed Assets | |
| (iii) | Other Loans counting towards AFC Activities | |
| | (a) Loans where Assets have been Repossessed | 19.46 |
| | (b) Loans other than (a) above | 90,077.03 |
| ***4)*** | ***Break-up of Investments (net of provision for diminution in value):*** | |
| | ***Current Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | 40.07 |
| (v) | Others | - |
| **II** | **Unquoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities | - |
| (v) | Others | - |
| | ***Long term Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | |
| (v) | Others | - |
| **II** | **Unquoted** | |
| (i) | Shares: | |
| | (a) Equity (Net of Provision for Diminution in Value of Investment) | 5,76.94 |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities | - |
| (v) | Others | - |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

| ***(5)*** | ***Borrower Group-wise Classification of Assets Financed as in (2) and (3) above*** | | | |
|---|---|---|---|---|
| | **Category** | **Amount (Net of Provisioning) as at March 31, 2012** | | |
| | | **Secured** | **Unsecured** | **Total** |
| 1. | Related Parties * | | | |
| | (a) Subsidiaries | - | - | - |
| | (b) Companies in the same Group | - | - | - |
| | (c) Other Related Parties | - | - | - |
| 2. | Other than Related Parties | 123,818.47 | 63.80 | 123,882.27 |
| | **Total** | **123,818.47** | **63.80** | **123,882.27** |

₹ million

| ***(6)*** | ***Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :*** | | |
|---|---|---|---|
| | **Category** | **MV / Break up Value or Fair Value or NAV** | **Book Value (Net of Provisioning)** |
| 1. | Related Parties * | | |
| (a) | Subsidiaries | 428.43 | 564.00 |
| (b) | Companies in the Same Group | - | - |
| (c) | Other Related Parties | - | - |
| 2. | Other than Related Parties | 52.89 | 53.01 |
| | **Total** | **481.32** | **617.01** |

| ***(7)*** | ***Other Information*** | **Amount Outstanding As at March 31, 2012** |
|---|---|---|
| (i) | Gross Non-Performing Assets | |
| | a) With Related Parties * | - |
| | b) With Others | 1,176.10 |
| (ii) | Net Non-Performing Assets | |
| | a) With Related Parties * | - |
| | b) With Others | 369.43 |
| (iii) | Assets Acquired in Satisfaction of Debt | |
| | a) With Related Parties * | - |
| | b) With Others | - |

* Related Parties are as identified in Note 32 above.

Details of Assets De-recognised by way of Securitisation during the year and included above:

₹ million

| **Particulars** | **Year ended March 31, 2012** |
|---|---|
| Total Number of Assets Securitised | 18,005 |
| Book Value of Assets Securitised | 4,045.43 |
| Sale Consideration Received | 4,045.43 |
| Gain / (Loss) on Securitisation to be Amortised over the Life of the Securities | - |
| Bank Deposits provided as Collateral for Credit Enhancements - | |
| First loss facility | 161.82 |
| Second loss facility | 222.50 |

**As at March 31, 2011**

₹ million

| Sl. No. | Particulars | Amount Outstanding | Amount Overdue |
|---|---|---|---|
| | | As at March 31, 2011 | |
| (1) | ***Liabilities:*** <br> ***Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:*** | | |
| (a) | Debentures | | |
| | - Secured | 10,610.98 | - |
| | - Unsecured | 7,312.06 | - |
| | (other than falling within the meaning of public deposits) | | |
| | - Perpetual Debt Instrument | 1,585.18 | - |
| (b) | Deferred Credits | - | - |
| (c) | Term Loans | 50,485.35 | - |
| (d) | Inter-Corporate Loans and Borrowings | - | - |
| (e) | Commercial Paper | 5,763.80 | - |
| (f) | Other Loans (Represents Working Capital Demand Loans, Cash Credit from Banks including Foreign Currency Loans & Fixed Deposits along with Interest Accrued but Not Due on above) [Refer Notes 1 and 2 below] | 4,875.90 | - |

**Notes:**

1. Though the Company has become a Non-deposit taking Non-Banking Finance Company, since the Company still has fixed deposits from the public accepted prior to November 1, 2006 which have not yet been liquidated, the details of the same have been disclosed above.

2. Fixed Deposits include Matured / Unclaimed Deposits (together with Interest on Matured / Unclaimed Deposits) amounting to Rs. 6.74 million as at March 31, 2011.

| Sl. No. | Particulars | Amount Outstanding As at March 31, 2011 |
|---|---|---|
| (2) | ***Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below]:*** | |
| (a) | Secured | 25,984.26 |
| (b) | Unsecured | 2,497.03 |
| (3) | ***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 | - |

| | | |
|---|---|---|
| | (b) Repossessed Assets | - |
| (iii) | Other Loans counting towards AFC Activities | |
| | (a) Loans where Assets have been Repossessed | 43.51 |
| | (b) Loans other than (a) above | 58,379.89 |

| | | |
|---|---|---|
| ***4)*** | ***Break-up of Investments (net of provision for diminution in value):*** | |
| | ***Current Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | - |
| (v) | Others | - |
| **II** | **Unquoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities | - |
| (v) | Others | - |
| | ***Long term Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | 40.81 |
| (v) | Others | - |
| **II** | **Unquoted:** | |
| (i) | Shares: | |
| | (a) Equity (Net of Provision for Diminution in Value of Investment) | 6,41.94 |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities | - |
| (v) | Others | - |

| ***(5)*** | ***Borrower Group-wise Classification of Assets Financed as in (2) and (3) above*** | | | |
|---|---|---|---|---|
| | **Category** | **Amount (Net of Provisioning) As at March 31, 2011** | | |
| | | **Secured** | **Unsecured** | **Total** |
| 1. | Related Parties * | | | |
| | (a) Subsidiaries | - | - | - |
| | (b) Companies in the same Group | - | - | - |
| | (c) Other Related Parties | - | - | - |
| 2. | Other than Related Parties | 83,991.17 | 524.75 | 84,515.91 |
| | **Total** | **83,991.17** | **524.75** | **84,515.91** |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

| ***(6)*** | ***Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :*** | | |
|---|---|---|---|
| | **Category** | **MV / Break up Value or Fair Value or NAV** | **Book Value (Net of Provisioning)** |
| 1. | Related Parties * | | |
| (a) | Subsidiaries | 498.55 | 629.00 |
| (b) | Companies in the Same Group | - | - |
| (c) | Other Related Parties | - | - |
| 2. | Other than Related Parties | 47.66 | 53.75 |
| | **Total** | **545.21** | **682.75** |

| ***(7)*** | ***Other Information*** | **Amount Outstanding As at March 31, 2011** |
|---|---|---|
| (i) | Gross Non-Performing Assets | |
| | a) With Related Parties * | - |
| | b) With Others | 2,727.35 |
| (ii) | Net Non-Performing Assets | |
| | a) With Related Parties * | - |
| | b) With Others | 338.58 |
| (iii) | Assets Acquired in Satisfaction of Debt | |
| | a) With Related Parties * | - |
| | b) With Others | - |

* Related Parties are as identified in Note 15 above.

**As at March 31, 2010**

₹ 'million

| **Sl. No.** | **Particulars** | **Amount Outstanding** | **Amount Overdue** |
|---|---|---|---|
| | | **As at March 31, 2010** | |
| | ***Liabilities:*** | | |
| | ***Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:*** | | |
| ***(1)*** | | | |
| (a) | Debentures | | |
| | - Secured | 5,236.24 | - |
| | - Unsecured | 5,549.12 | - |
| | (other than falling within the meaning of public deposits) | | |
| (b) | Deferred Credits | - | |
| (c) | Term Loans | 26,403.95 | |
| (d) | Inter-Corporate Loans and Borrowings | - | |
| (e) | Commercial Paper | 9,687.59 | |
| (f) | Other Loans | 7,913.60 | |
| | (Represents Working Capital Demand Loans, Cash Credit from Banks including Foreign Currency Loans & Fixed Deposits along with Interest Accrued but Not Due on above) [Refer Notes 1 and 2 below] | | |

**Notes forming part of the Financial statements for the six months ended 30 September 2012 and years ended March 31 2012, March 31 2011 and March 31 2010**

**Notes:**

1. Though the Company has become a Non-deposit taking Non-Banking Finance Company, since the Company still has fixed deposits from the public accepted prior to November 1, 2006 which have not yet been liquidated, the details of the same have been disclosed above.

2. Fixed Deposits include Matured / Unclaimed Deposits (together with Interest on Matured / Unclaimed Deposits) amounting to Rs. 9.28 million as at March 31, 2010.

₹ 'million

| Sl. No. | Particulars | Amount Outstanding As at March 31, 2010 |
|---|---|---|
| ***(2)*** | ***Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below]:*** | |
| (a) | Secured | 17,717.54 |
| (b) | Unsecured | 5,359.48 |
| ***(3)*** | ***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 | - |
| | (b) Repossessed Assets | - |
| (iii) | Other Loans counting towards AFC Activities | |
| | (a) Loans where Assets have been Repossessed | 76.44 |
| | (b) Loans other than (a) above | 32,144.97 |
| ***4)*** | ***Break-up of Investments (net of provision for diminution in value):*** | **Amount Outstanding As at March 31, 2010** |
| | ***Current Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | - |
| (v) | Others | - |
| **II** | **Unquoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | 1,500.23 |
| (iv) | Government Securities | - |
| (v) | Others | - |

| | | |
|---|---|---|
| | ***Long term Investments:*** | |
| **I** | **Quoted:** | |
| (i) | Shares: (a) Equity | - |
| | (b) Preference | - |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities (Net of Amortisation) | 41.56 |
| (v) | Others | - |
| **II** | **Unquoted:** | |
| | Shares: | |
| (i) | (a) Equity (Net of Provision for Diminution in Value of Investment) | 6,51.48 |
| | (b) Preference | |
| (ii) | Debentures and Bonds | - |
| (iii) | Units of Mutual Funds | - |
| (iv) | Government Securities | - |
| (v) | Others | - |

| ***(5)*** | ***Borrower Group-wise Classification of Assets Financed as in (2) and (3) above*** | | | |
|---|---|---|---|---|
| | **Category** | **Amount (Net of Provisioning) As at March 31, 2010** | | |
| | | **Secured** | **Unsecured** | **Total** |
| 1. | Related Parties * | | | |
| | (a) Subsidiaries | - | - | - |
| | (b) Companies in the same Group | - | - | - |
| | (c) Other Related Parties | - | - | - |
| 2. | Other than Related Parties | 49,408.81 | 2,591.26 | 52,000.07 |
| | **Total** | **49,408.81** | **2,591.26** | **52,000.07** |

| ***(6)*** | ***Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :*** | | |
|---|---|---|---|
| | **Category** | **MV / Break up Value or Fair Value or NAV** | **Book Value (Net of Provisioning)** |
| 1. | Related Parties * | | |
| (a) | Subsidiaries | 308.54 | 638.54 |
| (b) | Companies in the Same Group | - | - |
| (c) | Other Related Parties | - | - |
| 2. | Other than Related Parties | 1,554.13 | 1,554.73 |
| | **Total** | **1,862.67** | **2,193.27** |

| *(7)* | *Other Information* | Amount Outstanding As at 31 March 2010 |
|---|---|---|
| (i) | Gross Non-Performing Assets | |
| | a) With Related Parties * | - |
| | b) With Others | 4,499.10 |
| (ii) | Net Non-Performing Assets | - |
| | a) With Related Parties * | - |
| | b) With Others | 1,200.70 |
| (iii) | Assets Acquired in Satisfaction of Debt | |
| | a) With Related Parties * | - |
| | b) With Others | - |

* Related Parties are as identified in Note 15 above.

**A. Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK) - 2008 dated August 1, 2008:**

**i. Capital Adequacy Ratio**

₹ million

| Particulars | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|
| Tier I Capital | 14,282 | 9,851 | 5,890 |
| Tier II Capital | 9,186 | 5,376 | 3,245 |
| **Total Capital** | **23,467** | **15,227** | **9,135** |
| Total Risk Weighted Assets | 129,831 | 91,365 | 61,729 |
| **Capital Ratios** | | | |
| Tier I Capital as a Percentage of Total Risk Weighted Assets (%) | 11.00% | 10.78% | 9.54% |
| Tier II Capital as a Percentage of Total Risk Weighted Assets (%) | 7.08% | 5.88% | 5.26% |
| **Total** (%) | **18.08%** | **16.66%** | **14.80%** |

The Company has obtained professional opinion confirming that bilateral assignment of receivables is outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 1, 2006 and accordingly the adjustment for credit enhancements with regard to bilateral assignments have not been considered in the computation of Capital Adequacy Ratio.

**ii. Exposure to Real Estate Sector, both Direct and Indirect**

₹ million

| | Category | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|---|---|
| **(a)** | **Direct Exposure** (Net of Advances from Customers) | | | |
| | **(i) Residential Mortgages -** | | | |
| | Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: | | | |
| | - individual housing loans upto ₹ 1.5 miilion | 1,762.84 | 936.33 | 1,110.78 |
| | - individual housing loans more than ₹ 1.5 million | 26,739.86 | 15,470.64 | 9,768.58 |
| | **(ii) Commercial Real Estate -** | | | |
| | Lending secured by mortgages on commercial real estates (office buildings, retails space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.). | | | |
| | - Fund Based | 3,137.54 | 2,422.92 | 2,650.15 |
| | - Non Fund based | - | - | - |
| | **(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -** | | | |
| | a. Residential | - | - | - |
| | b. Commercial Real Estate | - | - | - |
| **(b)** | **Indirect Exposure** | | | |
| | Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | - | - | - |

**Note:**
The above summary is prepared based on the information available with the Company.

**iii. Asset Liability Management**
**Maturity Pattern of Certain Items of Assets and Liabilities**

**As at March 31, 2012**

₹ million

| | Upto 1 month | Over 1 month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Borrowing from Banks | 10,661 | 1,493 | 6,571 | 3,490 | 7,482 | 42,610 | - | - | 72,305 |
| Market Borrowings | - | 2,733 | 1,470 | 7,461 | 1,487 | 19,102 | 777 | 9,057 | 42,086 |
| **Assets** | | | | | | | | | |
| Advances (Net of Provision for Non Performing Assets) | 7,593 | 2,544 | 2,559 | 8,756 | 19,799 | 51,677 | 9,740 | 19,824 | 122,492 |
| Investment (Net of Provision for Diminution in Value of Investments) | - | 40 | - | - | - | - | - | 577 | 617 |

**As at March 31, 2011**

₹ million

| | Upto 1 month | Over 1 month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Borrowing from Banks | 4,146 | 1,150 | 325 | 5,695 | 3,218 | 39,375 | 1,250 | - | 55,159 |
| Market Borrowings | 2,305 | 3,251 | - | 1,251 | 2,000 | 8,100 | 3,700 | 3,730 | 24,337 |
| **Assets** | | | | | | | | | |
| Advances (Net of Provision for Non Performing Assets) | 8,511 | 1,773 | 1,754 | 6,817 | 13,929 | 33,255 | 6,834 | 10,832 | 83,703 |
| Investment (Net of Provision for Diminution in Value of Investments) | - | - | - | - | - | 41 | - | 642 | 683 |

**As at March 31, 2010**

₹ million

| | Upto 1 month | Over 1 month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Borrowing from Banks | 5,576 | 1,150 | 2,000 | 1,954 | 3,275 | 17,578 | 2,500 | - | 34,033 |
| Market Borrowings | 1,750 | - | 4,750 | 3,300 | 2,100 | 2,600 | 5,000 | 615 | 20,115 |
| **Assets** | | | | | | | | | |
| Advances (Net of Provision for Non Performing Assets) | 5,947 | 949 | 948 | 3,463 | 9,353 | 17,900 | 5,487 | 7,317 | 51,364 |
| Investment (Net of Provision for Diminution in Value of Investments) | 1,500 | - | - | - | - | 42 | - | 652 | 2,193 |

**B. Disclosure pursuant to Reserve Bank of India Circular DBOD.NO.BP.BC. 16 / 21.04.048/ 2005-06 dated July 13, 2005.**

**Details of Non Performing Financial Assets sold:**

₹ million

| | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** |
|---|---|---|---|
| a. Number of accounts sold | - | 3,396 | 27,872 |
| b. Aggregate outstanding | - | 251.53 | 2,342 |
| C.Aggregate Sale Consideration received | - | 109.51 | 856.90 |

**C. Disclosure pursuant to Reserve Bank of India Notification DNBS (PD) No. 202(PK)/2008-09 and DNBS 203(PK)/2008-09 dated October 29, 2008.**

**Perpetual Debt Instrument (PDI)**

₹ million

| | | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** |
|---|---|---|---|---|
| (i) | Amount raised through PDI | | | |
| | - during the year | 3,577.00 | 1,500.00 | - |
| | - outstanding as at year end | 5,077.00 | 1,500.00 | - |
| (ii) | PDI as a percentage of Tier I Capital | 35.50% | 15.23% | - |

**40. DISLCOSURE OF FRAUDS REPORTED DURING THE YEAR VIDE DNBS. PD. CC NO. 256/ 03.10.042/ 2011-12 DATED MARCH 02, 2012**

| | Less than ₹ 1 Lakh | | ₹ 1 to ₹ 5 lakhs | | Total | |
|---|---|---|---|---|---|---|
| | No. of accounts | Value (₹ lakhs) | No. of accounts | Value (₹ lakhs) | No. of accounts | Value (₹ lakhs) |
| A) Person Involved | | | | | | |
| Staff | 2 | 1.09 | 9 | 26.91 | 11 | 28.00 |
| Customers | | | 1 | 14.22 | 1 | 14.22 |
| Staff and customers | | | 1 | 5.97 | 1 | 5.97 |
| | | | | | | |
| Total | 2 | 1.09 | 11 | 47.10 | 13 | 48.19 |
| | | | | | | |
| B) Type of Fraud | | | | | | |
| Misappropriation and Criminal breach of trust | 1 | 0.86 | 4 | 7.03 | 5 | 7.89 |
| Fraudulent encashment / manipulation of books of accounts | | | 1 | 1.51 | 1 | 1.51 |
| Unauthorised credit facility extended | | | 5 | 24.34 | 5 | 24.34 |
| Cheating and Forgery | 1 | 0.23 | 1 | 14.22 | 2 | 14.45 |
| | | | | | | |
| **Total** | 2 | 1.09 | 11 | 47.10 | 13 | 48.19 |

**Note:**

The above summary is prepared based on the information available with the Company and relied upon by the auditors.

