Cholamandalam

Sticking to the knitting

Cholamandalam

Registered Office: "Dare House", No. 2, N.S.C. Bose Road, Parrys, Chennai - 600 001.

www.cholamandalam.com

Cholamandalam Investment and Finance Company Limited
Annual Report 2009-10

Values and beliefs

Murugappa Group

The Spirit of Murugappa Group comprises "The Five Lights", each light representing one value of the Group.

INTEGRITY

We value professional and personal integrity above all else. We achieve our goals by being honest and straight forward with all our stakeholders. We earn trust with every action, every minute of every day..

PASSION

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

QUALITY

We take ownership of our work. We unfailingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

RESPECT

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

RESPONSIBILITY

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.

Forward-looking statement

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

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

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

Corporate Information

Board of Directors

M.A. Alagappan
Chairman
Indresh Narain
R. Krishnamurthy
V.P. Mahendra
R.V. Kanoria
N. Srinivasan

Manager & Secretary

P. Sujatha

Auditors

M/s. Deloitte Haskins & Sells, Chennai

Registered Office

Dare House,
No. 2, N.S.C. Bose Road, Parrys,
Chennai - 600 001.

Contents

For Cholamandalam the sectoral slowdown and financial meltdown transpired concurrently.

The company confronted these unprecedented challenges through a directness and swiftness of purpose.

Returning to deep conservatism. Fiscal austerity. Rigorous de-risking. Adequate collateral buffer.

Sticking to the knitting.

With the objective of returning the company to its pristine profitability in the shortest possible time.

Message from the Chairman

Dear Shareholders

I have pleasure in writing to you after successfully completing an eventful and challenging 2009-10. For Cholamandalam, the sectoral slowdown and financial meltdown transpired concurrently. The company confronted these unprecedented challenges through a directness and swiftness of purpose. The Board, management and the entire team worked relentlessly with a singular objective of returning the company to its pristine profitability in the shortest possible time.

The Vehicle Finance business disbursements grew 90% to Rs.2861 crores. The growth in new commercial vehicles disbursements (in units) was 138% over the previous year against the industry's growth of 38%.

Net credit losses and repossessed stock levels declined in absolute value over 2009-10, while our asset book increased 27%. Fee income increased 115% and insurance cross-sell revenue increased 20%.

The Home Equity business disbursements grew 100% to Rs.1004 crores and asset book grew 96% to Rs. 1455 crores as on 31 March, 2010. Net credit loss was a mere 0.4% of the portfolio, considerably lower than the industry average.

The Corporate & Mortgage Finance business reported an asset float of Rs. 511 crores and nil loan losses or defaults in spite of higher stock market volatility.

Notwithstanding the challenging environment in the Consumer Loans industry, the company did well to restrict its downside through a combination of asset sell-down and aggressive collection. As a result, personal loan receivables outstanding in the Balance Sheet declined from Rs.1371 crores at the beginning of 2009-10 to Rs.234 crores (net of provisions) as on 31 March,2010.

The PBT for the secured asset finance businesses grew 72% to Rs. 124 crores over the previous year (2008-09 PBT Rs. 72 crores). The fee income increased 104% over the previous year and revenues from insurance cross-sell increased 20% during the same period. The interim dividend of Re 1 per share

Some of the decisive actions taken to move the company ahead without staying in recession mode included an infusion of Rs 300 crores. Your promoters, the Murugappa Group, more than reinforced their commitment to this business by investing more than Rs.525 crores since March 2009.

(face value Rs 10 each) that was paid for 2009-10 must be seen as a modest acknowledgement of this improved performance and confidence to do even better.

Some of the decisive actions taken to move the company ahead without staying in recession mode included an infusion of Rs 300 crores in the form of fully convertible preference shares by our promoters, mobilising Rs.2500 crores by way of long term loans from banks to strengthen the ALM position, rationalizing the cost structure by closing 75 exclusive personal loan branches and consolidating the overall branch structure by 120 offices The company also made increased provisions in the Personal Loans business to the extent of Rs.117 crores in 2009-10 as per the company's provisioning norms which are more stringent than the prevailing RBI regulations.

The company adopted sound asset-liability management, robust institutionalized risk management and a lean cost structure adapted for all market cycles.

Going forward, the company will progressively move towards becoming an asset finance company with around 60% of its revenues and assets derived from the asset financing business. Other than vehicle finance, the company will focus on growing its Home Equity business through the mortgage of self-occupied residential properties.

A number of initiatives to rationalize the operations of the wealth management subsidiaries led to a turnaround in the operations of the said business. The subsidiaries, Cholamandalam Securities Limited and Cholamandalam Distribution Services Limited posted a profit before tax of Rs.3.48 crores and Rs.6.89 crores respectively as against losses of Rs.9.01 crores and Rs.18.25 crores respectively in 2008-09.

A key recent development was the termination of the joint venture between our promoters, the Murugappa Group, and DBS Bank Ltd., Singapore, with effect from 8 April 2010. In view of the change in our approach and business model, the partners, after a detailed discussion, decided to focus on their respective priorities and strategies. As a result, the company and its subsidiaries reverted to their names prior to the joint venture.

Your promoters, the Murugappa Group, more than reinforced their commitment to this business by investing more than Rs.525 crores in the last one year. The company readied to grow cautiously and become a full-fledged asset finance company. I take this opportunity to thank all shareholders who stood by the company during the difficult times and thank you for your continuous support and encouragement.

Thanking you,

Best wishes,

M.A.Alagappan
Chairman

Our strengths

Group brand

The company enjoys a positive rub-off on account of being a part of the Murugappa Group, which stands for enduring trust and integrity

Portfolio

The company comprises three attractive businesses of vehicle finance, home equity and corporate and mortgage finance, enabling it to ride selective downturns in any one business

Fiscal strength

The Murugappa Group's fiscal strength is reflected in an annual Group turnover of $ 3 bn.

Market share

The company's 20-year presence in the vehicle finance business has translated into a market share of 20 per cent and 2 per cent in south India (for new vehicles in the LCV and HCV segments respectively)

Alliances

The company is a preferred financier in most markets for vehicles of Tata Motors, Mahindra & Mahindra, Force Motors and Eicher Motors (despite some of these companies possessing their own NBFCs)

Industry insight

The company's rich vehicle industry experience is reflected in an average member tenure of six years with the company

Competitive
The company's cost-to-income ratio declined from 33 per cent in 2007-08 to 22 per cent in 2009-10, one of the best in the industry

Spread
The company's net interest margin in the secured asset finance business is one of the best in the industry

Gearing
The company's gearing of 8.0 at the close of 2009-10 indicated that it had leveraged its safe appraisal capability through increased business throughput

Safe
The company's Vehicle Finance, Home Equity and Corporate & Mortgage Finance businesses accounted for 78 per cent of revenues in 2009-10 with non-performing assets of around 1.69 per cent, 1.04 per cent and nil respectively as on 31 March 2010, well below their respective prevailing industry benchmarks

Banking consortium
The company's need for funds and consequent growth is addressed by a strong consortium of 17 bankers (PSU, MNC and private)

Locations
Nearly 89 per cent of the company's 171 retail locations (as on 31 March 2010) were in growing Tier II and Tier III Indian cities

Intellectual capital
The company's 1100 people comprised 102 professionals (CAs CWAs, CS, Law and engineering professionals) and 303 MBAs towards the close of 2009-10

Financial Highlights

Rupees in lakhs

Financial year ended	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	9 Months					12 Months				
Operating Results										
Total income	11701	20689	23565	22763	21498	22146	40913	89173	112063	95950
Profit before tax	1771	2723	4554	#4606	5156	4604	4727	9094	1708	3133
Profit after tax	1206	1878	2814	3210	3407	3521	3102	5937	4275	1542
Assets										
Fixed assets (including assets leased out)	15437	8850	4384	2571	1604	2214	3364	4897	3384	1378
Statutory & other investments	7795	7658	9727	7743	12876	6861	7876	17394	40520	21933
Hypothecation/ hire purchase of automobile Assets	45959	70308	98580	113245	118960	148020	157926	194808	195610	307616
Loan against securities	11507	19331	14527	22319	16107	16600	26982	54192	21114	40888
Other loans & assets (net)	6541	8954	7668	7492	14950	27501	178554	364087	433055	319262
Total assets	**87239**	**115101**	**134886**	**153370**	**164497**	**201196**	**374702**	**635378**	**693683**	**691077**
Liabilities										
Shareholders' funds										
Equity	17051	15950	17821	22256	30275	31572	32635	55863	48101	48500
Preference	–	–	3300	2300	1000	–	–	–	30000	30000
Public deposits **	18515	19855	20017	19127	16166	12011	6936	2859	729	93
Banks, Institutions & Others	51673	79296	93748	109687	117056	157613	335131	576656	614853	612484
Total liabilities	**87239**	**115101**	**134886**	**153370**	**164497**	**201196**	**374702**	**635378**	**693683**	**691077**
Key indicators										
Earnings per equity Share (Rs.) - basic	9.46*	11.13	16.09	#10.91	9.04	9.12	7.63	12.88	7.05	1.79
Earnings per equity Share (Rs.) - diluted	9.46*	11.13	16.09	#10.91	9.04	9.12	7.63	12.23	6.83	1.79
Dividend per equity Share (Rs.)	4.50*	5.00	5.00	5.00	5.00	5.00	4.00	4.00	-	1.00
Book value per equity share (Rs.)	100.31	94.56	105.65	87.97	79.78	83.20	86.00	107.07	72.43	73.04