**41. Disclosure pursuant to Clauses 32 of the Listing Agreement**
**As at March 31, 2012**

₹ million

| S No | Loans and Advances in the nature of Loans | Amount Outstanding as at March 31, 2012 | Maximum Amount Outstanding during the year |
|---|---|---|---|
| (A) | To Subsidiaries | | |
| | - Cholamandalam Securities Limited | - | 15.00 |
| | - Cholamandalam Factoring Limited | - | 72.60 |
| | - Cholamandalam Distribution Services Limited | - | 3.50 |
| (B) | To Associates | | |
| | - No Associate during the Current Year | - | - |
| (C) | Where there is | | |
| | (i) No repayment schedule | - | - |
| | (ii) Repayment beyond seven years | - | - |
| | (iii) No interest | | |
| | (iv) Interest below the rate as specified in section 372 A of the Companies Act | - | - |
| (D) | To Firms / Companies in which Directors are Interested (other than (A) and (B) above) | - | - |
| (E) | Investments by the loanee in the shares of Parent Company and Subsidiary Company | - | - |

**As at March 31, 2011**

| S No | Loans and Advances in the nature of Loans | Amount Outstanding as at March 31, 2011 | Maximum Amount Outstanding during the year |
|---|---|---|---|
| (A) | To Subsidiaries | | |
| | - Cholamandalam Securities Limited | 0.18 | 80.00 |
| | - Cholamandalam Factoring Limited | 30.40 | 148.26 |
| (B) | To Fellow Subsidiaries | | |
| | - Cholamandalam MS General Insurance Company Limited | 0.98 | 4.03 |
| | - Cholamandalam MS Risk Services Limited | 0.12 | 0.18 |
| (B) | To Associate/Joint Venture | | |
| | - No Associate / Joint Venture during the Current Year | - | - |
| (C) | To Firms / Companies in which Directors are Interested (other than (A) and (B) above) | - | - |

| | | | |
|---|---|---|---|
| (D) | Where there is<br>(i) No repayment schedule<br>(ii) Repayment beyond seven years<br>(iii) No interest<br>(iv) Interest below the rate as specified in section 372 A of the Companies Act | -<br>-<br>30.40<br><br>- | -<br>-<br>148.26<br><br>- |

**As at March, 2010**

| S No | Loans and Advances in the nature of Loans | Amount Outstanding as at March 31, 2010 | Maximum Amount Outstanding during the year |
|---|---|---|---|
| (A) | To Subsidiaries | | |
| | - DBS Cholamandalam Securities Limited | - | 80.00 |
| | - DBS Cholamandalam Distribution Limited | - | 5.00 |
| | - Cholamandalam Factoring Limited | 39.91 | 900.00 |
| (B) | To Associate/Joint Venture | | |
| | - No Associate / Joint Venture during the Current Year | - | - |
| (C) | To Firms / Companies in which Directors are Interested (other than (A) and (B) above) | - | - |
| (D) | Where there is | | |
| | (i) No repayment schedule | - | - |
| | (ii) Repayment beyond seven years | - | - |
| | (iii) No interest (Included in (A) above) | 37.70 | 900.00 |
| | (iv) Interest below the rate as specified in section 372 A of the Companies Act | - | - |

## 42. Previous Year Figures

Previous years' figures have been regrouped/rearranged, where considered necessary to correspond with current years' classification/disclosure.

**Report of the Independent Auditor on the**
**Consolidated Summary Financial Statement**

**TO THE BOARD OF DIRECTORS OF**
**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

1. The accompanying Consolidated Summary Financial Statements of **CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED** ("the Company") and its Subsidiaries (the Company and its Subsidiaries constitute 'the Group') which comprises the Consolidated Balance Sheet as at 30 September 2012, 31 March 2012, 31 March 2011 and 31 March 2010, the Consolidated Statement of Profit and Loss for the six months period ended 30 September 2012 and for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 and Consolidated Cash Flow Statement for the period and years ended on those dates together with the related explanatory notes referred to herein as the "Consolidated Summary Financial Statements" are derived from the audited consolidated financial statements (the "Audited Consolidated Financial Statements") of the Company for the respective years audited by us as detailed in paragraph 3 below.

2. The Consolidated Summary Financial Statements includes the Summary Financial Statement of the following Subsidiaries:

    a. Cholamandalam Distribution Services Limited
    b. Cholamandalam Securities Limited
    c. Cholamandalam Factoring Limited

3. We have expressed audit opinions on the Audited Consolidated Financial Statements of the Company for the period ended 30 September 2012 and for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 vide our reports dated 30 October 2012, 26 April 2012, 30 April 2011 and 26 April 2010 respectively.

4. We did not audit the financial statements of the subsidiaries Cholamandalam Securities Limited and Cholamandalam Factoring Limited for the six months period ended 30 September 2012 and years ended 31 March 2012, 31 March 2011 and 31 March 2010, whose Financial Statements reflect total assets of Rs. 879.10 Millions, Rs. 931.80 Millions, Rs. 1,040.42 Millions, Rs. 1,140.30 Millions, total revenues of Rs. 31.80 Millions, Rs. 55.85 Millions, Rs. 96.75 Millions, Rs. 157.40 Millions and net cash (inflows) / outflows amounting to Rs. 1.32 Millions, Rs. 0.85 Millions, Rs. 8.60 Millions and Rs. 21.23 Millions as at 30 September 2012, 31 March 2012, 31 March 2011 and 31 March 2010 respectively. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these Subsidiaries is based solely on the reports of the other auditors.

5. The Audited Consolidated Financial Statements and the Consolidated Summary Financial Statements do not reflect the effect of events that occurred subsequent to the date of our reports on the respective periods referred to in paragraph 3 above.

6. The Audited Consolidated Financial Statements for the year ended 31 March 2010 has been regrouped / reclassified wherever necessary to correspond with the presentation / disclosure as per Revised Schedule VI of the Companies Act, 1956 which became effective from 1 April 2011 and also to confirm with the classification criteria for the subsequent comparative periods presented in the Consolidated Summary Financial Statements.

7. **Management Responsibility**

   Management is responsible for the preparation of Consolidated Summary Financial Statements prepared in accordance with Accounting Standards (AS) 21 on Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006 and other accounting principles generally accepted in India.

8. **Auditors' Responsibility**

   Our responsibility is to express an opinion on the Consolidated Summary Financial Statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810 "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

9. **Opinion**

In our opinion, the Consolidated Summary Financial Statements derived from the Audited Consolidated Financial Statements of the Group for the respective years are a fair summary of those Audited Consolidated Financial Statements, in accordance with Accounting Standards (AS) 21 on Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006 and other accounting principles generally accepted in India.

10. **Restrictive Clause**

Our report and the attached Consolidated Summary Financial Statements are intended for the use of the management and for inclusion in the Preliminary Placement Document and Placement Document (hereinafter collectively referred to as the 'Placement Documents') in connection with the proposed Qualified Institutional Placement of equity shares of the Company. Our report should not be used for any other purpose except with our consent in writing.

For **Deloitte Haskins & Sells**
Chartered Accountants

(Registration No.008072S)

**Geetha Suryanarayanan**
Partner
(Membership No. : 29519)

**CHENNAI**, 4 February 2013

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**CONSOLIDATED BALANCE SHEET**

₹ 'million

| | Note | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholder's funds** | | | | | |
| Share capital | 3 | 1,326.23 | 1,326.20 | 1,193.49 | 3,664.71 |
| Reserves and surplus | 4 | 14,101.44 | 12,711.08 | 9,426.36 | 3,861.23 |
| | | **15,427.67** | **14,037.28** | **10,619.85** | **7,525.94** |
| **Share application money pending allotment** | 35b | - | - | 0.27 | **-** |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 5 | 72,632.90 | 71,545.50 | 56,155.16 | 24,825.56 |
| Other long-term liabilities | 6 | 416.46 | 193.69 | 295.79 | 299.40 |
| Long-term provisions | 7 | 547.15 | 530.08 | 519.90 | 496.00 |
| | | **73,596.51** | **72,269.27** | **56,970.85** | **25,620.96** |
| **Current liabilities** | | | | | |
| Short-term borrowings | 5 | 37,016.48 | 15,480.63 | 10,666.61 | 18,867.47 |
| Trade Payables | 8 | 1,024.45 | 992.39 | 671.78 | 541.22 |
| Other current liabilities | 8 | 32,896.17 | 30,335.42 | 15,336.94 | 13,614.52 |
| Short-term provisions | 7 | 1,665.77 | 1,854.27 | 3,227.56 | 3,921.38 |
| | | **72,602.87** | **48,662.71** | **29,902.89** | **36,944.59** |
| **TOTAL** | | **161,627.05** | **134,969.26** | **97,493.86** | **70,091.49** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Fixed assets | 9 | | | | |
| (i) Tangible assets | | 565.40 | 512.66 | 333.33 | 144.62 |
| (ii) Intangible assets | | 54.74 | 52.26 | 40.13 | 50.99 |
| | | 620.14 | 564.92 | 373.46 | 195.61 |
| Goodwill on Consolidation of Subsidiaries | | - | - | - | 5.89 |
| Non-current investments | 10 | 38.95 | 38.95 | 67.57 | 70.78 |
| Deferred tax asset (net) | 11 | 417.80 | 511.31 | 1,334.03 | 1,579.57 |
| Receivable under Financing activity | 12 | 100,200.20 | 83,429.57 | 54,944.07 | 34,845.54 |
| Long-term loans and advances | 13 | 595.35 | 515.83 | 676.96 | 371.58 |
| Trade Receivables | 16 | - | - | - | 0.33 |
| Other non-current assets | 14 | 1,264.05 | 1,217.35 | 1,045.58 | 418.26 |
| | | **103,136.49** | **86,277.93** | **58,441.67** | **37,487.56** |
| **Current assets** | | | | | |
| Current investments | 15 | 1,720.00 | 62.74 | 32.57 | 1,670.28 |
| Trade Receivables | 16 | 50.68 | 73.70 | 66.83 | 107.87 |
| Cash and Cash Equivalents | 17 | 4,313.84 | 5,312.36 | 4,748.87 | 7,546.77 |
| Receivable under Financing activity | 12 | 49,172.23 | 40,559.51 | 31,810.02 | 20,606.60 |
| Short-term loans and advances | 13 | 343.16 | 315.16 | 608.73 | 941.20 |
| Other current assets | 14 | 2,890.65 | 2,367.86 | 1,785.17 | 1,731.21 |
| | | **58,490.56** | **48,691.33** | **39,052.19** | **32,603.93** |
| **TOTAL** | | **161,627.05** | **134,969.26** | **97,493.86** | **70,091.49** |

See accompanying notes forming part of the consolidated summary financial statements

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Consolidated Statement of Profit and Loss for the**

₹ 'million

| | Note | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|---|
| Revenue from operations | 18 | 11,692.54 | 17,792.94 | 12,062.63 | 9,493.73 |
| Other income | 19 | 23.96 | 262.57 | 164.59 | 71.03 |
| **Total Revenue** | | **11,716.50** | **18,055.51** | **12,227.22** | **9,564.76** |
| Expenses | | | | | |
| - Finance Costs | 20 | 6,569.62 | 9,900.22 | 5,747.13 | 4,951.31 |
| - Business origination outsourcing | | 818.75 | 1,321.91 | 882.15 | 593.35 |
| - Employee benefits expense | 21 | 730.97 | 1,191.91 | 965.51 | 932.36 |
| - Other operating expenses (Net) | 22 | 1,072.31 | 1,948.76 | 1,532.33 | 1,359.76 |
| - Depreciation and amortisation expense | 9 | 89.38 | 103.83 | 100.48 | 171.47 |
| - Provision, loan losses and other charges | 23 | 380.00 | 995.67 | 1,772.21 | 1,304.57 |
| **Total expenses** | | **9,661.03** | **15,462.30** | **10,999.81** | **9,312.82** |
| **Profit before exceptional items and tax** | | **2,055.47** | **2,593.21** | **1,227.41** | **251.94** |
| Profit on disposal of subsidiaries (Net) | | - | - | - | 307.77 |
| Exceptional items | 24 | - | 300.00 | - | 138.50 |
| **Profit before taxation** | | **2,055.47** | **2,893.21** | **1,227.41** | **698.21** |
| **PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION** | | 2,055.47 | 2,893.21 | 1,227.41 | 567.84 |
| Tax expense: | | | | | |
| - Current tax | | | | | |
| - Current year- Expense | | 696.93 | 365.84 | 206.51 | 206.89 |
| - Prior years - Expense / (Reversal of provision) | | (124.16) | 14.72 | (56.19) | - |
| - MAT Credit Entitlement | | (0.70) | 0.03 | (14.30) | - |
| - Deferred tax | | 93.51 | 822.72 | 245.54 | (36.41) |
| | | 665.58 | 1,203.31 | 381.56 | 170.48 |
| **PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION** | **(A)** | **1,389.89** | **1,689.90** | **845.85** | **397.36** |
| Profit from discontinuing operations before Taxation | | - | - | - | 130.37 |
| Tax expense of discontinuing operations | | - | - | - | 0.05 |
| **PROFIT FROM DISCONTINUING OPERATIONS AFTER TAXATION** | **(B)** | **-** | **-** | **-** | **130.32** |
| **PROFIT AFTER TAXATION** | **(A + B)** | **1,389.89** | **1,689.90** | **845.85** | **527.68** |
| Earnings per equity share: | 26 | | | | |
| - Basic | | 10.49 | 14.10 | 7.73 | 7.42 |
| - Diluted | | 10.48 | 14.10 | 7.73 | 7.42 |

See accompanying notes forming part of the consolidated summary financial statements

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Consolidated Cash Flow Statement for the**