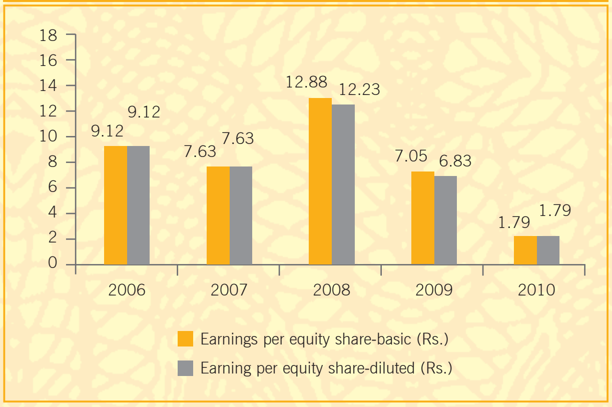
* Annualised

** Public deposits include matured and unclaimed deposits and interest accrued thereon

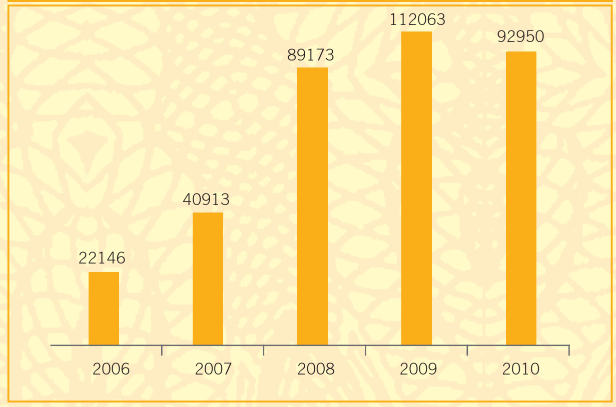
\# Before extraordinary items

Key Financial Indicators

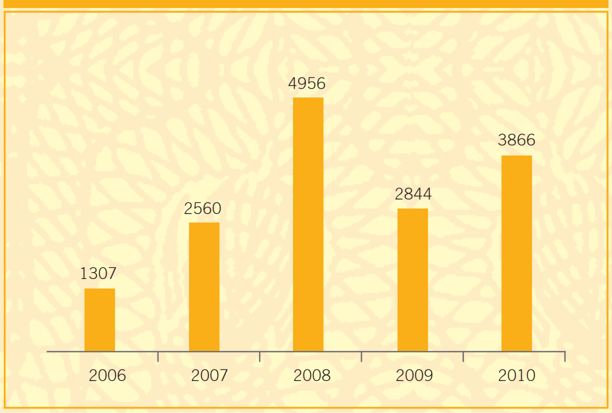
Earnings per equity share - Basic and diluted (Rs.)



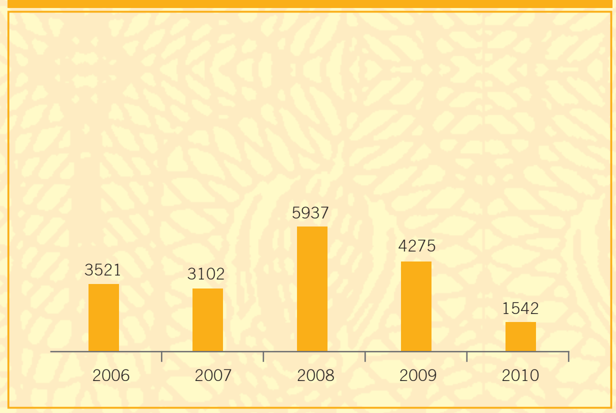
Total income (Rs. in lakhs)



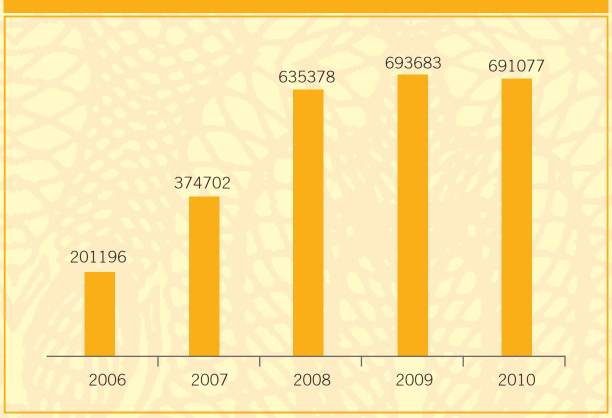
Annual disbursements (Rs. in crores)



Profit after tax (Rs. in lakhs)



Total assets (Rs. in lakhs)



Book value per equity share (Rs.)

Profile of Directors

Mr. M. A. Alagappan, *Chairman*

- Is a graduate in Commerce and has undergone a course in Management at University of Aston, U.K.
- Holds an honorary doctorate bestowed upon by Birmingham City University, UK.
- Is a committee member of FICCI and SICCI and Honorary Consul of Hungary in India (Southern Region).
- Has been associated with the company since its inception, in various capacities including as Managing Director between 1994-99.

Mr. Indresh Narain, *Non-executive Director*

- Banker with wide experience at regional and head office level in personal and corporate banking, wealth management, currency markets, asset recovery, corporate finance and human resources.
- Retired as Head of Compliance & Legal, HSBC India.
- Was also a member of the Assets & Liabilities committee (ALCO), the Apex Management Committee, corporate governance and audit committee of HSBC, India.
- Is also a director on the boards of Dhanuka Agritech Ltd., Mindteck (India) Ltd. and Intex Technologies (India) Ltd.

Mr. R. Krishnamurthy, *Non-executive Director*

- Holds a Masters Degree in Commerce from the University of Madras besides being an associate of the Institute of Bankers.
- Holds a diploma in Industrial Finance Management Education program at IIM, Ahmedabad and is a Lord Aldington Banking Research Fellow in UK. Attended a course on Banking Policy at Harvard University, USA.
- Has over three decades of experience in banking in various positions in State Bank of India. Is a director of Watson Wyatt Insurance Consulting (P) Ltd.
- Is a visiting faculty at IIM Ahmedabad and other management institutions.

Mr. V. P. Mahendra, *Non-executive Director*

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

Mr. R. V. Kanoria, *Non-executive Director*

- Is an MBA (Hons) from IMD, Switzerland.
- Is the chairman and managing director of Kanoria Chemicals & Industries Ltd. and is also on the boards of several other companies.
- Former vice president of Federation of Indian Chamber of Commerce (FICCI) and has headed several joint-business councils.
- Is the Chair of the Commission on Trade and Investment Policy of International Chamber of Commerce (ICC), Paris.

Mr. N. Srinivasan, *Non-executive Director*

- Is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.
- Has over 26 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 Ltd., Cholamandalam MS General Insurance Company Ltd. and certain other Murugappa Group companies.

Directors' Report

Your directors have pleasure in presenting the thirty second Annual Report together with the audited accounts of the company for the year ended 31 March, 2010.

FINANCIAL RESULTS

Rupees in lakhs

	2009-10	2008-09
Gross income	**92950**	**112063**
Profit before tax	3133	1708*
Profit after tax	1542	4275
Add: Balance brought forward	5555	2280
Amount available for appropriation	**7097**	**6555**
Adjustments/Appropriation :		
Adjustments		
Transfer to statutory and other reserves	309	1000
Dividend		
- Equity	664	–
- Preference	315	–
Tax on dividend	163	–
Balance carried forward	5646	5555
Total	**7097**	**6555**

* after giving effect to capital restructuring

TERMINATION OF JOINT VENTURE

During the year under review, the promoters, Tube Investments of India Ltd. (TII), a constituent of the Murugappa Group and DBS Bank Ltd., Singapore (DBS) entered into a share purchase agreement on 30 March, 2010 for an *interse* promoter transfer of the entire shareholding held by DBS in the equity and preference share capital of the company aggregating to 37.48% and 50% respectively to TII and New Ambadi Estates Pvt. Ltd. (NAEPL) another constituent of the Murugappa Group. Accordingly, the transaction was completed and the shareholders' agreement (SHA) dated 16 June, 2005 between the company, TII and DBS was terminated on 8 April, 2010. Further to this, the company is required to change the name of the company and do necessary amendments to its Memorandum and Articles of Association to reflect the change in the joint venture status of the company. Accordingly, the company had sought the approval of the shareholders of the company for changing to its earlier name, Cholamandalam Investment and Finance Company Limited and for amendments to the existing Memorandum and Articles of Association of the company vide a postal ballot.

SHARE CAPITAL

The shareholders had on 5 March, 2009 approved an issue of 3,00,00,000 1% fully convertible cumulative preference shares (FCCPS) of Rs.100 each aggregating to Rs.300 crores to TII and DBS on a preferential basis to improve the liquidity position of the company and strengthen the capital adequacy ratio. As per the terms of the offer and in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations"), the FCCPS shall be converted on or before 18 months from the date of allotment. As the FCCPS are due to be converted before 12 September, 2010, in order to ensure that the proportion of promoter shareholding and public shareholding remain status quo upon conversion and in order to maintain the minimum public shareholding of 25%, the Board at its meeting held on 3 April, 2010 has recommended to the shareholders an issue of 1,08,93,852 equity shares aggregating to about Rs.100.23 crores on preferential basis to International Finance Corporation (IFC), a multilateral development financial institution at a price of Rs.92/- per share in accordance with the SEBI ICDR Regulations. The Board had further recommended an increase in the authorised share capital of the company from Rs.400 crores to Rs.420 crores comprising Rs.120 crores of equity share capital and Rs.300 crores of preference share capital. The postal ballot forms and notice in this regard had been sent individually to the shareholders on 3 April, 2010.

In order to maintain the minimum public shareholding at the stipulated level it is proposed to convert the FCCPS allotted to the existing promoters of the company on the same date as at the date of allotment of the equity shares on preferential basis to IFC.

During the year, the company infused Tier 2 Capital in the nature of subordinated debt aggregating to Rs.250 crores.

OPERATIONS

During the year ended 31 March, 2010, the company recorded,

- 36% growth in disbursements;
- 15% growth in total assets (including assigned assets).

Disbursements in commercial vehicle finance for the year were at Rs.2861 crores against Rs.1502 crores in previous year. The Division has achieved a growth of 90% over previous year.

Disbursements in home equity business for the year recorded a disbursement of Rs.1004 crores against Rs.501 crores in the previous year. The division has achieved a growth of 100% over previous year.

The total assets under management (net of provisions) of the company as at 31 March, 2010 increased to Rs.6850 crores from Rs.6001 crores in the previous year. The company has seen a growth of 14% over previous year.

During the year, the company increased the participation of higher yielding assets and increased the lending rates to offset the increase in cost of funds.

The profit before tax for the year was at Rs.31.33 crores as against Rs.17.08 crores in the previous year. Net profit after tax was at Rs.15.42 crores for the year as compared to Rs.42.75 crores in the previous year.

DIVIDEND

Your directors recommend dividends as under:

Equity shares: The interim dividend of 10% (Re.1/- per equity share) declared by the board of directors on 26 April, 2010 for the year ended 31 March, 2010 be treated as the final dividend.

Preference shares: The cumulative dividend as on 31 March, 2010 payable on FCCPS @ 1% coupon rate being Re.1/- per preference share of Rs.100/- each for every year payable proportionately for the period from 13 March, 2009 being the date of allotment of FCCPS till 31 March, 2010.

OUTLOOK

With the rebound of the economy and the spectacular growth witnessed in the automobile sector – specifically in the commercial vehicles industry, the outlook for the year ahead is promising. If the inflationary pressures are contained without any significant monetary compression, the year ahead will see the growth momentum sustained.

FIXED DEPOSITS

The company is classified as a non-deposit taking NBFC after it has ceased taking deposits from public effective 1 November, 2006. At the time of conversion, the outstanding unmatured deposits were transferred to an escrow account together with the future interest payable thereon till the date of maturity and these are being repaid on maturity. Accordingly, there have been no fresh deposits accepted during the financial year 2009-10. Net of repayments, the total deposits as at 31 March, 2010 were Rs.0.93 crores.

As at 31 March, 2010, there were 396 depositors whose deposits had matured but had not claimed the maturity amount aggregating to Rs.0.93 crores (along with interest accrued). The number stands on the date of this report at 381 depositors with an amount aggregating to Rs.0.90 crores (along with interest accrued). As a process, the company sends periodical reminders to these depositors before transferring the sums due to the Investor Education and Protection Fund (IEPF) under section 205C of the Companies Act, 1956. During the year, the company has remitted a sum of Rs.0.05 crores to IEPF under this head representing unclaimed public deposits and interests thereon beyond seven years. In respect of outstanding fixed deposit of Rs.0.02 crores, the repayment to the depositors has been stayed by Courts / instruction from CBI and not remitted to IEPF.

CREDIT RATING

Short Term :

The Company's short term debt programme of Rs.2000 crores is rated as A1+ by ICRA.

During the year, at the request of the company, CRISIL withdrew its short term rating of P1 (pronounced "P one") assigned to the Rs.750 crores Short Term Debt programme as the company had repaid all the outstanding instruments under the programme.

Long Term :

ICRA has re-affirmed its existing rating of LAA- to the various non convertible debentures, subordinated debt and lines of credit from banks. During the year, ICRA has revised the outlook on the above ratings to 'stable' from 'negative'.

Fitch has re-affirmed its existing rating of FAA - Negative on the subordinated debt programme of the company.

Post DBS Bank exit, ICRA has brought its ratings under watch with developing implications.

RBI GUIDELINES

The company has complied with all the applicable regulations of the Reserve Bank of India as on 31 March, 2010.

CAPITAL ADEQUACY

The company's capital adequacy ratio was at 14.80% as on 31 March, 2010 as against 15.12% as on 31 March, 2009. The minimum capital adequacy ratio prescribed by RBI is 12%.

EMPLOYEE STOCK OPTION SCHEME

Pursuant to the approval accorded by the shareholders at the twenty ninth Annual General Meeting of the company held in July 2007, the compensation & nomination committee had formulated the Cholamandalam DBS Finance Limited - Employee Stock Option Scheme 2007. During the year under review, no options were granted to the Employees of the company under the said scheme. As required under the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme)

Guidelines, 1999 (SEBI Guidelines), the following details of this scheme as on 31 March, 2010 are being provided:

Nature of Disclosure	Particulars	
a. Options granted	15,97,943 options in 6 tranches since 30 July, 2007. Each option gives the grantee a right to subscribe to one equity share of Rs.10/- each in the company.	
b. The pricing Formula	The options carry a right to subscribe to equity shares at the latest available closing price on the Stock Exchange in which there was highest trading volume, prior to the date of grant of the options.	
c. Options vested	166,753 options have vested and are exercisable	
d. Options exercised	Nil	
e. The total no of shares arising as a result of exercise of option	Not applicable since no options have been exercised	
f. Options lapsed/surrendered	999,310	
g. Variation of terms of Option	The Compensation & Nomination Committee at its meeting held on 30 July, 2008 revised the performance parameters of the employees for vesting. No terms were varied during the FY 2009-10.	
h. Money realised by exercise of Options	Not applicable since none of the options have been exercised as on 31 March, 2010	
i. Total no of Options in force	598,633	
j. i) Details of Options granted to Senior Management Personnel	No options were granted to senior management personnel during the year. Options granted till date to senior management personnel are as follows:	
	Name & Designation of the Employee	**No. of options granted**
	Kaushik Banerjee, President – Asset Finance	48,495
ii) Any other employee who received a grant in any one year of Option amounting to 5% or more of Options granted during the year	Nil	
iii) Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the company at the time of grant.	Nil	
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20.	Rs.1.79/-	