₹ 'million

| Particulars | Six month ended 30.09.2012 | | Year ended 31.03.2012 | | Year ended 31.03.2011 | | Year ended 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| ***Cash Flow from Operating Activities*** | | | | | | | | |
| **Net Profit Before Tax** | | **2,055.47** | | **2,893.21** | | **1,227.41** | | **698.21** |
| Adjustments for :- | | | | | | | | |
| Depreciation | 89.38 | | 103.83 | | 100.48 | | 171.47 | |
| Provisions/(reversal of provisions) for Standard Assets (Net) | 82.81 | | (170.96) | | 209.71 | | (1,700.00) | |
| Provisions/(reversal of provisions) for Non Performing Assets under Financing Activity (Net) | 4.79 | | (988.69) | | (898.64) | | 1,404.87 | |
| Provision for Other Doubtful Debts and Advances (Net) | - | | - | | - | | 0.84 | |
| Provisions/(reversal of provisions) for Credit Enhancement and Servicing Costs on Assets De-recognised(Net) | (6.77) | | (258.80) | | (118.30) | | 133.03 | |
| Provisions/(reversal of provisions) for Diminution in Value of Investments | 0.11 | | - | | - | | - | |
| Provisions for Mark to Market Losses on Derivatives | - | | 29.65 | | 26.10 | | - | |
| Provisions for Gratuity | 16.81 | | - | | - | | - | |
| Provisions for Compensated Absences(Net) | 24.94 | | 12.97 | | 17.49 | | 0.47 | |
| Provision for Contingent Service Tax claims | 5.68 | | - | | - | | - | |
| Loss on Repossessed Assets (Net) | 155.44 | | 161.71 | | 136.04 | | 312.02 | |
| Loss assets written off | 140.50 | | 1,722.30 | | 2,338.80 | | 1,336.86 | |
| Loss on Sale of Securities | - | | - | | - | | 69.42 | |
| Provision no longer required written back | - | | - | | (9.56) | | (2.54) | |
| Goodwill written off | - | | - | | 5.89 | | - | |
| Financing Charges | 6,569.62 | | 9,900.21 | | 5,747.13 | | 4,951.46 | |
| (Profit)/Loss on Sale of Fixed Assets ( Net ) | 0.12 | | 0.14 | | (112.81) | | (205.48) | |
| Profit on Sale of Current Investments ( Net ) | (121.58) | | (105.76) | | (71.15) | | (181.06) | |
| Amortisation of Premium on Acquisition of Government Securities | 0.07 | | 0.75 | | 0.74 | | 0.74 | |
| Interest & Dividend Income | (167.46) | | (333.24) | | (372.44) | | (517.24) | |
| Profit on sale of subsidiaries in Mutual Fund Business | - | | - | | - | | (307.77) | |
| | | 6,794.46 | | 10,074.11 | | 6,999.48 | | 5,467.09 |
| **Operating Profit Before Working Capital Changes** | | **8,849.93** | | **12,967.32** | | **8,226.89** | | **6,165.30** |
| Adjustments for :- | | | | | | | | |
| (Increase)/Decrease in Receivables under Financing Activity (including Repossessed Assets) | (25,778.08) | | (50,148.85) | | (37,715.83) | | (24,635.67) | |
| (Increase)/Decrease in Other Assets | (179.00) | | (729.89) | | (829.28) | | (41.10) | |
| (Increase)/Decrease in Loans and advances | 47.98 | | 452.34 | | 286.42 | | (344.44) | |
| (Increase)/Decrease in Current Liabilities and Provisions | 154.23 | | 181.80 | | (538.37) | | 175.33 | |
| Securitisation / Bilateral Assignment of Receivables | - | | 11,133.75 | | 3,983.97 | | 13,078.51 | |
| | | (25,754.87) | | (39,110.85) | | (34,813.09) | | (11,767.37) |
| **Cash Used in Operating Activities** | | (16,904.94) | | (26,143.53) | | (26,586.20) | | (5,602.07) |
| Financing charges paid | (7,107.02) | | (9,235.63) | | (5,362.96) | | (5,662.04) | |
| Direct Taxes Paid | (612.37) | (7,719.39) | (360.04) | (9,595.67) | (377.31) | (5,740.27) | (297.87) | (5,959.91) |
| **Net Cash Used in Operating Activities (A)** | | **(24,624.33)** | | **(35,739.20)** | | **(32,326.47)** | | **(11,561.98)** |
| ***Cash Flow from Investing Activities*** | | | | | | | | |
| Bank Deposits and Unpaid Dividend Accounts (See Note below) | 1,043.70 | | 278.42 | | 1,742.42 | | 2,571.78 | |
| Purchase of Fixed Assets | (164.99) | | (316.95) | | (354.68) | | (66.45) | |
| Sale of Fixed Assets | 2.29 | | 3.37 | | 171.12 | | 314.66 | |
| Inter corporate Deposit | (97.22) | | - | | - | | - | |
| Purchase of Other Investments | (118,972.61) | | (130,328.54) | | (103,302.27) | | (13.79) | |
| Sale/ Redemption of Other Investments | 119,134.08 | | 130,422.11 | | 103,373.43 | | 1,760.02 | |
| Proceeds from sale of subsidiaries in Mutual Fund Business (Net of expense) | - | | - | | - | | 434.36 | |
| Interest & Dividend Received | 448.70 | | 488.74 | | 473.26 | | 453.56 | |
| **Net Cash From Investing Activities (B)** | | 1,393.95 | | 547.15 | | 2,103.28 | | 5,454.14 |
| ***Cash Flow from Financing Activities*** | | | | | | | | |
| ***Long Term & Medium Term*** | | | | | | | | |
| - Increase in Equity Share Capital and Securities Premium | 0.51 | | 2,089.28 | | 2,460.52 | | - | |
| - Share Application money pending allotment | - | | - | | 0.27 | | - | |
| - Increase/(Decrease) in Debentures | 4,260.00 | | 21,256.00 | | 8,315.00 | | (10,500.00) | |
| - Increase/(Decrease) in Term Loans from Banks and others | (668.23) | | 8,282.04 | | 24,014.39 | | 16,920.57 | |
| - Decrease in Fixed Deposits | (0.59) | | (1.36) | | (2.54) | | (62.79) | |
| ***Short Term*** | | | | | | | | |
| - Increase/(Decrease) in Banks Borrowings | 4,565.35 | | 8,264.02 | | (3,038.36) | | (1,870.90) | |
| - Decrease in Other Borrowings | 16,970.50 | | (3,450.00) | | (4,100.00) | | (3,701.15) | |
| Dividends Paid (Including Distribution Tax) | (154.66) | | (415.92) | | (119.28) | | (1.12) | |
| **Net Cash From Financing Activities (C)** | | 24,972.88 | | 36,024.06 | | 27,530.00 | | 784.61 |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)** | | **1,742.50** | | **832.01** | | **(2,693.19)** | | **(5,323.23)** |
| Cash and Cash Equivalents at the Beginning of the Period/Year | | 1,388.69 | | 556.68 | | 3,249.87 | | 8,573.10 |
| Cash and Cash Equivalents at the End of the Period/Year | | **3,131.19** | | **1,388.69** | | **556.68** | | **3,249.87** |
| Note: | | | | | | | | |
| Cash and Cash Equivalents at the End of the Period/Year as per Balance Sheet | | 4,313.84 | | 5,312.36 | | 4,748.87 | | 7,546.77 |
| Add: Current Investments (Excluding Investments under Lien) | | 1,720.00 | | 22.67 | | 32.57 | | 1,670.28 |
| Less: Balance in Current Accounts held for Unpaid Dividends | | 2.78 | | 3.38 | | 3.36 | | 3.90 |
| Less: Bank Deposits held for More than Three Months | | 249.63 | | 740.28 | | 980.91 | | 42.75 |
| Less: Bank Deposits under Lien | | 2,650.24 | | 3,202.68 | | 3,240.49 | | 5,920.53 |
| | | 3,131.19 | | 1,388.69 | | 556.68 | | 3,249.87 |

## 1. Significant Accounting Policies

### a) Principles of Consolidation

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

(i) The Financial Statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions resulting in unrealised profits or losses, as per Accounting Standard 21 – Consolidated Financial Statements. This summary financial statements is derived from the audited standalone financial statements of the company and its subsidiaries for the respective period/years and has been prepared for the purpose of inclusion in the preliminary placement document and placement document in connection with the proposed Qualified Institutional Placement of Equity shares of the company.

(ii) Investments in entities where the Company holds interest on a temporary basis and where it does not exercise significant influence / control are not considered for consolidation purposes.

(iii) The Financial Statements of the Subsidiaries in the Consolidation are drawn up to the same reporting date as that of the Company.

(iv) The excess of Cost to the Company of its Investment in the Subsidiaries over the Company's portion of Equity on the date of acquisition is recognised in the financial statements as Goodwill. The carrying value of goodwill is tested for impairment as at the end of each reporting period.

(v) The excess of the Company's portion of Equity of the Subsidiaries on the acquisition date over its Cost of Investment is treated as Capital Reserve.

(vi) The audited financial statements for the year ended March 31, 2010 has been regrouped/reclassified wherever necessary to correspond with the presentation/disclosure as per the revised Schedule VI of the Companies Act, 1956 which became effective from April 1, 2011 and also to conform with the classification criteria for the comparative periods presented in the summary Consolidated financial statements.

### b) Particulars of consolidation

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

| **Name of the Company** | **Percentage of Voting Power as on** | | | |
|---|---|---|---|---|
| | **September 30, 2012** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** |
| Cholamandalam Securities Limited (CSEC) | 100.00% | 100.00% | 100.00% | 100.00% |
| Cholamandalam Distribution Services Limited (CDSL) | 100.00% | 100.00% | 100.00% | 100.00% |
| Cholamandalam Factoring Limited (CFACT) | 99.99% | 99.99% | 99.99% | 99.44% |

**c) Accounting Convention**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956.

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

**d) Use of Estimates**

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

**e) Cash flow Statement**

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

**f) Revenue Recognition**

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

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

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

For Bilateral assignment of receivables:
Upto the year ended March 31, 2011, the difference between the book value of the assets assigned and the sale consideration is taken to revenue after netting off incidental expenses to be incurred, provision for contingent losses arising from credit enhancements (if cash collateral is provided) and costs to be incurred in servicing the contracts.

From April 1, 2011, Interest spread on bilateral assignment or securitisation of receivables is recognized on accrual basis over the tenor of the underlying assets.

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

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

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

Interest income on bonds and deposits is recognized on accrual basis.

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

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

**g) Fixed Assets , Depreciation and Impairment**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

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

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

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

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

**h) Investments**

Investments which are long term in nature, are stated at cost. Provision is made for diminution in value if it is of nature other than temporary. Premium on acquisition of Government securities is amortised over the balance tenure.

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

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

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

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

(i) Unearned income
(ii) Instalments appropriated up to the reporting period.

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

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

**j) Repossessed Assets**

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

**k) Retirement and Other Benefits**

**(i) Defined Contribution Plan**

Provident Fund: Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund, based on the Statutory provisions as per the Employee Provident Fund Scheme, are charged to revenue.

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 contribution and recognizes such contributions as an expense in the period incurred.

**(ii) Defined Benefit Plan & Long Term Compensated Absences**

Expenditure for defined benefit gratuity plan and long term accumulated compensated absences is calculated as at the balance sheet date in a manner that distributes expenses over the employees working lives. These commitments are

valued at the present value of expected future payments and with consideration for calculated future salary increases.

The 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 period by LIC using the Projected Unit Credit method.

The Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined every period by an independent actuary using the Projected Unit Credit method.

Actuarial gains and losses are recognised in the statement of profit and loss in the period in which they occur.

**(iii) Other Employee Benefits**

Other employee benefits include short term accumulated compensated absences which 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.

**l) Foreign Currency Transactions**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transaction. Foreign currency monetary items as at the balance sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and period-end restatements are dealt with in the statement of profit and loss.

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 are recognised in the statement of profit and loss in the period 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 period.

**m) Derivative Transactions**

The Company generally enters into derivative transactions for hedging purposes only. Such derivative instruments are marked to market wherever required as at the balance sheet date and provision for losses, if any, is dealt with in the statement of profit and loss.

**n) Lease Accounting**

Lease payments including cost escalation for assets taken on operating lease are recognised in the statement of profit and loss over the lease term in accordance with AS-19, Leases issued by the Institute of Chartered Accountants of India.

**o) Service Tax Input Credit**

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

**p) Taxation**

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

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

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**q) Deferred Compensation Costs**

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

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

Provisions are recognised only when the Company has present or legal or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.
Contingent liability is disclosed for -
(i) Possible obligations which will be confirmed only by future events not wholly within the control of the 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.

**s) Prepaid Finance Charges**

Prepaid Finance Charges represents ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed, and is amortised on a straight line basis, over the tenure of the respective borrowings.

Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

**t) Share issue expenses**

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

**2. a ) Approval of Scheme of Amalgamation (Six months ended 30.09.2012)**

The Board of Directors at their meeting held on October 30, 2012 have considered and approved a Scheme of Amalgamation of the Company's wholly owned subsidiary M/s.Cholamandalam Factoring Limited with the Company, subject to the approval of shareholders, creditors, regulatory authorities, etc. and sanction of the Scheme by the Hon'ble High Court of Judicature at Madras.

**2. b) Change in Accounting Policy (year ended 31.03.2012)**

Up to March 31, 2011, the Company was recognising upfront income on bilateral assignment of receivables based on professional opinion confirming that bilateral assignment of receivables is outside the purview of the RBI Guidelines on Securitisation of Standard Assets introduced with effect from February 01, 2006.

During the year ended March 31, 2012, the Company has, by way of bilateral assignment, sold loan receivables aggregating to ₹ 7,088.35 million. The interest spread arising there from is accounted over the residual tenor of the receivables sold as against upfront recognition of such interest spread in earlier years. Income from operations & Profit before tax would have been higher by ₹ 269.92 million and Profit after Tax would have been higher by ₹ 161.95 million had the company recognized the said interest spread upfront as in previous years. This change is also in line with the draft revised guidelines on Securitization transaction issued by Reserve Bank of India in September 2011.

**2. c ) Termination of Shareholders' Agreement (year ended 31.03.2011)**

The Shareholders' agreement dated June 16, 2005 entered into between the Company, Tube Investments of India Limited (TII) and DBS Bank Limited, Singapore (DBS) was terminated on April 08, 2010 pursuant to the purchase of the entire shareholding of DBS in the Company by Tube Investments of India Ltd., & New Ambadi Estates Private Ltd., (constituents of the Murugappa Group). Consequently, the Company ceased to be a Joint Venture between Murugappa Group and DBS, with effect from April 08, 2010 and has become a subsidiary of Tube Investment of India Limited effective from that date.

Consequent to the above, the name of the company and its subsidiaries have been changed as follows:

**i)** Cholamandalam DBS Finance Limited changed to **Cholamandalam Investment and Finance Company Limited**

**ii)** DBS Cholamandalam Securities Limited changed to **Cholamandalam Securities Limited**

**iii)** DBS Cholamandalam Distribution Limited changed to **Cholamandalam Distribution Services Limited**

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated financial statements**

₹ 'million

| Note : 3 SHARE CAPITAL | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| **AUTHORISED** | | | | |
| 15,00,00,000 Equity Share of ₹ 10 each (Year ended 2012 - 15,00,00,000; 2011 - 12,00,00,000; 2010 - 10,00,00,000 Equity shares) | 1,500.00 | 1,500.00 | 1,200.00 | 1,000.00 |
| 3,00,00,000 Preference Shares of ₹ 100 each | 3,000.00 | 3,000.00 | 3,000.00 | 3,000.00 |
| | **4,500.00** | **4,500.00** | **4,200.00** | **4,000.00** |
| **ISSUED** | | | | |
| 13,26,94,736 Equity Shares of ₹ 10 each (as at March, 2012 - 13,26,91,303; 2011 - 11,94,20,635; 2010 - 6,65,43,088 Equity shares) | 1,326.95 | 1,326.91 | 1,194.21 | 665.43 |
| 3,00,00,000 Preference Shares of ₹ 100 each | 3,000.00 | 3,000.00 | 3,000.00 | 3,000.00 |
| | **4,326.95** | **4,326.91** | **4,194.21** | **3,665.43** |
| **SUBSCRIBED AND FULLY PAID UP** | | | | |
| 13,25,57,982 Equity Shares of ₹ 10 each (as at March, 2012 - 13,25,54,549; 2011 - 11,92,83,881; 2010 - 6,64,06,334 Equity shares) | 1,325.58 | 1,325.55 | 1,192.84 | 664.06 |
| Add : Forfeited Shares | 0.65 | 0.65 | 0.65 | 0.65 |
| 3,00,00,000 1% Fully Convertible Cumulative Preference Shares of ₹ 100 each (Fully converted on May 17, 2010 into 3,26,08,695 equity shares) | - | - | - | 3,000.00 |
| | **1,326.23** | **1,326.20** | **1,193.49** | **3,664.71** |

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

| | As at 30.09.2012 | | As at 31.03.2012 | | As at 31.03.2011 | | As at 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| **Equity Shares** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** | **No.** | **Amount** |
| At the beginning of the period/year | 132,554,549 | 1,325.55 | 119,283,881 | 1,192.84 | 66,406,334 | 664.06 | 66,406,334 | 664.06 |
| Issued during the year - conversion of 3,00,00,000 1% Fully convertible preference shares | - | - | - | - | 32,608,695 | 326.09 | - | - |
| Issued during the year on preferential basis | - | - | 13,255,454 | 132.56 | 20,268,852 | 202.69 | - | - |
| Issued during the year - Employees Stock Option Scheme | 3,433 | 0.03 | 15,214 | 0.15 | - | - | - | - |
| **Outstanding at the end of the period/year** | **132,557,982** | **1,325.58** | **132,554,549** | **1,325.55** | **119,283,881** | **1,192.84** | **66,406,334** | **664.06** |
| **Forfeited shares** | | | | | | | | |
| Equity - Amount originally paid up | **130,900** | **0.65** | **130,900** | **0.65** | **130,900** | **0.65** | **130,900** | **0.65** |
| **Fully convertible cumulative Preference Shares** | | | | | | | | |
| At the beginning of the year | - | - | - | - | 30,000,000 | 3,000.00 | 30,000,000 | 3,000.00 |
| Converted into Equity shares during the year | - | - | - | - | (30,000,000) | (3,000.00) | - | - |
| **Outstanding at the end of the year** | **-** | **-** | **-** | **-** | **-** | **-** | **30,000,000** | **3,000.00** |

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

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

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.

**c) Equity Shares held by Holding company and its Associates**

| | 30.09.2012 | 31.03.2012 | 31.03.2011 |
|---|---|---|---|
| Tube Investments of India Limited - Holding company (w.e.f April 8,2010) | 72,233,019 | 72,233,019 | 72,233,019 |
| Murugappa Holdings Limited - Associate of Holding Company (earlier known as Parry Agro Industries Ltd) - Associate of Holding Company | 176 | 176 | 176 |

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

| | As at 30.09.2012 | | As at 31.03.2012 | | As at 31.03.2011 | | As at 31.03.2010 | |
|---|---|---|---|---|---|---|---|---|
| | No. | % holding in the class | No. | % holding in the class | No. | % holding in the class | No. | % holding in the class |
| **For Equity shares:** | | | | | | | | |
| DBS Bank Limited | - | - | - | - | - | - | 24,888,473 | 37.48 |
| Tube Investments of India Limited | 72,233,019 | 54.49 | 72,233,019 | 54.49 | 72,233,019 | 60.56 | 20,542,448 | 30.93 |
| International Finance Corporation | 11,831,352 | 8.93 | 11,831,352 | 8.93 | 11,831,352 | 9.92 | - | - |
| New Ambadi Estates Private Limited | 7,218,410 | 5.45 | 7,218,410 | 5.45 | 7,218,410 | 6.05 | - | - |
| **For Preference shares:** | | | | | | | | |
| DBS Bank Limited | - | - | - | - | - | - | 150,000,000 | 50.00 |
| Tube Investments of India Limited | - | - | - | - | - | - | 150,000,000 | 50.00 |

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

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

i) Refer Note 35 for details of shares reserved for issue under the Employees Stock option Scheme

ii) The Company had issued and allotted 30,000,000 1% Fully Convertible Cumulative Preference Shares (FCCPS) of ₹ 100 each at Par aggregating to ₹ 30,00 million on March 13, 2009 to the existing promoters of the Company on a preferential basis. The FCCPS are convertible into Equity Shares of ₹ 10 each for cash within a period of 18 months from the date of issue and have been fully converted on May 17, 2010 into 3,26,08,695 Equity shares.