Nature of Disclosure	Particulars
l. i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting.	Rs.31,59,000/-
ii) Impact of the difference mentioned in (i) above on the profits of the company	The stock-based compensation cost calculated as per the intrinsic value method upto 31 March, 2010 is Nil. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total gain to be recognised in the financial statements for the period ended 31 March, 2010 would be Rs.31,59,000/-
iii) Impact of the difference mentioned in (i) above on the EPS of the company	Had the company accounted the options as per fair value the diluted EPS would have been Rs.1.84/- instead of Rs.1.79/-
m. i) Weighted Average exercise price of Options	Rs.183.53/-
ii) Weighted average fair value of Options	Rs.62.69/-
n. i) Method used to estimate the fair value of Options	The fair value has been calculated using the Black Scholes Option Pricing mode
ii) Significant assumptions used (weighted average information relating	

	30-Jul-07	24-Oct-07	25-Jan-08	25-Apr-08	30-Jul-08	24-Oct-08
a) Risk –free interest rate	7.10% - 7.56%	7.87% - 7.98%	6.14% - 7.10%	7.79% - 8.00%	9.14% - 9.27%	7.54% - 7.68%
b) Expected life of the Option	3-6 years	3-6 years	3-6 years	2.50 - 5.50 years	2.50 - 5.50 years	2.50 - 5.50 years
c) Expected volatility	40.64% - 43.16%	41.24% - 43.84%	44.58% - 47.63%	45.78% - 53.39%	46.52% - 53.14%	48.2% - 55.48%
d) Expected dividend yields	5.65%	5.65%	5.65%	3.97%	3.97%	3.97%
e) Price of the underlying share in the market at the time of Option grant.	193.40	149.90	262.20	191.80	105.00	37.70

The certificate from the statutory auditor under the SEBI Guidelines, confirming that the company's Employees Stock Option Scheme 2007 has been implemented in accordance with the SEBI Guidelines and shareholders resolution, will be placed before the shareholders at the ensuing annual general meeting.

DE-LISTING FROM MSE

In view of the insignificant trading of the company's equity shares in MSE, the board at its meeting held on 25 March, 2010 had approved de-listing of the equity shares admitted on MSE in accordance with the SEBI (Delisting of equity shares) Regulations, 2009. Accordingly, the company has complied with all the formalities prescribed for delisting and has applied to MSE on 5 April, 2010 for de-listing and a public notice in this regard was issued in Financial Express, Dinamani on 6 April, 2010 and Dainik Jagran on 7 April, 2010. As the equity shares of the company will be continued to be listed on NSE and BSE, having nationwide trading terminals, the de-listing will not cause any hardship to the shareholders of the company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

CORPORATE GOVERNANCE REPORT

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms as per clause 49 of the listing agreement and the corporate governance voluntary guidelines, 2009 issued by Ministry of Corporate Affairs, is attached and forms part of the directors' report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS

Mr. M. A. Alagappan and Mr. R. Krishnamurthy retire by rotation at the ensuing annual general meeting and have expressed their desire not to seek re-appointment as directors of the company.

Consequent to the termination of the joint venture with DBS, Mr. Pranam Wahi and Mr. Wong Ann Chai, nominees of DBS on the Board of the company resigned from the Board effective 9 April, 2010. The Board places on record its appreciation for their support during their tenure of office.

AUDITORS

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

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

The company has no activity relating to consumption of energy or technology absorption. Foreign currency expenditure amounting to Rs.730.66 lakhs (including interest accrued but not due) was incurred during the year under review. The company does not have any foreign exchange earnings.

PARTICULARS OF EMPLOYEES

In terms of the provisions of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexure to the directors' report. However, having regard to provisions of section 219 (1)(b)(iv) of the Companies Act, 1956, the annual report is being sent to all members of the company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the company.

SUBSIDIARY COMPANIES

Due to the various cost reduction measures initiated by the company, DBS Cholamandalam Securities Limited and DBS Cholamandalam Distribution Limited, fully owned subsidiaries of the company have turned around and became profitable during the year.

DBS Cholamandalam Securities Limited

The company recorded a gross income of Rs.13.17 crores for the year ended 31 March, 2010. The company made a profit before tax of Rs.3.48 crores as against a loss of Rs.9.01 crores in the previous year.

DBS Cholamandalam Distribution Limited

The company recorded 36% growth in gross income to Rs.11.30 crores for the year ended 31 March, 2010. The company made a profit before tax of Rs.6.89 crores as against a loss of Rs.18.25 crores in the previous year

Cholamandalam Factoring Limited

During the year under review, Cholamandalam acquired shares at an amount of Rs.0.95 crores in the share capital of Cholamandalam Factoring Limited, a non banking finance company registered with RBI with a view to have this company focus exclusively on collection of unsecured loan receivables.

The company recorded a 82% growth in gross income to Rs.0.08 crores for the year ended 31 March, 2010. The company made a loss before tax of Rs.8.62 crores as against a profit of Rs.0.04 crores in the previous year. The company has a loan receivables book of Rs.79.01 crores as on 31 March, 2010.

Asset Management Business

During the year under review, considering its long term vision for its core businesses of asset backed lending, the company exited the asset management business on 20 January, 2010 by dis-investing its entire shareholding in its two wholly owned subsidiary companies – DBS Cholamandalam Asset Management Limited (now called L & T Investment Management Ltd.) and DBS Cholamandalam Trustees Limited (now called L & T Mutual Fund Trustee Ltd.) by way of a sale to L & T Finance Ltd.

Upto 19 January, 2010, the DBS Cholamandalam Asset Management Limited reported an income of Rs.2.69 crores as against Rs.4.98 crores for the previous year. The company made a loss of Rs.17.75 crores. as against a loss of Rs.37.76 crores for the previous year.

Upto 19 January, 2010, the DBS Cholamandalam Trustees Limited reported an income of Rs.4 lacs as against Rs.7 lacs. for the previous year. The company made a profit of Rs.0.12 lacs. as against a profit of Rs.0.65 lacs for the previous year.

ACKNOWLEDGEMENT

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

On behalf of the board

26 April, 2010 — **M. A. Alagappan**
Chennai — *Chairman*

Directors' Responsibility Statement

The directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended 31 March, 2010 and the Balance Sheet as at that date ("financial statements") and confirm that:

- in the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed.
- appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- the financial statements have been prepared on a going concern basis

On behalf of the board

26 April, 2010
Chennai

M. A. Alagappan
Chairman

Management Discussion and Analysis

The year 2009-10 reflected a comeback for the global economy in general and the Indian economy in particular. Global economies rebounded, ending uncertainty and turbulence. The Indian markets were no different. Catalysed by a strong fiscal and monetary stimulus package by the Government of India that created ample in-system liquidity, the economy reported a vigorous revival in the second half of the financial year under review.

Your company is one of the premier diversified non-banking finance companies in India, engaged in providing vehicle finance, home equity loans and corporate mortgage loans. The company enjoys robust sourcing, underwriting, receivables, collection and operational model commensurate with the size and risks of the respective underlying asset class. Through its subsidiaries, the company is also engaged in the business of broking and distribution of financial products.

While emerging from this challenging environment, your company undertook a comprehensive review of its business positioning leading to its exit from the personal loans business. The company resolved to focus on the following initiatives to return its financials to solid and sustainable growth:

- Rationalised costs and improved productivity;
- Focused on collections; reduced loan / provisioning losses and improved portfolio quality;
- Reduced its exposure to unsecured loans through a combination of collections and sell-down of assets;
- Capitalised on enhanced and soft interest rates; aggressively grew its asset financing businesses with an increased book size;
- Exploited opportunities for cross-sale that increased the fee income;
- Eliminated non-core activities, liquidated non-core assets and positioned the company for sustainable growth; and
- Turned around the subsidiaries.

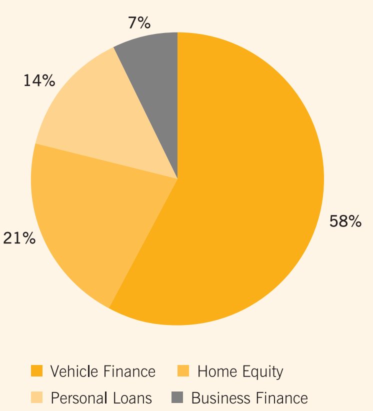
These initiatives resulted in impressive growth during the year under review.

Overall Performance

The company disbursed aggregate loans of Rs.3866 crores in the vehicle finance and home equity segments as against Rs.2844 crores disbursed in the previous year. The aggregate disbursement of Rs.3868 crores was the highest in the vehicle finance and home equity verticals by the company since inception. The managed loan book net of provisions as on 31 March, 2010 increased to Rs.6850 crores (Rs.6001 crores as on 31 March, 2009) and total assets (including managed assets) marginally grew to Rs.8601 crores (Rs.8546 crores as on 31 March, 2009) inspite of a reduction in the personal loans book.