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated financial statements**

₹ 'million

| Note : 4 RESERVES AND SURPLUS | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| **Capital Reserve** | **0.40** | **0.40** | **0.40** | **0.40** |
| **Capital Redemption Reserve (Note 4.1)** | **330.00** | **330.00** | **330.00** | **330.00** |
| **Securities Premium Account** | | | | |
| Balance at the beginning of the period/year | 8,777.95 | 6,821.09 | 1,889.35 | 1,889.35 |
| Add: Premium on issue of shares on Preferential basis (Note 4.2) | - | 1,988.32 | 2,299.54 | - |
| Premium on conversion of Preference shares | - | - | 2,673.91 | - |
| Premium on ESOPs exercised | 0.47 | 0.56 | - | - |
| Less: Share issue expenses | - | (32.02) | (41.71) | - |
| **Closing balance** | **8,778.42** | **8,777.95** | **6,821.09** | **1,889.35** |
| **Statutory Reserve (Note 4.3)** | | | | |
| Balance at the beginning of the period/year | 1,260.65 | 915.55 | 791.15 | 758.98 |
| Add: Amount transferred from surplus in the statement of profit and loss | - | 345.10 | 124.40 | 30.90 |
| Add: Addition on account of acquisition of Cholamandalam Factoring Limited as a Subsidiary of the Company | - | - | - | 1.27 |
| **Closing balance** | **1,260.65** | **1,260.65** | **915.55** | **791.15** |
| **General Reserve** | | | | |
| Balance at the beginning of the period/year | 1,862.31 | 643.41 | 612.31 | 612.31 |
| Add: Amount transferred from surplus in the statement of profit and loss | - | 1,000.00 | 31.10 | - |
| Add: Transfer from Adjustments on consolidation | - | 218.90 | - | - |
| **Closing balance** | **1,862.31** | **1,862.31** | **643.41** | **612.31** |
| **Adjustments on Consolidation** | | | | |
| Balance at the beginning of the period/year | - | 218.90 | 218.90 | 242.62 |
| Less: Adjustment for the period/year | - | - | - | (23.72) |
| Less: Transfer to General Reserve | - | (218.90) | - | - |
| **Closing balance** | **-** | **-** | **218.90** | **218.90** |
| **Surplus in the statement of Profit and loss** | | | | |
| Balance at the beginning of the period/year | 479.77 | 497.01 | 19.12 | (363.42) |
| Profit for the period/year | 1,389.89 | 1,689.90 | 845.85 | 527.68 |
| Less: | | | | |
| Dividend | | | | |
| Equity for previous year | - | - | - | - |
| Equity Interim - Paid | - | (178.95) | - | - |
| Equity - Proposed | - | (132.56) | (178.93) | (66.41) |
| Preference | - | - | (3.86) | (31.56) |
| Distribution tax on Equity Dividend | - | (50.53) | (29.03) | (11.03) |
| Distribution tax on Preference Dividend | - | - | (0.64) | (5.24) |
| Transfer to Statutory Reserve | - | (345.10) | (124.40) | (30.90) |
| Transfer to General Reserve | - | (1,000.00) | (31.10) | - |
| **Net surplus in the statement of profit and loss** | **1,869.66** | **479.77** | **497.01** | **19.12** |
| **Total Reserves and surplus** | **14,101.44** | **12,711.08** | **9,426.36** | **3,861.23** |

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

4.2 Premium on allotment of shares on preferential basis :

| No of equity shares | Premium per share | | | | |
|---|---|---|---|---|---|
| 13,255,454 | 150.00 | - | 1,988.32 | - | - |
| 10,893,852 | 82.00 | - | - | 893.30 | - |
| 9,375,000 | 150.00 | - | - | 1,406.25 | - |
| | | **-** | **1,988.32** | **2,299.55** | **-** |

4.3 Represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934. As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profits of the Company every year. This being a year-end requirement, no such transfer has been considered in the interim financial statements for the period from 1 April 2012 to 30 September 2012. The required transfer to reserve fund will be made in the annual financial statements for the year ending 31 March 2013, based on the net profit of the Company for the financial year 2012-2013

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note : 5 BORROWINGS** | **Non - Current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **LONG TERM** | | | | | | | | |
| Redeemable Non-Convertible Debentures | | | | | | | | |
| Medium Term - Secured (Refer Note 5.1 (i) | 15,777.00 | 16,079.00 | 7,000.00 | 2,800.00 | 11,532.00 | 9,350.00 | 3,000.00 | 2,000.00 |
| Subordinated debt - Unsecured | 8,930.00 | 7,780.00 | 7,030.00 | 5,415.00 | 1,300.00 | 1,500.00 | - | - |
| Perpetual debt - Unsecured | 6,507.00 | 5,077.00 | 1,500.00 | - | - | - | - | - |
| Term Loans | | | | | | | | |
| Rupee Loans - Secured | | | | | | | | |
| - Banks (Refer Note 5.1 (ii) | 39,833.40 | 41,083.40 | 37,566.65 | 13,975.55 | 16,333.30 | 13,983.30 | 8,783.35 | 8,037.50 |
| - Others | - | - | - | 600.00 | - | - | 600.00 | 150.00 |
| Foreign currency loans from banks - Secured -Refer Note 5.1 (ii) | 1,585.50 | 1,526.10 | 3,058.51 | 2,035.01 | 754.07 | 2,581.70 | 883.95 | 1,017.51 |
| | 72,632.90 | 71,545.50 | 56,155.16 | 24,825.56 | 29,919.37 | 27,415.00 | 13,267.30 | 11,205.01 |
| The above amount includes | | | | | | | | |
| Secured borrowings | 57,195.90 | 58,688.50 | 47,625.16 | 19,410.56 | 28,619.37 | 25,915.00 | 12,667.30 | 11,205.01 |
| Unsecured borrowings | 15,437.00 | 12,857.00 | 8,530.00 | 5,415.00 | 1,300.00 | 1,500.00 | 600.00 | - |
| Amount disclosed under the head "Other Current Liabilities" | | | | | (29,919.37) | (27,415.00) | (13,267.30) | (11,205.01) |
| | **72,632.90** | **71,545.50** | **56,155.16** | **24,825.56** | **-** | **-** | **-** | **-** |
| **SHORT TERM** | | | | | | | | |
| **Term Loan** | | | | | | | | |
| Rupee Loans from Banks - Secured -(Refer Note 5.1 (ii) | | | | | | | | 1,062.50 |
| Rupee Loans from Banks - UnSecured | - | - | - | - | - | - | - | 250.00 |
| Working capital Demand loans and cash credit from Banks | | | | | | | | |
| -Secured - (Refer Note 5.1 (iii) | - | - | - | - | 17,195.98 | 13,130.63 | 4,866.61 | 7,654.97 |
| - Unsecured | - | - | - | - | 500.00 | - | - | - |
| Commercial paper - Unsecured | - | - | - | - | 19,320.50 | 2,350.00 | 5,800.00 | 9,900.00 |
| Inter corporate Deposit | - | - | - | - | - | - | - | - |
| | - | - | - | - | 37,016.48 | 15,480.63 | 10,666.61 | 18,867.47 |
| The above amount includes | | | | | | | | |
| Secured borrowings | - | - | - | - | 17,195.98 | 13,130.63 | 4,866.61 | 8,717.47 |
| Unsecured borrowings | - | - | - | - | 19,820.50 | 2,350.00 | 5,800.00 | 10,150.00 |
| | **-** | **-** | **-** | **-** | **37,016.48** | **15,480.63** | **10,666.61** | **18,867.47** |

**5.1 Security**

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

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

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

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₹ 'million

| **Note : 6 OTHER LONG TERM LIABILITIES** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| Advances from customers | 10.47 | 7.91 | 6.63 | 4.72 |
| Interest Accrued but Not Due on Loans | 387.32 | 167.95 | - | - |
| Financial liabilities on derivative transactions | - | - | 281.94 | 285.55 |
| Deferred Rent | 18.67 | 17.83 | 7.22 | 9.13 |
| | **416.46** | **193.69** | **295.79** | **299.40** |

| **Note : 7 PROVISIONS** | **Long term** | | | | **Short term** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Provisions for Employee Benefits** | | | | | | | | |
| - Compensated Absences | - | - | - | - | 106.70 | 81.76 | 68.79 | 51.30 |
| - Gratuity | - | - | - | - | 16.81 | - | - | - |
| | - | - | - | - | 123.51 | 81.76 | 68.79 | 51.30 |
| **Other provisions** | | | | | | | | |
| Provision for Standard Assets | 249.08 | 207.55 | 134.81 | - | 172.47 | 131.19 | 374.90 | 300.00 |
| Provision for Non performing Assets | 222.73 | 253.76 | 131.74 | 306.93 | 1,278.78 | 1,242.96 | 2,353.67 | 3,077.12 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 75.34 | 68.77 | 253.35 | 189.07 | 11.77 | 25.12 | 99.34 | 281.92 |
| Provisions for Mark to Market Losses on Derivatives | - | - | - | - | - | 145.62 | 115.97 | 89.87 |
| Contingent Service Tax Claims | - | - | - | - | 79.24 | 73.56 | 6.93 | 6.93 |
| Proposed Dividend - Equity | - | - | - | - | - | 132.56 | 178.93 | 97.97 |
| Provision for Distribution tax on proposed Dividend - Equity | - | - | - | - | - | 21.50 | 29.03 | 16.27 |
| | 547.15 | 530.08 | 519.90 | 496.00 | 1,542.26 | 1,772.51 | 3,158.77 | 3,870.08 |
| | **547.15** | **530.08** | **519.90** | **496.00** | **1,665.77** | **1,854.27** | **3,227.56** | **3,921.38** |

| **Note : 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| **Trade payables** | | | | |
| -Dues to clients and Stock Exchanges | 70.94 | 83.05 | 98.18 | 161.13 |
| -Others | 953.51 | 909.34 | 573.60 | 380.09 |
| | **1,024.45** | **992.39** | **671.78** | **541.22** |
| **Other current liabilities** | | | | |
| Current maturities of long term debt | 29,919.37 | 27,415.00 | 13,267.30 | 11,205.01 |
| Interest Accrued but Not Due on Loans / Other Deposits | 1,864.05 | 1,881.93 | 1,174.31 | 845.78 |
| Income received in advance | 1.27 | 2.99 | - | - |
| Unclaimed Dividend (Refer Note 8.1) | 2.78 | 3.38 | 3.36 | 3.90 |
| Fixed Deposits including interest accrued thereon - Matured and unclaimed (Refer Note 8.2 & 8.3) | 4.78 | 5.37 | 6.74 | 9.28 |
| Advances from customers/others | 157.29 | 188.21 | 162.82 | 153.87 |
| Security Deposit received | 32.28 | 29.14 | 24.91 | 18.07 |
| Dues to : | | | | |
| - Assignees/investors towards collections in derecognised assets (Refer Note 17.1) | 740.62 | 667.45 | 614.68 | 1,290.30 |
| - Insurance companies towards premium collected from customers | 84.86 | 66.87 | 50.45 | 12.49 |
| - Statutory authorities | 29.83 | 36.74 | 21.91 | 25.01 |
| Financial liabilities on derivative transactions | - | - | - | 18.60 |
| Other liabilities | 59.04 | 38.34 | 10.46 | 32.21 |
| | **32,896.17** | **30,335.42** | **15,336.94** | **13,614.52** |

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

8.2 As at March 31, 2012, there are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for ₹ 0.19 million (2011 - ₹ 0.10 million), the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to ₹ 0.01 million (2011 - ₹ 0.01 million), payments have not been made as per instructions received from Central Bureau of Investigation .

8.3 Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of ₹ 8.88 million (September 30, 2012), ₹ 8.52 million (March 31, 2012), ₹ 9.73 million (March 31, 2011), ₹ 13.40 million (March 31, 2010) in an Escrow Account, as directed by the RBI. Also refer Note 16.

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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**Note 9 : FIXED ASSETS**

₹ 'million

| Description | Gross Block | | | | Depreciation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2012 | Additions | Deletions | Cost as at 30.09.2012 | Upto 31.03.2012 | Provided | Withdrawn | Upto 30.09.2012 | 30.09.2012 | 31.03.2012 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | 46.42 | - | - | 46.42 | - | - | - | - | 46.42 | 46.42 |
| Buildings (Note below) | 342.50 | - | - | 342.50 | 38.50 | 8.55 | - | 47.05 | 295.45 | 304.00 |
| Plant and Machinery | 205.19 | 27.87 | 2.87 | 230.19 | 146.16 | 22.68 | 2.15 | 166.69 | 63.50 | 59.03 |
| Office Equipment | 58.88 | 23.30 | 0.92 | 81.26 | 33.29 | 14.40 | 0.26 | 47.43 | 33.83 | 25.59 |
| Furniture and Fixtures | 55.80 | 33.74 | 0.55 | 88.99 | 37.32 | 12.15 | 0.26 | 49.21 | 39.78 | 18.48 |
| Leasehold improvements | 67.52 | 30.23 | 4.70 | 93.05 | 41.12 | 10.48 | 4.59 | 47.01 | 46.04 | 26.40 |
| Vehicles | 42.94 | 12.84 | 2.23 | 53.55 | 10.20 | 4.58 | 1.61 | 13.17 | 40.38 | 32.74 |
| **Total** | **819.25** | **127.98** | **11.27** | **935.96** | **306.59** | **72.84** | **8.87** | **370.56** | **565.40** | **512.66** |
| **Intangible Asset** | | | | | | | | | | |
| Computer Software | 270.45 | 19.02 | - | 289.47 | 220.38 | 16.21 | - | 236.59 | 52.88 | 50.07 |
| Stock Exchange Membership Card | 17.08 | - | - | 17.08 | 14.89 | 0.33 | - | 15.22 | 1.86 | 2.19 |
| **Total** | **287.53** | **19.02** | **-** | **306.55** | **235.27** | **16.54** | **-** | **251.81** | **54.74** | **52.26** |
| | | | | | | - | | | - | |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

₹ 'million

| Description | Gross Block | | | | Depreciation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2011 | Additions | Deletions | Cost as at 31.03.2012 | Upto 31.03.2011 | Provided | Withdrawn | Upto 31.03.2012 | 31.03.2012 | 31.03.2011 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | - | 46.42 | - | 46.42 | - | - | - | - | 46.42 | - |
| Buildings (Note below) | 296.27 | 46.23 | - | 342.50 | 22.81 | 15.69 | - | 38.50 | 304.00 | 273.46 |
| Plant and Machinery | 150.74 | 56.14 | 1.69 | 205.19 | 129.31 | 18.48 | 1.63 | 146.16 | 59.03 | 21.43 |
| Office Equipment | 29.15 | 30.38 | 0.64 | 58.88 | 19.30 | 14.43 | 0.44 | 33.29 | 25.59 | 9.85 |
| Furniture and Fixtures | 27.49 | 29.05 | 0.74 | 55.80 | 24.99 | 12.86 | 0.53 | 37.32 | 18.48 | 2.50 |
| Leasehold improvements | 41.47 | 29.62 | 3.58 | 67.52 | 34.13 | 10.20 | 3.21 | 41.12 | 26.40 | 7.34 |
| Vehicles | 27.60 | 23.73 | 8.39 | 42.94 | 8.85 | 7.08 | 5.73 | 10.20 | 32.74 | 18.75 |
| **Total** | **572.72** | **261.57** | **15.04** | **819.25** | **239.39** | **78.74** | **11.54** | **306.59** | **512.66** | **333.33** |
| **Intangible Asset** | | | | | | | | | | |
| Computer Software | 233.22 | 37.23 | - | 270.45 | 195.94 | 24.44 | - | 220.38 | 50.07 | 37.28 |
| Stock Exchange Membership Card | 17.08 | - | - | 17.08 | 14.23 | 0.66 | - | 14.89 | 2.19 | 2.85 |
| **Total** | **250.30** | **37.23** | **-** | **287.53** | **210.17** | **25.10** | **-** | **235.27** | **52.26** | **40.13** |
| | | | | | | - | | | - | |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated Financial statements**

**Note 9 : FIXED ASSETS**

₹ 'million

| Description | Gross Block | | | | Depreciation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2010 | Additions | Deletions | Cost as at 31.03.2011 | Upto 31.03.2010 | Provided | Withdrawn | Upto 31.03.2011 | 31.03.2011 | 31.03.2010 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | - | - | - | - | - | - | - | - | - | - |
| Buildings (Note below) | 32.70 | 263.57 | - | 296.27 | 18.99 | 3.82 | - | 22.81 | 273.46 | 13.71 |
| Plant and Machinery | 317.59 | 9.15 | 176.00 | 150.74 | 262.59 | 23.02 | 156.30 | 129.31 | 21.43 | 55.00 |
| Office Equipment | 50.84 | 6.75 | 28.44 | 29.15 | 34.51 | 4.67 | 19.88 | 19.30 | 9.85 | 16.33 |
| Furniture and Fixtures | 65.86 | 0.80 | 39.17 | 27.49 | 52.88 | 5.20 | 33.09 | 24.99 | 2.50 | 12.98 |
| Leasehold improvements | 105.38 | 1.74 | 65.65 | 41.47 | 71.52 | 7.61 | 45.00 | 34.13 | 7.34 | 33.86 |
| Vehicles | 20.41 | 14.49 | 7.30 | 27.60 | 7.67 | 5.16 | 3.98 | 8.85 | 18.75 | 12.74 |
| **Total** | **592.78** | **296.50** | **316.56** | **572.72** | **448.16** | **49.48** | **258.25** | **239.39** | **333.33** | **144.62** |
| **Intangible Asset** | | | | | | | | | | |
| Computer Software | 197.88 | 40.14 | 4.80 | 233.22 | 150.40 | 50.34 | 4.80 | 195.94 | 37.28 | 47.48 |
| Stock Exchange Membership Card | 17.08 | - | - | 17.08 | 13.57 | 0.66 | - | 14.23 | 2.85 | 3.51 |
| **Total** | **214.96** | **40.14** | **4.80** | **250.30** | **163.97** | **51.00** | **4.80** | **210.17** | **40.13** | **50.99** |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

₹ 'million

| Description | Gross Block | | | | Depreciation | | | | Net Block as at | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 31.03.2009 | Additions | Deletions | Cost as at 31.03.2010 | Upto 31.03.2009 | Provided | Withdrawn | Upto 31.03.2010 | 31.03.2010 | 31.03.2009 |
| **Tangible Asset** | | | | | | | | | | |
| Freehold Land | 3.11 | - | 3.11 | - | - | - | - | - | - | 3.11 |
| Buildings (Note below) | 117.39 | - | 84.69 | 32.70 | 30.41 | 5.83 | 17.25 | 18.99 | 13.71 | 86.98 |
| Plant and Machinery | 359.37 | 1.73 | 43.51 | 317.59 | 238.27 | 62.56 | 38.24 | 262.59 | 55.00 | 121.10 |
| Office Equipment | 62.78 | 1.83 | 13.77 | 50.84 | 32.08 | 10.92 | 8.49 | 34.51 | 16.33 | 30.70 |
| Furniture and Fixtures | 101.48 | 0.62 | 36.24 | 65.86 | 72.74 | 11.04 | 30.90 | 52.88 | 12.98 | 28.74 |
| Leasehold improvements | 119.82 | 2.79 | 17.23 | 105.38 | 65.64 | 17.90 | 12.02 | 71.52 | 33.86 | 54.18 |
| Vehicles | 36.53 | 12.04 | 28.16 | 20.41 | 11.83 | 4.32 | 8.48 | 7.67 | 12.74 | 24.70 |
| **Total** | **800.48** | **19.01** | **226.71** | **592.78** | **450.97** | **112.57** | **115.38** | **448.16** | **144.62** | **349.51** |
| **Intangible Asset** | | | | | | | | | | |
| Computer Software | 171.39 | 40.59 | 14.10 | 197.88 | 102.57 | 58.24 | 10.41 | 150.40 | 47.48 | 68.82 |
| Stock Exchange Membership Card | 34.25 | 6.58 | 23.75 | 17.08 | 24.09 | 0.66 | 11.18 | 13.57 | 3.51 | 10.16 |
| **Total** | **205.64** | **47.17** | **37.85** | **214.96** | **126.66** | **58.90** | **21.59** | **163.97** | **50.99** | **78.98** |

**Note:**
Cost of Buildings (Office Premises / flats) is inclusive of undivided interest in land

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated financial statements**

₹ 'million

| **Note : 10 NON CURRENT INVESTMENTS (valued at cost unless stated otherwise)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| **Non Trade Investments - Unquoted** | | | | |
| Investment in Equity shares | | | | |
| Amaravathi Sri Venkatesa Paper Mills Ltd. | 12.90 | 12.90 | 12.90 | 12.90 |
| 293,272 Equity shares of Rs.10 each fully paid up | | | | |
| Saraswat Co-operative Bank Ltd. | 0.01 | 0.01 | 0.01 | 0.01 |
| 1,000 Equity shares of Rs.10 each fully paid up | | | | |
| The Shamrao Vithal Co-operative Bank Ltd. | 0.03 | 0.03 | 0.03 | 0.03 |
| 1,000 Equity shares of Rs.25 each fully paid up | | | | |
| Bombay Stock Exchange Limited | - | - | - | - |
| 1,30,000 Shares of Re.1 each fully paid up | 13.80 | 13.80 | 13.80 | 13.80 |
| Madras Stock Exchange Limited | - | - | - | - |
| 2,65,000 Shares of Re.1 each fully paid up | 0.02 | 0.02 | 0.02 | 0.02 |
| Chola Insurance Services Limited | - | - | - | - |
| 19,133 Shares of Rs.10 each fully paid up | 0.19 | 0.19 | - | - |
| Samvit Educational Servides Private Limited | - | - | - | - |
| 36,000 Shares of Rs.10 each fully paid up | 0.11 | - | - | - |
| Provision for Dimunition in Value of Investment - Samvit Education Services Pvt Ltd | (0.11) | - | - | - |
| Investment in other shares | | | | |
| Abhishek Co-operative Housing Society | - | - | - | - |
| 5 shares of Rs.50 each : Cost Rs.250 only | | | | |
| Chennai Willingdon Corporate Foundation | - | - | - | - |
| 5 shares of Rs.10 each : Cost Rs.50 only | | | | |
| Investment in Mutual Fund Units - **Unquoted** | 12.00 | 12.00 | - | 2.46 |
| | - | - | - | - |
| Investment in Government Securities - **Quoted** | - | - | - | - |
| Government of India Stock : 7.40% - 2012 (Face Value ₹ 400 lakhs) | - | - | 46.04 | 46.04 |
| Less: Amortisation of premium on acquisition | - | - | (5.23) | (4.48) |
| | 38.95 | 38.95 | 67.57 | 70.78 |
| Aggregate Value of Quoted Investments - At Cost | | | 46.04 | 46.04 |
| - At Market Value | | | 39.95 | 40.69 |
| Aggregate Value of Unquoted Investments - At Cost | 38.95 | 38.95 | 26.76 | 29.22 |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note 11 DEFERRED TAX ASSET (net)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| **Deferred Tax Asset** | | | | |
| Provision for Standard Assets | 136.77 | 109.91 | 165.37 | 99.65 |
| Provision for Non-Performing Assets | 266.01 | 261.72 | 775.04 | 1,095.63 |
| Provision for Credit Enhancements and Servicing Costs on Assets De-recognised | 28.25 | 30.46 | 114.43 | 156.45 |
| Provision for Repossessed Stock | 47.37 | 30.78 | 33.12 | 27.59 |
| Provision for Contingent Service Tax | 25.71 | - | 16.12 | - |
| Income Derecognised on Non Performing Assets | 65.44 | 196.38 | 279.08 | 200.53 |
| Provision for diminution in value of investment | - | 0.48 | 0.24 | - |
| Provisions for mark to market losses on derivatives | - | 47.25 | 37.63 | - |
| Provision for compensated absences | 32.35 | 24.32 | 20.52 | - |
| Difference between Depreciation as per Books of Account and the Income Tax Act, 1961. | 16.38 | 7.23 | 4.66 | 9.48 |
| Others | 6.37 | 5.86 | 33.40 | 92.39 |
| **(A)** | **624.65** | **714.39** | **1,479.61** | **1,681.72** |
| **Deferred Tax Liability** | | | | |
| Difference between Depreciation as per Books of Account and the Income Tax Act, 1961. | - | - | 7.27 | - |
| Unamortised Prepaid Finance Charges | 206.85 | 203.08 | 138.31 | 102.15 |
| **(B)** | **206.85** | **203.08** | **145.58** | **102.15** |
| **Net Deferred Tax Asset (A) - (B)** | **417.80** | **511.31** | **1,334.03** | **1,579.57** |
| **Movement in Net Deferred Tax Asset during the period/year** | **(93.51)** | **(822.72)** | **(245.54)** | **36.41** |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note : 12 RECEIVABLES UNDER FINANCING ACTIVITY** | **Non - Current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Secured** | | | | | | | | |
| Automobile Financing | 65,861.52 | 54,359.27 | 33,948.28 | 17,891.36 | 41,713.66 | 32,748.00 | 22,524.26 | 12,683.66 |
| Loans against Immovable Property | 33,852.43 | 27,856.31 | 17,320.78 | 12,278.50 | 2,280.86 | 2,053.12 | 1,467.92 | 1,109.91 |
| Loans against Securities | 478.40 | 966.78 | 2,823.78 | 3,625.29 | 1,385.85 | 2,392.25 | 4,039.16 | 463.51 |
| Loans against Gold (Refer Note 12.6) | - | - | - | - | 351.74 | 413.13 | - | - |
| Other Loans | - | 230.00 | 20.00 | - | - | - | - | 45.00 |
| Instalments and Other Dues from Borrowers (Refer Note 12.3 & 12.4) | - | - | - | - | 1,764.16 | 1,210.86 | 950.73 | 1,199.45 |
| Total (a) | 100,192.35 | 83,412.36 | 54,112.84 | 33,795.15 | 47,496.27 | 38,817.36 | 28,982.07 | 15,501.53 |
| **Unsecured** (Refer Note 12.2) | | | | | | | | |
| Consumer Loans | 7.85 | 17.21 | 831.23 | 1,050.39 | 704.28 | 765.66 | 597.51 | 2,395.93 |
| Other Loans | - | - | - | - | 834.18 | 822.04 | 421.57 | 211.54 |
| Instalments and Other Dues from Borrowers (Refer Note 12.3 & 12.5) | - | - | - | - | 137.50 | 154.45 | 1,808.87 | 2,497.60 |
| Total (b) | 7.85 | 17.21 | 831.23 | 1,050.39 | 1,675.96 | 1,742.15 | 2,827.95 | 5,105.07 |
| **Total receivables under financing activity (a) + (b)** | **100,200.20** | **83,429.57** | **54,944.07** | **34,845.54** | **49,172.23** | **40,559.51** | **31,810.02** | **20,606.60** |

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

12.2 Refer Note 7 for Provision for Non Performing Assets. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 12.3 Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment of Receivables. | | | | | 140.91 | 92.78 | 309.76 | 1,182.61 |
| | | | | | - | - | - | - |
| 12.4 Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months | | | | | 457.03 | 429.21 | 259.92 | 331.98 |
| | | | | | - | - | - | - |
| 12.5 Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months | | | | | 152.14 | 132.25 | 1,664.53 | 1,908.81 |
| Of the above: | | | | | | | | |
| Considered Good | 98,976.99 | 82,960.00 | 54,035.43 | 34,220.84 | 48,604.29 | 39,162.88 | 29,228.93 | 16,732.23 |
| Others - Non Performing Assets | 1,223.21 | 469.57 | 908.64 | 624.70 | 567.94 | 1,396.63 | 2,581.09 | 3,874.37 |
| | 100,200.20 | 83,429.57 | 54,944.07 | 34,845.54 | 49,172.23 | 40,559.51 | 31,810.02 | 20,606.60 |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note :13 LOANS AND ADVANCES** | **Non current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Unsecured - considered good (unless otherwise stated)** | | | | | | | | |
| Capital Advances | 54.45 | 36.47 | 18.32 | 0.28 | - | - | - | - |
| Security Deposits | 105.73 | 84.20 | 63.72 | 67.29 | 27.38 | 35.30 | 30.56 | 43.15 |
| Deposits placed towards cash collateral for assets de-recognised | - | - | - | - | - | - | 376.56 | 689.38 |
| Deposits with Stock Exchanges | 14.25 | 14.55 | 14.45 | 14.99 | 4.59 | 4.72 | 13.43 | 10.28 |
| Inter corporate Deposit placed | - | - | - | - | 97.22 | - | - | - |
| Prepaid expenses | 2.24 | 2.23 | 1.59 | 15.50 | 60.35 | 42.32 | 36.11 | 4.46 |
| Service tax input credit | 23.38 | 21.75 | 195.86 | 133.91 | 123.87 | 203.29 | 112.52 | 160.50 |
| Less: Provision | (23.38) | (21.75) | (16.39) | (17.99) | - | - | - | - |
| | - | - | 179.47 | 115.92 | 123.87 | 203.29 | 112.52 | 160.50 |
| Advance tax (net of provision for tax ₹ 17,284.51 lakhs; | | | | 155.08 | 0.51 | 0.52 | - | 0.52 |
| 31.03.2012- ₹ 11,564.09 lakhs) | 401.86 | 362.26 | 382.58 | | | | | |
| MAT Credit entitlement (net) | 16.82 | 16.12 | 16.83 | 2.52 | - | - | - | - |
| Other advances | - | - | - | - | 29.24 | 29.01 | 39.55 | 32.91 |
| | **595.35** | **515.83** | **676.96** | **371.58** | **343.16** | **315.16** | **608.73** | **941.20** |

₹ 'million

| **Note : 14 OTHER ASSETS** | **Non current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| **Unsecured - considered good (unless otherwise stated)** | | | | | | | | |
| Excess Interest spread - Derecognised assets | 574.00 | 579.10 | 749.36 | 232.99 | 77.08 | 167.97 | 129.88 | 77.80 |
| Prepaid Finance Charges | 485.82 | 482.93 | 296.22 | 185.27 | 151.73 | 143.00 | 132.18 | 122.53 |
| Prepaid Discount on Commercial paper | - | - | - | - | 631.32 | 49.65 | 36.20 | 212.41 |
| Reposessed Automobile assets | - | - | - | - | 74.90 | 19.46 | 43.51 | 76.44 |
| Interest and Other Income Accrued but Not Due | | | | | | | | |
| - on Loans to Borrowers | - | - | - | - | 1,703.08 | 1,370.47 | 858.53 | 560.02 |
| - on Deposits and Investments | - | - | - | - | 88.75 | 369.99 | 525.49 | 626.31 |
| Financial assets on derivative transactions | 203.64 | 155.32 | - | - | 92.57 | 151.25 | - | - |
| Unbilled revenue | - | - | - | - | 1.62 | 2.15 | 4.43 | 4.80 |
| Other Accruals and receivables | 0.59 | - | - | - | 69.60 | 93.92 | 54.95 | 50.90 |
| | **1,264.05** | **1,217.35** | **1,045.58** | **418.26** | **2,890.65** | **2,367.86** | **1,785.17** | **1,731.21** |

₹ 'million

| **Note : 15 CURRENT INVESTMENTS (valued at lower of cost and fair value,unless stated otherwise)** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
|---|---|---|---|---|
| Investment in Government Securities - **Quoted** | | | | |
| Government of India Stock : 7.40% - 2012 (Face Value Rs 400 lakhs) | - | 46.04 | - | - |
| Less: Amortisation of premium on acquisition | - | (5.97) | - | - |
| | - | 40.07 | - | - |
| Invsetments in Mutual Funds - **Unquoted** | 1,720.00 | 22.67 | 32.57 | 1,670.28 |
| | **1,720.00** | **62.74** | **32.57** | **1,670.28** |
| Aggregate Value of Quoted Investments - At Cost | - | 46.04 | - | - |
| - At Market Value | - | 39.95 | - | - |
| Aggregate Value of Unquoted Investments - At Cost | 1,720.00 | 22.67 | 32.57 | 1,670.28 |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated financial statements**

₹ 'million

| **Note : 16 TRADE RECEIVABLES** | **Non Current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| Secured - Considered Good | - | - | - | 0.33 | 46.39 | 67.03 | 60.94 | 96.45 |
| Unsecured - Considered Good | - | - | - | - | 4.29 | 6.67 | 5.89 | 11.42 |
| Unsecured - Considered Doubtful | - | 19.12 | 18.57 | 17.79 | 0.36 | 0.70 | 0.72 | 0.95 |
| Less:Provision for Doubtful Debts | - | (19.12) | (18.57) | (17.79) | (0.36) | (0.70) | (0.72) | (0.95) |
| | **-** | **-** | **-** | **0.33** | **50.68** | **73.70** | **66.83** | **107.87** |
| Trade Receivables outstanding for a period of more than 6 months | | | | | | | | |
| Secured - Considered Good | - | - | - | - | | 0.22 | 0.18 | |
| Unsecured - Considered Doubtful | - | - | - | - | | 0.38 | 0.72 | |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note : 17 CASH AND CASH EQUIVALENTS** | **Current** | | | |
|---|---|---|---|---|
| | **As at 30.09.2012** | **As at 31.03.2012** | **As at 31.03.2011** | **As at 31.03.2010** |
| Cash on hand | 85.61 | 208.99 | 216.50 | 105.58 |
| Cheques, Drafts on hand | 27.20 | 77.89 | - | 98.54 |
| Balances with banks | | | | |
| - In Current Accounts (Refer Note 17.1) | 1,298.38 | 1,079.14 | 307.60 | 1,375.47 |
| - In Deposit Accounts (Refer Note 17.2) | 249.63 | 740.28 | 980.91 | 4.32 |
| - In earmarked accounts | | | | |
| - In Unpaid Dividend Accounts | 2.78 | 3.38 | 3.36 | 3.90 |
| - In Client and Exchange related Accounts | 19.24 | 8.79 | 19.16 | 43.94 |
| - In Deposit Accounts (Under Lien) | 40.00 | 44.00 | 59.85 | 42.75 |
| - In Deposits as collateral towards assets de recognised (Refer Note 17.3 | 2,581.27 | 3,140.53 | 3,151.76 | 5,858.87 |
| - In Public deposit Escrow Account (Refer Note 8.3) | 9.73 | 9.36 | 9.73 | 13.40 |
| | **4,313.84** | **5,312.36** | **4,748.87** | **7,546.77** |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS3 cash flow statements is | 1,411.19 | 1,366.02 | 524.10 | 1,579.59 |