The soft interest regime, rationalization of costs and higher business volume helped offset substantial losses in the personal loans segment. The business profile of the company at the closing of the year under review was:

Profile of Business Assets



Vehicle finance, which mainly constitutes funding against commercial vehicles, continued to account for the largest share of the company's asset portfolio with an asset deployment of Rs.3940 crores (58% of total managed assets).

- The Consumer Finance division, constituting unsecured personal loans aggregating Rs.944 crores, constituted 14% of total business assets;
- The Corporate & Mortgage finance division, which caters to the working capital needs of promoters, high net worth individuals and corporate houses, ended the year with an asset base of Rs.511 crores constituting 7% of total business assets; and
- Home equity loans (launched in 2006-07) enjoyed a successful ramp-up and closed the year with an asset portfolio of Rs.1455 crores, constituting 21% of total business assets.

In view of these achievements in the face of a hesitant business environment, the performance of the company can be considered satisfactory.

Rating

The company enjoys a A1+ rating for short term loans and a AA(-) rating for the long-term loans from ICRA. During the year, the company surrendered its short term rating of P1 from CRISIL as all borrowings covered by it were repaid.

Fitch has re-affirmed its existing rating of FAA-Negative on subordinated debt programme of the company.

During the year under review, ICRA changed the 'Negative outlook' to 'Stable' and put the aforementioned ratings under watch in view of the change in our joint venture status.

Divisional Analysis

Asset Finance: The disbursements of the overall asset finance businesses (vehicle finance, home equity and corporate & mortgage finance), grew 100% over the previous year from Rs.2003 crores to Rs.3866 crores. Nearly 72,000 fresh loans were disbursed during the year under review.

The asset finance book (managed assets) grew 42% from Rs.4157 crores in 2008-09 to Rs.5907 crores in 2009-10. The net credit losses of the asset finance business, as a percentage of average assets, declined from 1.33% to 1%, and pre-tax profit of the asset finance businesses grew 72% to Rs.124 crores. Fee income grew by an attractive 100%.

BUSINESS: VEHICLE FINANCE

Industry overview

During the year under review, the market for commercial vehicles reported a sales spurt. This was pronounced in the last two quarters. The industry sales growth in 2009-10 was 38%; total LCV sales grew by 43% and M&HCV sales increased by 33%.

Highlights

- The vehicle finance division focused on the financing of commercial vehicles (new and used). It enjoyed a significant share in the light commercial and small commercial vehicle segments. The company enjoyed strong and long standing relationships and alliances with most major manufacturers like Tata Motors, Mahindra & Mahindra, Volvo Eicher Motors, Force Motors and Mahindra Navistar, which facilitated business growth.
- The division's disbursements grew by 90% over the previous year to Rs.2861 crores. The growth in new CV disbursements in terms of units financed was 138% over the previous year against the industry's growth (unit sales) of 38%. As a result of a mix between new and used CVs, the business achieved an incremental spread of 7.20% in 09-10.
- The division was successful in strengthening its portfolio behaviour by reducing net credit losses and repossessed stock levels in absolute value over 2009-10, while increasing asset book by 27% over the previous year.
- The fee income increased 115% over the previous year and revenues from insurance cross-sell increased by 20% during the same period.

The strategies adopted by the business during FY 09-10 comprised:

- Creating a judicious mix of products leading to top line growth and healthy profitability;
- Generating incremental revenues over the customer interest income through service charges, insurance cross-sell and penal charges;
- Enhancing manufacturer relationships and established preferred financier tie-ups linked to volumes and product offerings;
- Enhancing repeat business from existing customer relationships;
- Maintaining a tight control over costs; improving cost-to-income ratios;
- Reducing net credit losses and the level of repossessed stock levels in absolute value; and
- Increasing productivity across functions.

Rupees in lakhs

Productivity Levels	2009-10	2008-09
Disbursement Per Employee	597.32	286.10
Profit Before Tax Per Employee	15.45	7.30

Product mix

The company's vehicle finance business reviewed its product mix based on evaluation criteria that took into consideration market size, category-centric risk levels, competition, viability and room for enhancing customer value. The product mix was adapted to generate superior topline growth, enhance revenue and insulate the business from rate sensitivities.

Structure

The division comprised verticals for sales, credit and collection resulting in a stronger focus on each resulting in an objective and unbiased customer evaluation as well as high collection efficiency, lower NPA and decline in credit loss levels.

Marketing and Distribution

The business team was headed by a National Business Manager and operated out of 160 pan-India branches. Nearly 37% of disbursements were derived from South India and 63% from other zones. The division operated through a direct sourcing model and hub-and-spoke concept. The business placed a premium on manufacturer, dealer and customer management and satisfaction. The turn-around time continued to be rated among the industry's best. The sales team's performance was measured in terms of business generated and portfolio quality.

Credit

The credit team was empowered to take decisions on loan approvals based on credit norms and policies laid down by the Head of Credit. These norms were based on factors ranging from branchwise product portfolio performance to manufacturers' support to offset potential losses. Several on-going evaluation measures helped trigger corrective action. The portfolio performance was comprehensively reviewed monthly by the business management team; policy decisions on products and norms were taken based on this review.

Collections

The collections vertical, headed by the National Receivables Manager, followed an in-house collection model similar to the sales team with an emphasis on high collection efficiency across buckets with the maximum impact at the early stage of delinquency. The focus was on reducing debtors through money collection instead of asset repossession. This approach resulted in a reduction of net credit losses from 2% to 1.16% of closing assets, as well as a 51% reduction in repossessed stock levels over the previous year.

Outlook 2010-11

The commercial vehicles industry is expected to grow 8–10% during 2010-11 and our business projects a 25% disbursements growth.

BUSINESS: HOME EQUITY

The home equity business completed its third operational year in 2009-10, now contributing significantly to organizational profits and asset base growth.

In 2009-10, the business grew by more than 100%, closing the year at Rs.1004 crores of disbursals as compared to Rs.501 crores in the previous year. The asset book grew 96% and stood at Rs.1455 crores as on 31 March, 2010. The business opened four new locations in 2009-10 and consolidated its position in the locations it already operates in. The home equity business was present in 26 pan-Indian locations at the close of 2009-10.

The environment for the home equity business became intensely competitive in 2009-10 with more NBFCs entering the space and existing players strengthening their presence. However, the company established itself in a crowded market and emerged among the country's leading NBFCs operating in the loan-against-property space. We foresee robust growth in this segment in 2010-11 driven by healthy credit offtake and economic growth.

The business focused on self-occupied residential property as an asset class, generally considered safest asset to lend against. The business also focused on self-employed non-professionals as preferred customers, building a significant expertise in underwriting this customer profile. The business built a clean and stable asset book of Rs.1455 crores and also invested in building its collections vertical.

The business plans to grow disbursements by 30% and expand its geographical presence from 26 locations to 41 locations in 2010-11. The business shall strengthen its legal and collections expertise and expects to close 2010-11 with a book size of Rs.2500 crores.

BUSINESS: CORPORATE & MORTGAGE FINANCE

In this business, the loans are given to high net worth individuals and corporate houses for a tenure of one to two years. These loans are secured by way of current assets, property and shares. The division closed the year with an asset float of Rs.511 crores, which constituted 7% of the total business assets of the company. These loans were collateralized and the company possessed stringent evaluation and control which ensured that the division experienced no losses in spite of volatile stock market fluctuations during the course of the year. The business was managed by a competent team of 11 with separate marketing and credit groups, operates out of four branches.

BUSINESS: PERSONAL LOANS

The environment in the consumer loans industry continued to be challenging. Through a combination of asset sell-down and aggressive collection, loan receivables was brought down from Rs.1371 crores (net of provisions) at the beginning of the financial year to Rs.234 crores (net of provisions) as on 31 March, 2010. This strategy will continue until the complete run-down of receivables which is expected during the current financial year.

INVESTMENTS

Total investments of Rs.219 crores constituted 2.55% of the total assets, which included investments in subsidiaries of Rs.63.85 crores, investments in mutual funds of Rs.150 crores and investments of Rs.4.15 crores (net of provisions) in government securities.

RESOURCES AND TREASURY

During the year under review, the company focused on mobilizing long-term loans to strengthen its Asset Liability Management. The lender profile was changed to infuse a higher proportion of bank-based borrowing. Consortium lines were increased from Rs.1010 crores to Rs.1600 crores in 2009-10. Medium-term loans of Rs.1861 crores were moblised from banks during the year.