17.1 Balances with Banks on Current Account include amounts collected in respect of assets de-recognised on account of Assignment of Receivables pending remittance to the assignees. Refer Note 8

| | | | | |
|---|---|---|---|---|
| 17.2 Balance on Deposit Accounts - Free of lien includes deposits which have an original maturity of more than 12 months | 170.11 | 499.78 | 418.26 | 1.55 |
| 17.2 Balance on Deposits given as collateral includes deposits which have a maturity of more than 12 months from the Balance Sheet date | 2,304.66 | 2,429.68 | 2,774.63 | 1,869.46 |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note : 18 REVENUE FROM OPERATIONS** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| (a) Income from Financing activity | | | | |
| i) Interest | | | | |
| -Automobile Financing | 7,460.49 | 10,756.35 | 6,705.17 | 3,984.59 |
| -Loans against Immovable Property | 2,214.88 | 3,148.94 | 1,926.16 | 1,253.27 |
| -Loans against Securities | 184.54 | 873.80 | 598.08 | 340.69 |
| -Loans against Gold | 42.16 | 15.46 | - | - |
| -Consumer Loans | - | - | - | 1,132.76 |
| -Other Loans | 54.13 | 80.07 | 45.09 | 90.81 |
| -Interest spread on assignment/securitisation (Refer Note 2) | 201.01 | 288.04 | 535.12 | 663.07 |
| ii) Other Operating Revenue | | | | |
| -Automobile Financing | 911.81 | 1,692.82 | 1,269.93 | 797.66 |
| -Loans against Immovable Property | 148.57 | 265.38 | 279.53 | 207.34 |
| -Loans against Securities | 5.07 | 19.80 | 18.40 | 29.21 |
| -Loans against Gold | 0.21 | 0.23 | - | - |
| -Consumer Loans | 7.20 | 11.35 | - | 87.22 |
| -Other Loans | 0.03 | 0.63 | - | 0.71 |
| (b) Interest on bank deposits placed as collateral towards assets derecognised | 152.50 | 289.19 | 349.30 | 450.93 |
| (c) Stock broking, Depository Operations and Allied Services | 26.60 | 47.50 | 95.75 | 116.45 |
| (d) Retail Distribution Operations | 41.28 | 90.65 | 99.47 | 109.04 |
| (e) Fund Management Operations | - | - | - | 20.80 |
| (e) Profit on sale of investments - Current Investment | 121.58 | 105.76 | 71.15 | 180.57 |
| - Long term Investment | - | - | - | 0.50 |
| (f) Income from Non Financing activity | 120.48 | 106.97 | 69.48 | 28.11 |
| | **11,692.54** | **17,792.94** | **12,062.63** | **9,493.73** |

₹ 'million

| **Note : 19 OTHER INCOME** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Interest (Refer Note 19.1) | 13.25 | 42.93 | 19.19 | 57.64 |
| Dividend | 1.71 | 1.12 | 3.95 | 2.62 |
| Rent | 1.32 | 1.63 | - | - |
| Profit on sale of Fixed assets | - | - | 112.81 | - |
| Miscellaneous Income * | 7.68 | 216.89 | 28.64 | 10.77 |
| | **23.96** | **262.57** | **164.59** | **71.03** |
| * Gain on Premature Redemption of Commercial Paper included in Miscellaneous Income | - | - | 19.04 | - |
| * Includes reversal of provision for credit enhancement on consumer loan assets derecognised | - | 216.07 | - | - |
| 19.1 Interest includes: | | | | |
| - Interest on Deposits | - | 32.80 | 15.73 | - |
| - Interest on Income Tax Refund | 4.04 | 7.17 | - | - |

₹ 'million

| **Note : 20 FINANCE COSTS** | **Period ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Interest Expense | | | | |
| - Debentures | 2,366.10 | 3,199.78 | 1,721.06 | 1,518.62 |
| - Bank Loans | 3,408.19 | 5,452.55 | 2,790.41 | 1,931.47 |
| - Fixed Deposits | - | - | - | 1.17 |
| - Intercorporate Deposit | - | - | 0.19 | 0.17 |
| - Other Loans | - | - | 68.05 | 0.03 |
| Discount on Commercial Papers | 625.09 | 871.44 | 815.09 | 1,017.27 |
| Others | - | - | - | - |
| - Amortisation of ancillary borrowing costs | 133.91 | 318.20 | 214.04 | 372.08 |
| - Amortisation of premium on Forward contracts | 11.08 | 14.78 | 99.49 | 69.19 |
| - Bank charges | 25.25 | 43.47 | 38.80 | 41.31 |
| | **6,569.62** | **9,900.22** | **5,747.13** | **4,951.31** |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
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₹ 'million

| **Note : 21 EMPLOYEE BENEFIT EXPENSE** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Salaries, Bonus and Commission | 648.62 | 1,081.94 | 889.05 | 859.54 |
| Contribution to Provident and Other Funds | 43.02 | 51.48 | 40.71 | 35.53 |
| Staff Welfare Expenses | 39.33 | 58.49 | 35.75 | 37.29 |
| | **730.97** | **1,191.91** | **965.51** | **932.36** |

₹ 'million

| **Note : 22 OTHER OPERATING EXPENSES** | **Six months ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Year ended 31.03.2010** |
|---|---|---|---|---|
| Rent (Refer Note 22.1) | 136.55 | 206.17 | 167.62 | 156.90 |
| Electricity Charges | 25.52 | 39.67 | 24.31 | 29.17 |
| Rates and Taxes (Refer Note 22.2) | 89.59 | 209.19 | 12.12 | 7.93 |
| Communication Cost | 50.11 | 74.52 | 65.02 | 69.35 |
| Traveling and Conveyance | 94.97 | 128.40 | 64.18 | 80.08 |
| Advertisement Expenses | 19.53 | 74.81 | 35.54 | 2.28 |
| Business Development Expenses | 0.06 | - | 1.56 | 0.64 |
| Mutual Fund Promotion Expenses | - | 1.30 | - | 1.79 |
| Insurance | 24.81 | 38.99 | 29.02 | 20.44 |
| Repairs and Maintenance | | | | - |
| - Buildings | 0.16 | 0.63 | 0.33 | 0.06 |
| - Others | 1.58 | 6.72 | 3.65 | 6.93 |
| Printing and Stationery | 29.62 | 49.92 | 34.08 | 31.93 |
| Information Technology Expenses (Refer Note 22.1) | 50.19 | 75.25 | 66.39 | 67.13 |
| Auditors' Remuneration (including for other Auditors) | 1.60 | 4.34 | 4.20 | 4.98 |
| Professional Charges | 172.96 | 238.28 | 82.37 | 86.10 |
| Lease Rental Expense | 28.69 | 61.97 | 47.58 | - |
| Loss on Sale of Fixed Assets (Net) | 0.12 | 0.14 | - | 2.35 |
| Commission to Directors | 1.50 | 3.51 | 3.03 | - |
| Sitting Fees to Directors | 0.35 | 0.80 | 0.95 | 1.27 |
| Foreign Exchange Loss (net) | 37.90 | 150.63 | 174.35 | 87.03 |
| Recovery Charges (Refer Note 22.4) | 285.03 | 575.46 | 699.41 | 695.66 |
| Miscellaneous Expenses (Refer Note 22.3) | 23.59 | 17.03 | 28.73 | 20.01 |
| | 1,074.43 | 1,957.73 | 1,544.44 | 1,372.03 |
| Less : Expenses Recovered | (2.12) | (8.97) | (12.11) | (12.27) |
| | **1,072.31** | **1,948.76** | **1,532.33** | **1,359.76** |
| 22.1 Lease equalisation charge included in: | | | | |
| - Rent | 1.55 | 6.81 | 3.77 | 4.07 |
| - Information technology expense | - | (0.14) | (2.97) | (1.79) |
| 22.2 Service Tax charge included in Rates and Taxes | 88.21 | 196.34 | - | - |
| 22.3 Donation included in Miscellaneous expenses | - | 14.50 | 4.25 | 0.50 |
| 22.4 Net of reversal of provision for servicing costs on assets derecognised | 1.42 | 7.73 | 59.17 | 57.10 |

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Notes forming part of the Consolidated financial statements**

₹ 'million

| **Note : 23 PROVISIONS, LOAN LOSSES AND OTHER CHARGES** | **Period ended 30.09.2012** | **Year ended 31.03.2012** | **Year ended 31.03.2011** | **Period ended 31.03.2010** |
|---|---|---|---|---|
| Loss Assets Written Off | 140.50 | 1,722.30 | 2,338.80 | 1,336.86 |
| Loss on Repossessed Assets(Net) | 155.44 | 161.72 | 136.04 | 312.02 |
| Provision for Non Performing Assets | 146.63 | 965.10 | 1,230.42 | 2,585.33 |
| Provision Released for Non Performing Assets on recovery/write off (Refer Note 23.1) | (147.19) | (1,988.79) | (2,240.77) | (1,231.26) |
| Total | 295.38 | 860.33 | 1,464.49 | 3,002.95 |
| Interest reversal for Non Performing Consumer Loans | - | - | 91.23 | - |
| Provision for Standard Assets (Net) | 82.81 | 129.04 | 209.70 | (1,700.00) |
| Provision for other doubtful debts and advances | 1.63 | 5.38 | 0.11 | 0.84 |
| Loss on sale of shares held as stock in trade (Net) | 0.01 | 0.17 | 0.05 | 0.04 |
| Goodwill Written off | - | - | 5.89 | - |
| Amortisation of Premium on Acquisition of Government Securities | 0.17 | 0.75 | 0.74 | 0.74 |
| | **380.00** | **995.67** | **1,772.21** | **1,304.57** |
| 23.1 Includes reversal of provision for credit enhancements on assets derecognised | 5.36 | 251.07 | 111.72 | 50.80 |

## 24. a) Exceptional Items

₹ 'million

| Particulars | Year ended 31.03.2012 Gain/ (Loss) | Year ended 31.03.2011 Gain/ (Loss) | Year ended 31.03.2010 Gain/ (Loss) |
|---|---|---|---|
| Reversal of Provision for Standard Assets made in March 2009 as per capital reduction scheme | 300.00 | - | - |
| Profit on sale of land and building | - | - | 207.92 |
| Loss on sale of securities | - | - | (69.42) |
| **Exceptional Items (Net)** | (300.00) | - | (138.50) |

### b ) Discontinuing Operations

During the year, the company sold its subsidiaries in mutual fund business (M/s DBS Cholamandalam Asset Management Limited and M/s DBS Cholamandalam Trustees Limited) for a total sale consideration of ₹ 448.20 million resulting in a profit of ₹ 307.77 million (net of expenses of ₹ 13.84 million). Financial data relating to Discontinuing Operations is given below:

₹ million

| Particulars | 2009-10 (as of date of sale – 19/01/10) |
|---|---|
| Revenue | 27.36 |
| Profit on Sale | 307.77 |
| Expenditure | 204.77 |
| Profit / (Loss) Before Taxation | 130.37 |
| Profit / (Loss) After Taxation | 130.32 |
| Total Assets | 164.61 |
| Total Liabilities | 38.03 |

**The Cash Flows from Continuing and Discontinuing Operations are:**

₹ million

| | 2009-10 | | |
|---|---|---|---|
| | Continuing Operation | Discontinuing Operation | Total |
| Net Cash (Used in) / From Operating Activities | (11294.61) | (220.93) | (11515.54) |
| Net Cash From / (Used in) Investing Activities | 5459.49 | (5.35) | 5454.13 |
| Net Cash from Financing Activities | 654.62 | 130.00 | 784.62 |

## 25. Premature redemption of Commercial Paper

Gain / (Loss) on premature redemption of commercial papers is recognised in the Statement of Profit and Loss and included under Miscellaneous Income (2010-11) (Schedule 13(B)) and Other Financing Expenses (2009-10) (Schedule 14).

₹ million

| Particulars | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|
| Book Value (including interest accrued) on the date of redemption of commercial papers | 3,223.24 | 8,710.53 |
| Consideration paid for premature redemption of commercial papers | 3,204.20 | 8,712.80 |
| **Gain / (Loss)** | **19.04** | **(2.27)** |

## 26. Earnings per share

₹ 'million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| **Profit After Tax** | **1,389.89** | **1,689.90** | **845.85** | **527.67** |
| Less: Preference Dividend Payable (Including Distribution Tax Thereon) | - | - | **(4.51)** | **(34.98)** |
| **Profit Attributable to Equity Shareholders** | **1,389.89** | **1,689.90** | **841.34** | **492.69** |
| Weighted Average Number of Equity Shares (Basic) | 132,556,893 | 119,871,902 | 108,818,492 | 66,406,334 |
| **Earnings per Share - Basic** (₹) | **10.49** | **14.10** | **7.73** | **7.42** |
| Weighted Average Number of Equity Shares (Diluted) | 132,731,430 | 119,886,211 | 108,844,714 | 66,420,433 |
| **Earnings per Share - Diluted** (₹) | **10.48** | **14.10** | **7.73** | **7.42** |
| Face Value Per Share (₹) | 10.00 | 10.00 | 10.00 | 10.00 |

**Note:**

Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share". The Earnings Per Share is not annualised for the Six months period ended 30 September 2012.

## 27. Assets De-recognised

₹ 'million

| Particulars | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| Assets De-recognised – | | | | |
| on Bilateral Assignment of Receivables | 7,396.50 | 10,085.30 | 9,019.90 | 16,908.31 |
| on Securitisation of Receivables | 2,052.01 | 3,133.79 | - | - |
| Deposits provided as Collateral | | | | |
| - For Credit Enhancements | 2,581.27 | 3,140.53 | 3,528.32 | 5,818.94 |
| - For Liquidity support | - | - | - | 589.80 |
| - For Interest Rate Changes from Specified Rate | - | - | - | 139.49 |

## 28. Details of outstanding derivatives

₹ 'million

| Particulars | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| (i)Outstanding Derivatives: | | | | |
| Contracted Value | | | | |
| - Interest rate derivatives | - | - | - | - |
| - Currency derivatives | 2,417.50 | 5,804.60 | 5,358.60 | 3,366.00 |
| (ii) Foreign currency exposure not hedged by derivative instrument or otherwise | - | - | - | - |

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

₹ million

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|
| Statutory Audit | 2.58 | 2.57 | 2.61 |
| Other Services | 1.57 | 1.45 | 1.46 |
| Reimbursement of Expenses | 0.19 | 0.18 | 0.12 |
| **Total** | **4.34** | **4.20*** | **4.19** |

(*) Excludes ₹ 0.35 million paid for Preferential Issue related certification services, debited to Share Premium account.

**30. Gratuity**

**Details of Actuarial Valuation**:

₹ 'million

| Particulars | Six months ended 30.09.2012 | Year ended 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| Projected Benefit Obligation at the Beginning of the Period/Year | 39.08 | 26.45 | 16.69 | 14.20 |
| Current Service Cost | 7.65 | 6.30 | 4.72 | 4.68 |
| Interest Cost | 1.55 | 2.11 | 1.34 | 1.14 |
| Actuarial Losses / (Gains) | 7.23 | 5.16 | 5.56 | (2.16) |
| Benefits Paid | (0.56) | (0.94) | (1.86) | (1.16) |
| **Projected Benefit Obligation at the End of the Period/Year** | **54.95** | **39.08** | **26.45** | **16.69** |
| Fair Value of Plan Assets at the Beginning of the Period/Year | 39.59 | 28.10 | 18.05 | 9.34 |
| Expected Returns on Plan Assets | 1.65 | 2.55 | 1.60 | 1.36 |
| Employer's Contribution | 0.49 | 9.89 | 10.30 | 8.51 |
| Benefits Paid | (0.56) | (0.94) | (1.86) | (1.16) |
| Actuarial Gains / (Losses) | (2.27) | (0.01) | - | - |
| **Fair Value of Plan Assets at the End of the Period/Year** | **38.90** | **39.59** | **28.10** | **18.05** |
| Liability at the End of the Year | 54.95 | 39.08 | 26.45 | 16.69 |
| Fair Value of Plan Assets as at the End of the Period/Year | 38.90 | 39.59 | 28.10 | 18.05 |
| **Amount Recognised in the Balance Sheet under Note 7 (Provisions- Current) /Note 13 (Other Loans and advances- Current)** | **16.81** | **(0.51)** | **(1.65)** | **(1.36)** |
| **Amount Recognised in the Balance Sheet under Note 7 (Provisions- Current) /Note 13 (Other Loans and advances- Current)** | **(0.76)** | **-** | **(1.65)** | **(1.36)** |
| **Cost of the Defined Benefit Plan for the Period/Year** | | | | |
| Current Service Cost | 7.84 | 6.30 | 4.72 | 4.68 |
| Interest on Obligation | 1.61 | 2.11 | 1.34 | 1.14 |
| Expected Return on Plan Assets | (1.65) | (2.55) | (1.60) | (1.36) |
| Net Actuarial Losses/(Gains) Recognized in the Period/Year | 8.78 | 5.17 | 5.56 | (2.16) |

| **Net Cost Recognized in the statement of profit and loss** | **16.58** | **11.03** | **10.01** | **2.29** |
|---|---|---|---|---|
| **Assumptions** | | | | |
| Discount Rate | 8.00% p.a. | 8.00% p.a. | 8.00% p.a. | 8.00% p.a. |
| Future Salary Increase | 5.00% p.a. | 5.00% p.a. | 5.00% p.a. | 5.00% p.a. |
| Attrition Rate | | | | |
| - Senior Management | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. |
| - Middle Management | 10% p.a. | 2% p.a. | 2% p.a. | 2% p.a. |
| - Others | 20% p.a | 3% p.a. | 3% p.a. | 3% p.a. |
| Expected Rate of Return on Plan Assets | 8.00% p.a. | 9.25% p.a. | 9.25% p.a. | 9.50% p.a. |

| Benefit | **30.09.2012** | **2011-12** | **2010-11** | **2009-10** | **2008-09** |
|---|---|---|---|---|---|
| Projected Benefit Obligation | 54.95 | 39.08 | 26.45 | 16.69 | 15.35 |
| Fair Value of Plan Assets | 38.90 | 39.59 | 28.10 | 18.05 | 10.32 |
| **Surplus/(Deficit)** | **(16.05)** | **0.51** | **1.65** | **1.36** | **(5.03)** |

**Notes:**

1. The expected return on plan assets is as furnished by LIC for all the periods except for the period ended September 2012 which is as per the prevailing yield on Government Bonds.
2. The entire plan assets are managed by LIC. The data on plan assets and experience adjustment has not been furnished by LIC and hence there are no disclosures in this regard.
3. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factor
4. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

**31. Related Party Disclosures** (As per AS-18 "Related Party Disclosures")

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power**: Tube Investments of India Limited , DBS Bank Limited , Singapore (upto April 7, 2010)
- **Associate of Holding Company** : Murugappa Holdings Limited (w.e.f April 08,2011)
- **Joint venture of Holding Company** : Cholamandalam MS Risk Services Limited (w.e.f May 11, 2010)
- **Fellow Subsidiaries:** Cholamandalam MS General Insurance Company Limited
- **Key Management Person**: Mr. N. Srinivasan, Director **(**upto August 18, 2010)

  Mr. S. Vellayan, Managing Director (w.e.f August 19, 2010)

**Note:**

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

**a) Tube Investments of India Limited** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Dividend Payments | | | | |
| - Equity shares | 72.23 | 108.35 | 38.12 | - |
| - Preference shares | - | - | 19.64 | - |
| Rent (including hiring) receipts | 0.56 | 3.34 | 3.74 | 7.24 |
| Expenses - Reimbursed | - | - | 0.05 | 0.05 |
| Amount received towards reimbursement of Expenses | - | - | 0.16 | 0.48 |
| Purchase of Fixed Assets | | | | |
| Sale of Fixed Assets | 0.30 | - | - | - |
| Advances/Deposits Given | - | - | - | 0.93 |
| Advances/Deposits Recovered | - | - | - | 0.18 |
| Conversion of Fully Convertible | | - | 0.06 | - |
| cumulative Preference Shares into Equity shares | - | - | 3000.00 | - |
| Net Amount Receivable/(Due) as at year/six months end | 0.28 | 0.34 | 0.46 | 2.70 |

**b) DBS Bank Limited, Singapore (upto April 7, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest Payments | - | - | 0.00 | 32.40 |
| Expenses – Reimbursed | - | - | - | - |
| Directors sitting fees and commission | - | - | 0.04 | 0.21 |
| Net Amount Receivable/(Due) as at year/six months end | - | - | - | (273.02) |

**c) Murugappa Holdings Limited (w.e.f May 11, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Dividend payments – Equity shares (₹ 176.00 30.09.2012, ₹ 264.00 31.03.2012) | 0.00 | 0.00 | - | - |

**d) Cholamandalam MS Risk Services Limited (w.e.f May 11, 2010)** ₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Rent (including hiring) Receipts | 0.20 | 0.32 | 0.22 | - |
| Expenses – Reimbursed | 0.02 | 0.07 | - | - |
| Amount received towards reimbursement of Expenses | - | 0.03 | 0.04 | - |
| Net Amount Receivable/(Due) as at year/six months end | 0.11 | - | 0.12 | - |

**e) Cholamandalam MS General Insurance Company Limited (w.e.f April 8, 2010)**

₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Interest payments | 18.93 | 25.73 | 19.34 | - |
| Rent payments | 1.59 | 3.48 | 3.26 | - |
| Rent (including hiring) receipts | 4.07 | 7.75 | 6.65 | - |
| Payments for services availed | 33.61 | 52.46 | 28.51 | - |
| Advance Premium Deposit Given | 284.49 | 483.96 | 155.50 | - |
| Receipts for services rendered | 90.69 | 149.01 | 42.33 | - |
| Receipts on settlement of insurance claim | 3.88 | 7.68 | 7.41 | - |
| Expenses – Reimbursed | 0.75 | 1.41 | 2.04 | - |
| Amount received towards reimbursement of Expenses | 2.57 | 3.50 | 5.11 | - |
| Sale of Fixed Assets | - | - | 0.56 | - |
| Net Amount Receivable/(Due) as at year/six months end | 15.77<br>(518.09) | 18.29<br>(199.41) | 0.98<br>(150.42) | -<br>- |

**f) Key Management Person**

₹ million

| Nature of Transaction | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Remuneration - S Vellayan (w.e.f August 19, 2010) | 9.98 | 14.61 | 8.78 | - |
| Directors sitting fees and commission – N Srinivasan (upto August 18, 2010) | - | - | 0.08 | 0.18 |

**32. Contingent Liabilities and Commitments**

₹ 'million

| Particulars | As at 30.09.2012 | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2010 |
|---|---|---|---|---|
| Counter guarantees provided to banks | 11.97 | 96.85 | 93.30 | 96.30 |
| Contested claims not provided for:- | | | | |
| Income tax and Interest Tax issues where the company is in appeal | 220.23 | 232.42 | 215.87 | 65.95 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Income Tax | 20.44 | 20.44 | 20.19 | 11.98 |
| Service Tax issues pending in respect of which the company is under appeal | 2.29 | 2.29 | 11.85 | 9.80 |
| Decided in the Company's favour by Appellate Authorities and for which the Department is in further appeal with respect to Service Tax | 5.08 | 5.08 | - | - |
| Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal | 38.42 | 38.42 | 42.60 | 45.00 |
| Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable) | 155.39 | 108.27 | 91.25 | 89.54 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) | 39.44 | 57.27 | 9.86 | 0.15 |

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

**33.Changes in Provisions**

**For the six months ended 30.09.2012**

₹ 'million

| Particulars | As at 31.03.2012 | Additional Provision | Utilisation/ Reversal | As at 30.09.2012 |
|---|---|---|---|---|
| Provision for Standard Assets | 338.74 | 82.81 | - | 421.56 |
| Provision for Non-Performing Assets | 1,496.72 | 231.48 | (226.68) | 1,501.51 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 93.89 | - | (6.77) | 87.12 |
| Contingent Service Tax claims | 73.56 | 5.68 | - | 79.24 |

**For the year ended 31.03.2012**

₹ 'million

| Particulars | As at 31.03.2011 | Additional Provision | Utilisation/ Reversal | As at 31.03.2012 |
|---|---|---|---|---|
| Provision for Standard Assets | 509.70 | 129.04 | (300.00) | 338.74 |
| Provision for Non-Performing Assets | 2,485.41 | 749.03 | (1,737.72) | 1,496.72 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 352.69 | - | (258.80) | 93.89 |
| Contingent Service Tax claims | 6.93 | 73.56 | (6.93) | 73.56 |

**For the year ended 31.03.2011**

₹ 'million

| Particulars | As at 31.03.2010 | Additional Provision | Utilisation/ Reversal | As at 31.03.2011 |
|---|---|---|---|---|
| Provision for Standard Assets | 300.00 | 209.70 | - | 509.70 |
| Provision for Non-Performing Assets | 3,384.05 | 1,342.13 | 2,240.77 | 2,485.41 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 470.99 | 52.59 | 170.89 | 352.69 |
| Provision for Contested Service Tax | 6.93 | - | - | 6.93 |

**For the year ended 31.03.2010**

₹ 'million

| Particulars | As at 31.03.2009 | Additional Provision | Utilisation/ Reversal | As at 31.03.2010 |
|---|---|---|---|---|
| Provision for Standard Assets | 2,000.00 | - | 1,700.00 | 300.00 |
| Provision for Non-Performing Assets | 1,979.18 | 2,351.71 | 946.84 | 3,384.05 |
| Provision for Credit Enhancements and Servicing Costs on Assets Derecognised | 337.96 | 241.15 | 108.12 | 470.99 |
| Provision for Contested Service Tax | 6.93 | - | - | 6.93 |

**34.Leases**

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

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

₹ 'million

| Period | Six months ended 30.09.2012 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|---|---|---|---|
| Not later than one year | 55.03 | 56.14 | 56.85 | - |
| Later than one year and not later than five years | 41.27 | 70.17 | 127.91 | - |
| Later than five years | - | - | - | - |
| **Total** | **96.30** | **126.31** | **184.76** | **-** |

### 35.a) Employee Stock Option Plan

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

**For the six months ended 30.09.2012**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen-ces on | Options Granted | Options Exercised | Options Forfeited / Lapsed | Options Outstanding at the end of the period | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | 2,000 | 6,35,732 | 1,28,168 | - |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | 44,337 | 10,096 | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,33,638 | 29,162 | - |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 3,10,955 | 1,57,785 | - |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 3,445 | 1,491 | 5,134 | - |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 13,202 | 35,998 | 6,560 | 9,840 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | 21,808 | 48,072 | 2,24,720 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | 21,576 | 69,744 | 1,18,380 |
| 8 | Original | 30-04-11 | 162.55 | 30-04-12 | 1,13,400 | - | 36,414 | 13,466 | 63,520 |
| 9 | Original | 28-07-11 | 175.35 | 28-07-12 | 61,800 | - | 2,208 | 10,152 | 49,440 |
| 10 | Original | 27-10-11 | 154.55 | 27-10-12 | 1,95,680 | - | - | - | 1,95,680 |

**For the year ended 31.03.2012**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen-ces on | Options Granted | Options Exercised | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 6,35,732 | 1,30,168 | - |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | 44,337 | 10,096 | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,33,638 | 29,162 | - |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,61,507 | 1,41,173 | 66,060 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 2,012 | 1,020 | 4,017 | 3,021 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 13,202 | 35,998 | 6,560 | 9,840 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | 10,848 | 48,072 | 2,35,680 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | 21,576 | 69,744 | 1,18,380 |
| 8 | Original | 30-04-11 | 162.55 | 30-04-12 | 1,13,400 | - | 34,000 | - | 79,400 |
| 9 | Original | 28-07-11 | 175.35 | 28-07-12 | 61,800 | - | - | - | 61,800 |
| 10 | Original | 27-10-11 | 154.55 | 27-10-12 | 1,95,680 | - | - | - | 1,95,680 |

**For the year ended 31.03.2011**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commen -ces on | Options Granted | Options Exercise d | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 6,31,077 | 1,27,315 | 61,941 |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | - | - | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,24,354 | 25,546 | 12,900 |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,56,128 | 80,492 | 1,32,120 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | 2,012 | 583 | 1,433 | 6,042 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | 1,640 | 34,768 | 9,512 | 19,680 |
| 7 | | | | | | | | | |
| - Tr I | Original | 27-01-11 | 187.60 | 27-01-12 | 2,94,600 | - | - | - | 2,94,600 |
| - Tr II | Original | 27-01-11 | 187.60 | 27-01-12 | 2,09,700 | - | - | - | 2,09,700 |

**For the year ended 31.03.2010**

| Particulars | | Date of Grant | Exercise Price (Rs) | Vesting Commences on | Options Granted | Options Exercised | Options Forfeited / Lapsed | Options Outstanding at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|
| Grant No | | | | | | | | Vested | Yet to vest |
| 1 | Original | 30-07-07 | 193.40 | 30-07-08 | 7,65,900 | - | 5,63,559 | 93,710 | 1,63,064 |
| | CAA * | 25-01-08 | 178.70 | - | 54,433 | - | - | - | - |
| 2 | Original | 24-10-07 | 149.90 | 24-10-08 | 70,400 | - | 70,400 | - | - |
| 3 | Original | 25-01-08 | 262.20 | 25-01-09 | 1,62,800 | - | 1,05,640 | 20,800 | 36,360 |
| 4 | Original | 25-04-08 | 191.80 | 25-04-09 | 4,68,740 | - | 2,25,800 | 44,780 | 1,98,160 |
| 5 | Original | 30-07-08 | 105.00 | 30-07-09 | 10,070 | - | 291 | 1723 | 8,056 |
| 6 | Original | 24-10-08 | 37.70 | 24-10-09 | 65,600 | - | 33,620 | 5,740 | 26,240 |

*CAA-Corporate Action adjustment

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

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

| | Variables | | | | | |
|---|---|---|---|---|---|---|
| **Date of Grant** | **1. Risk Free Interest Rate** | **2. Expected Life** | **3. Expected Volatility** | **4. Dividend Yield** | **5. Price of the underlying Share in the Market at the time of the Option Grant (₹)** | **6. Fair Value of the Option (₹)** |
| **30-Jul-07** | 7.10% - 7.56% | 3-6 years | 40.64% -43.16% | 5.65% | 193.40 | 61.42 |
| **24-Oct-07** | 7.87% -7.98% | 3-6 years | 41.24% -43.84% | 5.65% | 149.90 | 44.25 |
| **25-Jan-08** | 6.14% -7.10% | 3-6 years | 44.58% -47.63% | 5.65% | 262.20 | 78.15 |
| **25-Apr-08** | 7.79% - 8.00% | 2.5-5.5 years | 45.78% - 53.39% | 3.97% | 191.80 | 76.74 |
| **30-Jul-08** | 9.14% - 9.27% | 2.5-5.5 years | 46.52% - 53.14% | 3.97% | 105.00 | 39.22 |
| **24-Oct-08** | 7.54% - 7.68% | 2.5-5.5 years | 48.2% - 55.48% | 3.97% | 37.70 | 14.01 |
| **27-Jan-11** | | | | | | |
| **- Tranche I** | 8% | 4 years | 59.50% | 10% | 187.60 | 94.82 |
| **- Tranche II** | 8% | 3.4 years | 61.63% | 10% | 187.60 | 90.62 |
| **30-Apr-11** | 8% | 4 years | 59.40% | 25% | 162.55 | 73.07 |
| **28-Jul-11** | 8% | 4 years | 58.64% | 25% | 175.35 | 79.17 |
| **27-Oct-11** | 8% | 4 years | 57.52% | 25% | 154.55 | 67.26 |

**b)** Share application money pending allotment as on March 31, 2011 represents application money received on exercise of 3,652 options on March 31, 2011 which were subsequently allotted on April 11, 2011.