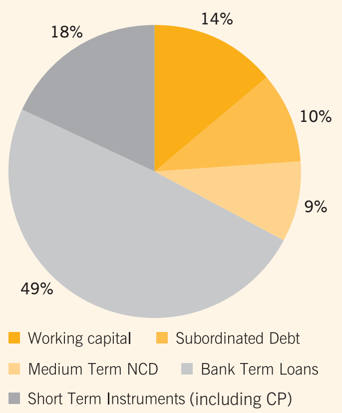
During the year, the company raised Commercial Papers (CP) to the tune of Rs.1764 crores while repaying Rs.2147 crores of CPs raised during the previous year. CPs outstanding as at the end of the year were at Rs.990 crores. The CP availments were made at significantly lower rates resulting in considerable savings in cost of funds as compared to other sources of borrowings CPs worth Rs.750 crores raised from Stressed Assets Stabilization Fund was repaid in Q1 of FY 2009-10 since the company had managed to arrange borrowings at significantly lower rates.

During the year, the company also mobilised long-term non convertible debentures (3 to 5 year maturities) at competitive rates to address its medium-to-long term funding requirements. As at the end of FY 2010, NCDs outstanding were Rs.505 crores.

Sub–debt infusion: To strengthen Capital Adequacy Ratio (CAR), the company mobilized Rs.250 crores as subordinated debt in 2009-10, which helped it maintain a healthy CAR of 14.80% during the year under review.

Leveraging the strength of the distribution in Tier III & Tier IV cities, the company was able to procure Priority Sector Loans (PSL) assets, which were offered as security to banks at considerably lower rates (amount availed Rs.600 crores). The company sold future receivables aggregating Rs.1201 crores. to banks and financial institutions by way of direct assignment.

Borrowing profile



HUMAN RESOURCES

The company had 981 employees as on 31 March, 2010. Talent development through structured e-learning programs – 19 programmes like Lending to Priority Sector Assets, Debt Investments, Risk Management, Mathematics of Investing, Red Flags etc. - were designed in-house and rolled out. Talent attraction, engagement, retention and productivity improvement will be key areas in a changing environment. The company intends to manage the entire talent management cycle – acquire, align, engage, develop and retain – to align it with business strategy, vision, values, systems and structure.

TECHNOLOGY

During the year, the company invested considerable resources in consolidating its infrastructure with technologies (server virtualization) resulting in optimized IT spending. Enhanced core business solutions helped align systems with changing needs. Comprehensive process / system improvements were incorporated in all subsystems to improve bank reconciliation. A new application was implemented to support cross-sell initiatives with existing customers.

RISK MANAGEMENT

In a challenging financing business, effective risk management enhances earnings quality and consistency through an embedded structure where the risk is identified and controlled closest to the point of origination. In this sense, there is no difference between the way business is conducted and risk is managed. Risk and reward are clearly recognized as being two sides of the same coin. Equal and sufficient weightage is given to other possible sources like operations, reputation, regulatory issues, funding, liquidity and interest rates. The residual risks where detected are sought to be controlled in a time-bound and least-invasive manner.

The two pillars of risk management in the financing business lie in the adoption of Standardized Operating Procedures (SOP), audits and reviews to evaluate the extent of SOP compliance with the objective of locating gaps.

Credit risk:

The company operates in complimentary product lines stretching from retail individual consumers at the bottom of the income pyramid, through emerging entrepreneurs aspiring to earn and pay from plying vehicles, to self employed SME and fleet operators, ending with corporates seeking short-term funds to harness instant opportunities. The risk is fairly diversified and the inherent concerns of each segment call for localised support in terms of risk management.

Vehicle Finance

The company has been engaged in this business for more than two decades. The company built a rich inventory of talent, portfolio data and workable processes. The delivery model is based on a branch or location with all aspects (origination, credit processing and receivables management) ensuring sufficient coverage of the geography. The two key risks in this segment and their controls are discussed below:

- Under-banked nature of the customer profile: Loans are generally processed for referral customers where an existing well-intentioned borrower provides verbal or documentary support to the prospective borrower. This is reinforced by a proactive receivables management team.
- Asset valuation trends: The modelwise price grid is constantly reviewed based on feedback from the

manufacturer and own realization in the process of asset disposal. At the first instance, loan-to-value (LTV) pegs are controlled for the more-risky profiles with higher LTVs offered to stronger borrowers only.

Home Equity

Following the growth in first mortgages and a booming consumer economy, the opportunity to unlock cash from assets has grown. Risks in this business emanate from the unverified nature of customer cash-flows and the possibility of defective titles. To counter these possibilities, the company has appointed experienced executives to man the business and used competent outsourced agencies (accounting, legal and valuation firms) to enhance its due diligence in customer appraisal.

Corporate & Mortgage Finance

Unlike consumer-driven businesses, there is no separation of sales origination, credit processing and receivables management in this business. The company's relationship-managed effort tracks customer performance and ensures that customer borrowing is serviced promptly and covered by adequate collateral.

Enterprise Risk

- Transition risk: This deals with the ability of the company to cope with (and insulate from) large-scale shifts on the front-end filtering to the back-end (operations, technology, accounting, infrastructure and human resources). The company segregated each function with a separate department head overseeing respective functions. Such heads are industry veterans with 15+ years of industry experience across domestic and international assignments. Besides, some decisions are addressed through consensual decision making.
- Attrition risk: The company's compensation policy was aligned with the operating environment and with incentive to perform better.
- Economy outlook risk: The company's customer base largely comprises self-employed professionals. Any slowdown could impact earnings and the ability to service borrowings. This risk is mitigated by attracting borrowers with a proven credit history followed by a continuing scrutiny of portfolio behavior trends.

Operational risk

This risk could occur on account of inadequate internal processes, people or systems. During the year under review, transactions increased manifold, necessitating a focus on robust operational controls. The management of operational risk is carried out through a comprehensive system of internal controls, documented delegation of authority, separation of duties between key functions and detailed standard operating procedures. In all critical functions, the front office and back office are segregated. Key operational processes are centralised at the head office to reduce operational risk at the branch level.

The company has empowered an in-house internal audit team across the country and a reputed external audit firm to focus on special areas and new product launches. The company has adopted a Whistleblower Policy to encourage the reporting of fraud. All operational branches are being reviewed on the basis of a 'Risk Score Card', which measures effective branch control. The branches are graded on the level of audit activity, frequency and coverage.

To enhance control over information systems, the company instituted a periodic audit process to enhance information security and commissioned a remote disaster recovery site for business continuity. The company reviewed its information security policy and aligned systems to revised policy guidelines. The company is in the process of developing a risk and control self-assessment (R & CSA) matrix for key functions.

Market risk

Market risk refers to uncertainty of future earnings resulting from changes in the values of financial instruments. This could arise from changes in liquidity conditions, interest rates, and foreign exchange rates as well as their correlations. Evaluating this risk and arriving at appropriate mitigating actions has assumed greater importance, due to the unprecedented volatility witnessed during the current year. The company has an approved comprehensive financial risk management policy to limit the financial exposure of the company to acceptable levels. A business committee consisting of members of the board (including an independent director) reviews and approves all market risk policies and recommends the tolerance limits on borrowings, the fixed vs. floating rate exposure on borrowings, the ALM position of the company and also the fixing of the operations framework for Asset Liability Management Committee (ALCO). The ALCO includes members from treasury, finance and business. The ALCO reviews treasury operations and transfer pricing on a monthly basis. The company does not maintain a trading position in the debt or equity market.

Interest rate risk

Interest rate risk is the result of a mismatch in the interest rate profile of asset and liabilities adversely impacting net interest income. The company measures interest rate risks by the 'duration gap' method, which measures the gap between assets and liabilities sensitive to interest rate changes. The company manages the duration gap within the set risk limit by altering the tenure and structure of borrowings and through the use of derivative instruments like interest rate swaps. Considering the volatility of interest rates, the company's strategy is to optimise the mobilization of short-term and long-term debt as well as floating and fixed rate instruments.

Currency risk

This risk is the result of fluctuating currency rates, arising from open foreign currency positions in borrowings. Based on the exchange rate outlook, the company's foreign currency-denominated borrowings are generally hedged through forward contracts or option structures that are superior to forward contracts. Open positions, if any, are restricted to pre-set currency risk limits. The forex position is monitored, evaluated, reported and managed in accordance with an approved risk management framework.

Liquidity risk

Liquidity risk is the risk that the company may be unable to meet its financial obligations in a timely manner at reasonable prices. This risk could arise out of a mismatch in maturity profile of assets and liabilities. Managing liquidity risk is essential for the company to maintain stakeholders' confidence. The mitigation techniques deployed by the company comprises spreading the borrowing basket among different lenders like banks, mutual funds etc. to reduce concentration risk. The company also monitors structural liquidity mismatches between assets and the liabilities on a projected cash flow basis and periodically reviews open credit lines available with banks.

The interest risk, currency risk and liquidity risks are reviewed monthly by the ALCO constituted by the management, which reports periodically to the business committee and the board of directors.

Risk Management Committee

The company formed a risk management committee (RMC), which meets at periodic intervals to review the company's risk management. The RMC reviews the implementation of various risk management techniques, analytics, systems, policies and procedures. It evaluates and advises changes required in relation to the business environment.

The heads of various businesses and functions constitute the risk management committee.

INTERNAL CONTROL SYSTEMS

The company put in place extensive internal controls to mitigate risks. The company established procedures including a clear delegation of authority and standard operating procedures for all business parts. The inhouse internal audit department evaluated the adequacy and effectiveness of controls.

The critical observations were shared with the audit committee on a quarterly basis for an effective monitoring of controls and implementation of recommendations. The RMC monitored the implementation of enterprise-wide risk management and control. On compliance matters, there was a monthly self assessment of controls existing in all business parts and functions. The company possessed a robust mechanism of fraud control, fraud detection and prevention. The investigations were directed by a disciplinary committee comprising senior management members. The company had a strong IT security system and audit to ensure information security.

The company possessed sound documentation and framework as envisaged in clause 49 of listing agreement. Clear segregation of duties existed between various functions. Key operational process (finance and operations) were centralised at the head office for better control. capital/revenue expenses were subjected to approved budgets.

RESULT OF OPERATIONS

Interest spreads

During the year, the company's gross asset base (including managed assets) was Rs.8601 crores. Gross income for the year was Rs.929.49 crores (previous year Rs.1120.63 crores).

Rupees in crores

Particulars	2009-10	2008-09
Income from operations net of lease depreciation	929.49	1,120.63
Total Gross income	929.49	1,120.63
Less: Interest cost	503.59	594.10
Gross Income Spread	425.90	526.53

The drop in marginal yields was on account of a reduction in the personal loan portfolio, which enjoyed a higher IRR than vehicle finance and home equity assets. The decline in borrowing costs was mainly on account of lower debt costs prevailing in the market.

Loan losses and provisioning

Gross NPAs (including Personal Loan segments) were at 5.53% of gross asset base (including managed assets) compared to 3.01% in 2008-09. Net NPAs constituted 1.70% of total assets as against 0.70% in the previous year. The Gross NPA of the personal loans business was 4.67% and net NPA was 1.31% on the gross asset basis.

Origination and Operating costs

The company continued to absorb all loan origination costs on incurrence. The origination cost declined from Rs.83.27 crores to Rs.57.45 crores since the company exited from the personal loan business.

Sale of asset management business and other assets

In line with the strategic direction to focus on core activities related to the business of NBFC, your company sold the mutual fund business during the year and absorbed the loss on sale of Rs.47.21 cores in the results for 2009-10. The sale of the mutual fund business will eliminate capital calls to be provided by your company.

The company also sold two properties – in Chennai and Mumbai - for an aggregate consideration of Rs.28.22 crores and ploughed proceeds into the business. The transaction resulted in a profit on sale of Rs.20.79 crores.

Subsidiaries

Several steps were taken to rationalize the operations of the securities business and the distribution / wealth management business. These led to a complete turnaround in the operations of these businesses. The companies posted a profit before tax of Rs.3.48 crores and Rs.6.89 crores respectively as against losses of Rs.9.01 crores and Rs.18.25 crores during the previous year.

Acquisition of stake in Cholamandalam Factoring Limited

During the year the company acquired a 99.44% equity stake in Cholamandalam Factoring Limited (CFACT), an NBFC, for a consideration of Rs.0.95 crores. The company proposes to utilize this subsidiary to collect and recover all personal loan receivables (though fully provided for) over the next couple of years. During the year, substandard personal loan assets aggregating Rs.234.20 crores were sold to CFACT for a net book value of Rs.85.70 crores. These loans were transferred to the subsidiary to focus on the collection of these overdues and delink the rundown of the personal loan portfolio from the parent company.

Consolidated Results

The combined gross income of the subsidiaries was Rs.27.91 crores compared to Rs.27.08 crores in the previous year. However, due to the sale of the asset management business during the year, the gross income of the consolidated entity was less by 16%.The securities business and distribution business reported a profit after tax of Rs.2.33 crores and Rs.6.89 crores, respectively. The consolidated profit after tax for the year was Rs. 52.76 crores as against a loss of Rs.18.82 crores in the previous year.

On behalf of the board

April 26, 2010
Chennai

M. A. Alagappan
Chairman

Report on Corporate Governance

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

CORPORATE GOVERNANCE PHILOSOPHY

The company is committed to the highest standards of corporate governance in all its activities and processes.

The company has always believed in and practised the highest standards of corporate governance since its inception. The board recognises that governance expectations are constantly evolving and it is committed to keeping its standards of transparency and dissemination of information under review to meet both letter and spirit of the law and its own demanding levels of business ethics.

The company believes that sound corporate governance practices are crucial to the smooth and efficient operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders and provide shareholder value. Everything the company does is defined and conditioned by the highest standards of governance, which serve its values. The company firmly believes in and follows what is enunciated in Arthasastra quote:

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

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

- Adhere to corporate governance standards beyond the letter of law;
- Maintain transparency and high degree of disclosure levels;
- Maintain a clear distinction between the personal interest and corporate interest;
- Have a transparent corporate structure driven by business needs and
- Ensure compliance with applicable laws.

BOARD OF DIRECTORS

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

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

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

The company's commitment to ethical and lawful business conduct is a fundamental shared value of the board of directors, the senior management and all employees of the company. Consistent with its Values and Beliefs, the company has formulated a Code of Conduct applicable to the board and senior management. Further, the company has also adopted an Insider Trading Code for prevention of insider trading and a Whistle Blower Policy for reporting any concerns or grievances by employee/ customer and others dealing with the company.

Composition

The board has been constituted in a manner, which results in an appropriate mix of executive/non-executive and independent directors to ensure proper governance and management. The board members have collective experience in diverse fields like banking, finance, compliance, engineering and technology. The directors are elected based on their qualification and experience in varied fields as well as company's business needs. Regarding the appointment of directors, at the time of induction of a director on the board of the company, an invitation to join the board of the company is sent out by the Chairman of the company and a directors' handbook comprising a compendium of the role, powers and duties to be performed by a director is given to the new director.

The company was a joint venture company between the Murugappa group represented by Tube Investments of India Ltd. (TII) and DBS Bank Limited, Singapore (DBS) till 8 April, 2010. Accordingly as at 31 March, 2010, the board comprised of 2 nominees from TII, 2 nominees from DBS and 4 independent directors. Consequent to the termination of the joint venture with DBS pursuant to sale by DBS of its entire shareholding in the company to TII and New Ambadi Estates Private Ltd., constituents of the Murugappa Group, the nominees of DBS resigned effective 9 April, 2010. Accordingly as on date of this report, the board comprises of six directors.

As recommended in the Voluntary guidelines of the MCA on corporate governance, the offices of the Chairman and CEO of the company have been kept separate. Further, the position of managing director which became vacant since the resignation of Mr. Atul Pande effective 30 October, 2008 remains vacant and the company is in the process of filling up the position.

The details of directors as at 31 March, 2010 including the details of their other board directorship and committee membership reckoned in line with cl.49 of the listing agreement as well as their shareholdings are given below:

Name of the director	Executive/ Non executive/ Independent/Promoter	No. of directorship* (chairman)	No. of shares held in the company	**No. of board committee membership (chairman)
Mr. M. A. Alagappan	Non executive/Promoter chairman	4	580382	2(1)
Mr. Indresh Narain	Non executive/Independent director	3	NIL	4(1)
Mr. R. Krishnamurthy	Non executive/Independent director	1	NIL	1(1)
Mr. V. P. Mahendra	Non executive/Independent director	5	26000	1
Mr. R. V. Kanoria	Non executive/Independent director	7(1)	NIL	1
Mr. N. Srinivasan	Non executive/Non-Independent director	5	NIL	3
Mr. Pranam Wahi $	Non executive/Non-Independent director	NIL	NIL	NIL
Mr. Wong Ann Chai$	Non executive/Non-Independent director	2	NIL	2

* excludes private limited companies, section 25 companies, foreign companies and alternate directorships

** only membership of audit committee and shareholders grievance committee of other companies has been considered

$ resigned effective 9 April, 2010

The four independent directors of the company provide an annual certificate of independence in accordance with cl. 49 of the listing agreement, to the company which is taken on record by the board of company. All the board members including Independent directors have the opportunity and access to interact with the management.