**36. Sharing of Costs**

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

**37.Segmental Reporting**

**For the year ended 31-Mar-2012**

| | | | | | ₹ 'million |
|---|---|---|---|---|---|
| | **Financing** | **Distribution** | **Stock Broking** | **Eliminations** | **Consolidated Total** |
| **REVENUE** | | | | | |
| External Revenue | 17,653.80 | 90.98 | 48.17 | - | 17,792.95 |
| Inter-segment Revenue | - | 0.01 | 7.56 | (7.57) | - |
| Total Revenue | 17,653.80 | 90.99 | 55.73 | (7.57) | 17,792.95 |
| **RESULT** | | | | | |
| Segment Result | 2,288.16 | (3.71) | (25.84) | - | 2,258.61 |
| Other Income | - | - | - | - | - |
| Net Profit Before Tax | | | | | 2,258.61 |
| Other Information | | | | | |
| Segment Assets | 133,459.52 | 250.39 | 187.58 | - | 133,897.49 |
| Unallocated Corporate Assets | - | - | - | - | 991.88 |
| **Total Assets** | **133,459.52** | **250.39** | **187.58** | **-** | **134,889.37** |
| Segment Liabilities | 120,740.28 | 13.15 | 98.66 | - | 120,852.09 |
| Unallocated Corporate Liabilities | - | - | - | - | - |
| **Total Liabilities** | **120,740.28** | **13.15** | **98.66** | **-** | **120,852.09** |
| Capital Expenditure | 309.32 | 4.75 | 2.88 | - | 316.95 |
| Depreciation | 89.02 | 4.28 | 10.53 | - | 103.83 |

**For the year ended 31-Mar-2011**

| | | | | | ₹ 'million |
|---|---|---|---|---|---|
| | **Financing** | **Distribution** | **Stock Broking** | **Eliminations** | **Consolidated Total** |
| **REVENUE** | | | | | |
| External Revenue | 11,866.88 | 99.47 | 96.28 | - | 12,062.63 |
| Inter-segment Revenue | - | - | - | - | - |
| Total Revenue | 11,866.88 | 99.47 | 96.28 | - | 12,062.63 |
| **RESULT** | | | | | |
| Segment Result | 919.42 | 69.06 | 4.89 | - | 993.37 |
| Other Income | | | | | 234.04 |
| Net Profit Before Tax | | | | | 1,227.41 |
| Other Information | | | | | |
| Segment Assets | 95,224.91 | 229.84 | 206.23 | - | 95,660.98 |
| Unallocated Corporate Assets | | | | | 1,832.88 |
| | | | | | |
| **Total Assets** | **95,224.91** | **229.84** | **206.23** | **-** | **97,493.86** |
| Segment Liabilities | 86,749.33 | 10.45 | 113.95 | - | 86,873.73 |
| Unallocated Corporate Liabilities | | | | | - |
| **Total Liabilities** | **86,749.33** | **10.45** | **113.95** | **-** | **86,873.73** |
| Capital Expenditure | 353.56 | 0.85 | 0.25 | - | 354.66 |
| Depreciation | 85.15 | 4.00 | 11.33 | - | 100.48 |

### For the year ended 31-Mar-2010

₹ 'million

| | Financing | Distribution | Stock Broking | Asset Management | Others | Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | |
| External Revenue | 9,266.70 | 110.06 | 120.52 | 26.80 | 0.41 | - | 9,524.49 |
| Inter-segment Revenue | 0.17 | - | 9.30 | | | (9.47) | - |
| Total Revenue | 9,266.87 | 110.06 | 129.82 | 26.80 | 0.41 | (9.47) | 9,524.49 |
| **RESULT** | | | | | | | |
| Segment Result | 464.13 | 68.90 | 34.80 | (177.40) | | - | 390.43 |
| Other Income | | | | | | | 307.77 |
| Net Profit Before Tax | | | | | | | 698.20 |
| Other Information | | | | | | | |
| Segment Assets | 67,623.42 | 186.12 | 298.17 | - | - | (37.70) | 68,070.01 |
| Unallocated Corporate Assets | | | | | | | 1,738.20 |
| **Total Assets** | **67,623.42** | **186.12** | **298.17** | **-** | **-** | **(37.70)** | **69,808.21** |
| Segment Liabilities | 62,132.65 | 11.94 | 175.37 | - | - | (37.70) | 62,282.26 |
| Unallocated Corporate Liabilities | | | | | | | - |
| **Total Liabilities** | **62,132.65** | **11.94** | **175.37** | **-** | **-** | **(37.70)** | **62,282.26** |
| Capital Expenditure | 46.33 | 0.01 | 14.19 | 5.92 | - | - | 66.45 |
| Depreciation | 152.85 | 4.83 | 10.72 | 3.07 | - | - | 171.47 |

### 38. Previous Year Figures

Previous years' figures have been regrouped/reclassified, wherever necessary to facilitate comparison with those for the current period.

**AUDITORS' REPORT**
**TO THE BOARD OF DIRECTORS OF**
**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

1. We have reviewed the accompanying statement of Unaudited Financial Results ("the Statement") comprising the Consolidated Financial Results of **CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") and the Standalone Financial Results of the Company for the quarter ended and nine months ended December 31, 2012. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. The Statement includes the results of the following Companies:

| Company Name | Relationship |
|---|---|
| Cholamandalam Investment and Finance Company Limited | Holding Company |
| Cholamandalam Distribution Services Limited | Subsidiary |
| Cholamandalam Securities Limited | Subsidiary |
| Cholamandalam Factoring Limited | Subsidiary |

4. The Statement reflects the Group's share of (i) Revenues of Rs. 175 lakhs for the quarter ended December 31, 2012 and Rs. 493 lakhs for the nine months ended December 31, 2012, (ii) Loss after tax of Rs. 10 lakhs for the quarter ended December 31, 2012 and Rs. 19 lakhs for the nine months ended December 31, 2012, relating to two subsidiaries whose results have been reviewed by the other auditors. Accordingly, our assurance on the Statement in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of such other auditors which have been furnished to us.

5. Based on our review conducted as stated and read with our comments in Para 4, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the stock exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements from the details furnished by the Management and the particulars relating to undisputed investor complaints from the details furnished by the Registrars.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. : 008072S)

**Geetha Suryanarayanan**
Partner
(Membership No. : 29519)

**CHENNAI**, January 18, 2013

**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
**Registered Office : DARE HOUSE, 2, NSC Bose Road, Chennai - 600 001.**
**Statement of Standalone and Consolidated Unaudited Results**
**for the quarter and nine months ended December 31, 2012**

**Part I** ₹ 'lakhs

| | Particulars | Standalone | | | | | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Audited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Audited |
| | | Three months ended 31.12.2012 | Preceeding three months ended 30.09.2012 | Corresponding three months ended 31.12.2011 in Previous Year | Nine months ended 31.12.2012 | Nine months ended 31.12.2011 in Previous Year | Previous Year ended 31.03.2012 | Three months ended 31.12.2012 | Preceeding three months ended 30.09.2012 | Corresponding three months ended 31.12.2011 in Previous Year | Nine months ended 31.12.2012 | Nine months ended 31.12.2011 in Previous Year | Previous Year ended 31.03.2012 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1. | a) Income from operations | 65,380 | 58,673 | 45,771 | 177,685 | 120,793 | 171,529 | 65,737 | 59,006 | 46,116 | 178,717 | 121,783 | 172,910 |
| | b) Other operating income | 1,156 | 1,778 | 1,351 | 5,094 | 3,548 | 5,009 | 1,160 | 1,782 | 1,349 | 5,106 | 3,555 | 5,019 |
| 2. | Expenditure | | | | | | | | | | | | |
| | a) Interest (Financing Charges) | 37,402 | 34,334 | 26,922 | 103,110 | 70,554 | 98,818 | 37,358 | 34,318 | 26,925 | 103,054 | 70,732 | 99,002 |
| | b) Employees cost | 3,817 | 3,745 | 2,966 | 10,719 | 8,123 | 11,037 | 4,003 | 3,940 | 3,192 | 11,313 | 8,801 | 11,919 |
| | c) Business origination outsourcing | 4,275 | 4,259 | 3,450 | 12,247 | 8,797 | 12,694 | 4,384 | 4,358 | 3,597 | 12,572 | 9,186 | 13,219 |
| | d) Other operating expenses (net) | 5,257 | 5,086 | 4,796 | 15,810 | 12,795 | 19,058 | 5,352 | 5,170 | 4,886 | 16,075 | 13,119 | 19,488 |
| | e) Depreciation | 498 | 453 | 193 | 1,328 | 575 | 890 | 530 | 485 | 231 | 1,424 | 683 | 1,038 |
| | f) Provisions and loan losses | 3,091 | 2,438 | 1,956 | 6,958 | 3,658 | 3,967 | 3,068 | 2,404 | 1,970 | 6,868 | 9,200 | 9,961 |
| | g) Total | 54,340 | 50,315 | 40,283 | 150,172 | 104,502 | 146,464 | 54,695 | 50,675 | 40,801 | 151,306 | 111,721 | 154,627 |
| 3. | Profit from Operations before Other Income & Exceptional Items (1-2) | 12,196 | 10,136 | 6,839 | 32,607 | 19,839 | 30,074 | 12,202 | 10,113 | 6,664 | 32,517 | 13,617 | 23,302 |
| 4. | Other income | 46 | 166 | 26 | 226 | 2,230 | 2,283 | 49 | 137 | 146 | 289 | 2,488 | 2,630 |
| 5. | Profit before Exceptional Items (3+4) | 12,242 | 10,302 | 6,865 | 32,833 | 22,069 | 32,357 | 12,251 | 10,250 | 6,810 | 32,806 | 16,105 | 25,932 |
| 6. | Exceptional items | - | - | - | - | (2,196) | (3,346) | - | - | - | - | 3,000 | 3,000 |
| 7. | Profit from Ordinary Activities before Tax (5+6) | 12,242 | 10,302 | 6,865 | 32,833 | 19,873 | 29,011 | 12,251 | 10,250 | 6,810 | 32,806 | 19,105 | 28,932 |
| 8. | Tax expense (including deferred tax) | 4,098 | 3,332 | 2,758 | 10,754 | 8,005 | 11,757 | 4,100 | 3,332 | 2,754 | 10,756 | 8,283 | 12,033 |
| 9. | Net Profit from Ordinary Activities after Tax (7-8) | 8,144 | 6,970 | 4,107 | 22,079 | 11,868 | 17,254 | 8,151 | 6,918 | 4,056 | 22,050 | 10,822 | 16,899 |
| 10. | Extraordinary Items (net of tax expense) | - | - | - | - | - | - | - | - | - | - | - | - |
| 11. | Net Profit for the Period (9-10) | 8,144 | 6,970 | 4,107 | 22,079 | 11,868 | 17,254 | 8,151 | 6,918 | 4,056 | 22,050 | 10,822 | 16,899 |
| 12. | Paid-up equity share capital (Rs.10/- per share) | 13,263 | 13,262 | 11,936 | 13,263 | 11,936 | 13,262 | 13,263 | 13,262 | 11,936 | 13,263 | 11,936 | 13,262 |
| 13. | Reserves excluding revaluation reserves | | | | | | 128,466 | | | | | | 127,110 |
| 14. | Earnings per Share (EPS) - not annualised- before and after extraordinary items (in Rs.) | | | | | | | | | | | | |
| | a) Basic | 6.14 | 5.26 | 3.44 | 16.66 | 9.95 | 14.39 | 6.15 | 5.22 | 3.40 | 16.63 | 9.07 | 14.10 |
| | b) Diluted | 6.13 | 5.25 | 3.44 | 16.63 | 9.95 | 14.39 | 6.14 | 5.22 | 3.40 | 16.60 | 9.07 | 14.10 |

**Part II**

**Select Information for the quarter and nine months ended December 31, 2012**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A. Particulars of Shareholding** | | | | | | | | | | | | |
| 1. | Public Shareholding | | | | | | | | | | | | |
| | - Number of shares | 49,986,912 | 49,999,326 | 36,783,717 | 49,986,912 | 36,783,717 | 50,011,864 | 49,986,912 | 49,999,326 | 36,783,717 | 49,986,912 | 36,783,717 | 50,011,864 |
| | - Percentage of shareholding | 37.71 | 37.72 | 30.83 | 37.71 | 30.83 | 37.73 | 37.71 | 37.72 | 30.83 | 37.71 | 30.83 | 37.73 |
| 2. | Promoters and Promoter group shareholding | | | | | | | | | | | | |
| | a) Pledged / Encumbered | | | | | | | | | | | | |
| | - Number of shares | - | - | - | - | - | - | - | - | - | - | - | - |
| | - Percentage of shares | - | - | - | - | - | - | - | - | - | - | - | - |
| | as a% of the total shareholding of the promoter / promoter group | - | - | - | - | - | - | - | - | - | - | - | - |
| | as a% of the total share capital of the company | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | - |
| | b) Non encumbered | | | | | | | | | | | | |
| | - Number of shares | 82,579,656 | 82,558,656 | 82,510,704 | 82,579,656 | 82,510,704 | 82,542,685 | 82,579,656 | 82,558,656 | 82,510,704 | 82,579,656 | 82,510,704 | 82,542,685 |
| | - Percentage of shares | | | | | | | | | | | | |
| | as a% of the total shareholding of the promoter / promoter group | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| | as a% of the total share capital of the company | 62.29 | 62.28 | 69.17 | 62.29 | 69.17 | 62.27 | 62.29 | 62.28 | 69.17 | 62.29 | 69.17 | 62.27 |

| Part II | |
|---|---|
| **Particulars** | **Quarter ended December 31, 2012** |
| **B. Investor Complaints** | |
| Pending at the beginning of the quarter | 0 |
| Received during the quarter | 1 |
| Disposed off during the quarter | 0 |
| Remaining unresolved at the end of the quarter | 1 |

**Notes:**

1. The above Statement of Standalone and Consolidated Unaudited Results for the quarter and nine months ended December 31, 2012 was reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on January 18, 2013. The same has also been subjected to a limited review by the Statutory Auditors. The limited review of the financial results of the subsidiaries for the quarter and nine months ended December 31, 2012, has been carried out by the statutory auditors of the respective companies.
2. The Board at its meeting held on December 27, 2012 had approved raising of capital up to Rs.300 crores by an issue of Securities, through private placement including by way of a 'Qualified Institutions Placement' in accordance with applicable laws and subject to the approval of shareholders.
3. During the quarter ended December 31, 2012, 8,586 options were exercised. The total outstanding employee stock options as at December 31, 2012 is 1,122,067.
4. The Board of Directors have declared an interim dividend of 25% being Rs 2.50 per share on the equity shares of the Company, out of the profits of the Company for the year ending March 31, 2013 .
5. Segmental Reporting: The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business in India. As such there are no separate reportable segments as per Accounting Standard (AS) 17 "Segment Reporting" in respect of the Company. The Segmental Reporting in respect of the Consolidated Accounts is given in Appendix 1.
6. Prior period figures have been regrouped wherever necessary to conform to the current period presentation.

On behalf of the Board

Place : Chennai
Date : January 18, 2013

**Vellayan Subbiah**
**Managing Director**

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**CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**

**Appendix 1**

**Segment wise Revenue, Results and Capital Employed for consolidated results under clause 41 of the listing agreement**

₹ 'lakhs

| Particulars | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Audited |
| | Three months ended 31.12.2012 | Preceeding three months ended 30.09.2012 | Corresponding three months ended 31.12.2011 in Previous Year | Nine months ended 31.12.2012 | Nine months ended 31.12.2011 in Previous Year | Previous Year ended 31.03.2012 |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1. Segment Revenue** | | | | | | |
| Financing | 66,536 | 60,450 | 47,118 | 182,779 | 124,340 | 176,538 |
| Distribution | 205 | 206 | 246 | 624 | 645 | 910 |
| Stock Broking | 165 | 155 | 116 | 480 | 403 | 557 |
| **Total** | **66,906** | **60,811** | **47,480** | **183,883** | **125,388** | **178,005** |
| Less: Inter-Segment revenue | (9) | (23) | (15) | (60) | (50) | (76) |
| **Net Revenue** | **66,897** | **60,788** | **47,465** | **183,823** | **125,338** | **177,929** |
| **2. Segment Results (Profit / (Loss) before tax)** | | | | | | |
| Financing | 12,274 | 10,344 | 6,865 | 32,958 | 14,174 | 22,882 |
| Distribution | 35 | 31 | 27 | 67 | (59) | (37) |
| Stock Broking | (24) | (20) | (82) | (80) | (206) | (259) |
| **Total** | **12,285** | **10,355** | **6,810** | **32,945** | **13,909** | **22,586** |
| **Add: Other unallocable income net of unallocable expenditure** | (34) | **(105)** | - | **(139)** | **5,196** | **6,346** |
| **Net Profit / (Loss) before Tax** | **12,251** | **10,250** | **6,810** | **32,806** | **19,105** | **28,932** |
| **3. Capital Employed (Segment Assets - Segment Liabilities)** | | | | | | |
| Financing | | | | 104,903 | 102,008 | 127,192 |
| Distribution | | | | 1,008 | 2,483 | 2,372 |
| Stock Broking | | | | 1,091 | 1,068 | 889 |
| Other Unallocable assets net of unallocable liabilities | | | | 55,440 | 11,163 | 9,919 |
| **Total** | | | | **162,442** | **116,722** | **140,372** |

Note:
Management of the Company has identified the above reportable segments. Segment data for the previous periods, has been restated, wherever necessary, to conform to the current quarter presentation.

On behalf of the Board

Place : Chennai
Date : January 18, 2013

**Vellayan Subbiah**
**Managing Director**

**visit us at www.cholafinance.com**

## DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

_____

**Mr. Vellayan Subbiah**

**MANAGING DIRECTOR**

_____

**Mr. D. Arul Selvan**

**CHIEF FINANCIAL OFFICER**

**Date** : February 8, 2013

**Place** : Chennai

**REGISTERED OFFICE OF OUR COMPANY**

**Cholamandalam Investment and Finance Company Limited**
Dare House No. 2, N.S.C. Bose Road, Parrys
Chennai, 600001, Tamil Nadu, India

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**BOOK RUNNING LEAD MANAGERS**

**Axis Capital Limited**
1st Floor, Axis House,
C-2 Wadia International Centre
P.B. Marg, Worli, Mumbai- 400025
Telephone: (+91 22) 4325 2525

**JM Financial Institutional Securities Private Limited**
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Mumbai – 400 021
Telephone: (+91 22) 6630 3030

**Kotak Mahindra Capital Company Limited**
1st Floor, Bakhtawar 229,
Nariman Point, Mumbai 400 021
Telephone: (+91 22) 6634 1100

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**DOMESTIC LEGAL ADVISOR TO THE ISSUE**

**J. Sagar Associates**
Vakils House, 18, Sprott Road, Ballard Estate
Mumbai 400001, Maharashtra, India

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**STATUTORY AUDITOR TO OUR COMPANY**

**M/s. Deloitte Haskins & Sells**
Chartered Accountants
8th Floor, ASV N Ramana Tower, 52, Venkatnarayana Road,
T.Nagar, Chennai - 600 017, Tamil Nadu, India