Board Meetings

The board of directors meet at regular intervals with an annual calendar and a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The board is regularly briefed and updated on the key activities of the business and is provided with briefings and presentations on operations, quarterly financial statements and other matters concerning the company. Besides, information about statutory compliance, minutes of all the subsidiary companies and sub-committees of the board and information as required under listing agreement are also provided to the directors on a regular basis. The board at every meeting also reviews the important regulatory changes between two meetings.

The dates of the board meetings are fixed in advance for the full calendar year to enable maximum attendance from directors. During the year ended 31 March, 2010, six meetings of the board of directors were held i.e., 28 April, 2009, 18 May, 2009, 28 July, 2009, 28 October, 2009, 27 January, 2010 and 25 March, 2010.

COMMITTEES OF THE BOARD

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

There are four committees constituted by the board – audit committee, shareholders grievance committee, compensation & nomination committee and business committee.

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

Consequent to the resignation of the DBS nominee directors from the board of the company effective 9 April, 2010, the committees of the board have been reconstituted on the same date with all other terms of reference remaining unaltered as stated below:

- Shareholders' grievance committee has been reconstituted with Mr. V. P. Mahendra, Mr. R. Krishnamurthy and Mr. N. Srinivasan as its members;
- Compensation & nomination committee has been reconstituted with Mr. R. V. Kanoria, Mr. V. P. Mahendra and Mr. M. A. Alagappan as its members and
- Business committee be and is hereby reconstituted with the chairman, director – group finance and managing director as its members.

AUDIT COMMITTEE

Terms of Reference

The primary role of the audit committee is overseeing the financial reporting process and disclosure of financial information, reviewing the financial statements before submission to the board, reviewing adequacy of internal control systems and reviewing findings of internal audits/ investigations/ whistle blower policy / monitoring the usage of funds from issue proceeds, review of related party transactions besides recommending appointment/removal of statutory auditors, internal auditors and fixing their remuneration. The committee holds discussions with the statutory auditors and internal auditors periodically.

Composition & Meetings

The committee comprises four non-executive directors with three fourth (majority) of them being independent directors. The committee comprises Mr. Indresh Narain, independent director as the chairman, Mr. M.A. Alagappan, Mr. V.P. Mahendra and Mr. R. Krishnamurthy as its members. All members of audit committee have knowledge of financial management, audit and accounts. The statutory auditors, internal auditors and senior management are invited to attend all the meetings of the committee. Further, as a good corporate governance practice, effective FY 2010-2011, the company has put in place a system for a separate discussion of the Audit committee with the statutory and internal auditors without the presence of the management team. The committee had seven scheduled meetings during the year ended 31 March, 2010, three meetings for reviewing the financial statements, three meetings for considering internal audit reports and one meeting for considering both financial statements and internal audit reports.

SHAREHOLDERS GRIEVANCE COMMITTEE

Terms of Reference

The role of the committee includes formulation of shareholders servicing plans and policies, consideration / approval of valid share 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., monitoring and reviewing the mechanism of share transfers and dematerialisation of shares, payment of dividends etc. and looking into the redressing of shareholders grievances and determining, monitoring and reviewing the standards for resolution of shareholder's grievances.

Composition & Meetings

As at 31 March, 2010, the committee comprised Mr. V. P. Mahendra as the chairman and Mr. N. Srinivasan and Mr. Pranam Wahi as members. Consequent to the resignation of Mr. Pranam Wahi from the board effective 9 April, 2010, Mr. R. Krishnamurthy has been inducted as a member of the committee. Ms. P. Sujatha, Company Secretary is the compliance officer. During the year ended 31 March, 2010, the committee held two meetings.

During the year ended 31 March, 2010, the company received 3 complaints all of which have been resolved. There were no share transfer requests pending as at 31 March, 2010.

BUSINESS COMMITTEE

Terms of Reference

The role of the committee includes review of the business of the company including approval and review of business proposals beyond certain financial limits, review of credit and investment policies, approve borrowings within the limits prescribed by the board, approve assignment of receivables, approve purchase and sale of property, oversee the asset liability management system of the company and review the risk management policies of the company. Besides, the committee also considers and recommends to the board the issue of non-convertible debentures and other operations related matters from time to time.

Composition & Meetings

As at 31 March, 2010, the business committee comprised Mr. R. Krishnamurthy as the chairman and Mr. N. Srinivasan and Mr. Pranam Wahi as members. Consequent to the change in board composition in April 2010, the committee was reconstituted with the chairman of the board, director – finance of the Murugappa Group and the managing director (as and when appointed) as its members. The senior management is invited to attend the meetings of the committee. The committee held seven meetings during the year ended 31 March, 2010.

COMPENSATION & NOMINATION COMMITTEE

Terms of Reference

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

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

Composition & Meetings

The committee comprises Mr. R.V. Kanoria as the chairman and Mr. V.P. Mahendra and Mr. Pranam Wahi as members. Mr. M.A. Alagappan who had been a permanent invitee to the meetings of the committee was inducted as a member on 9 April, 2010 consequent to the resignation of Mr. Pranam

Wahi from the Board. Majority of the members of this committee comprises independent directors including its chairman. The committee had one meeting during the year ended 31 March, 2010.

REMUNERATION OF DIRECTORS

Remuneration Policy

Managing director is the only executive director in the company. Currently, the position of a managing director is vacant. However, the company has appointed a manager under the provisions of the Companies Act, 1956. The compensation of the managing director comprises a fixed component and a performance incentive by way of commission. The compensation is determined based on levels of responsibility and scales prevailing in the industry. The commission is determined based on certain pre-agreed performance parameters. The managing director is not paid sitting fees for any board / committee meetings attended by him.

All other directors are non-executive. The compensation of the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission upto 1% of net profits of the company for each year calculated as per the provisions of the Companies Act, 1956, the actual commission paid to the directors is restricted to a fixed sum which is currently at Rs.3,00,000/- per annum to each director paid proportionate to the period each director has served on the board, subject to 1% of net profits of the company. This sum is reviewed periodically taking into consideration various factors such as performance of the company, time spent by the directors for attending to the affairs and business of the company and extent of responsibilities cast on directors under general law and other relevant factors and is payable subject to the availability of the sufficient profits for the same. The non-executive directors are also paid sitting fees as permitted by government regulations for every board / committee meeting attended by them.

Remuneration for the year

Details of the remuneration of directors for the year ended 31 March, 2010 are as follows:

Non-executive directors

Rupees in lakhs

Name	Sitting Fees paid
Mr. M. A. Alagappan	1.74
Mr. Indresh Narain	1.74
Mr. R. Krishnamurthy	1.83
Mr. V. P. Mahendra	2.00
Mr. R. V. Kanoria	0.62
Mr. N. Srinivasan	1.60
Mr. Wong Ann Chai **$	0.30
Mr. Pranam Wahi **$	1.18
Total	**11.01**

** As per the employment policy of DBS, the remuneration comprising of sitting fees payable to the directors nominated by DBS was paid to DBS.

$ Resigned effective 9 April, 2010

Inspite of an improvement in the company's operations since last year, considering the lower profits, the board unanimously decided not to take any commission for this financial year also.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Names	Number of meetings attended					Attendance at last AGM
	Board	Audit committee	Shareholders grievance committee	Compensation & nomination committee	Business committee	
Mr. M. A. Alagappan	6	7	NA	NA	NA	Yes
Mr. Indresh Narain	6	7	NA	NA	NA	Yes
Mr. R. Krishnamurthy	4	5	NA	NA	7	Yes
Mr. V. P. Mahendra	6	7	2	1	NA	Yes
Mr. R. V. Kanoria	4	NA	NA	1	NA	Yes
Mr. N. Srinivasan	6	NA	2	NA	7	Yes
Mr. Pranam Wahi	*6	NA	2	1	7	Yes
Mr. Wong Ann Chai	**6	NA	NA	NA	NA	Yes

* attended one meeting through audio conference

** attended three meetings through audio conference

EMPLOYEE STOCK OPTION PLAN

During the financial year 2009-10, the compensation & nomination committee has not made any grants and no options were allotted to the employees.

GENERAL BODY MEETINGS

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

Year	Date and Time	Venue	Special Resolutions passed
2007	30 July, 2007 4.00 p.m.	The Music Academy, New No.168 (Old No.306), T.T.K Road, Royapettah, Chennai – 600 014	1. Issue of 1904162 shares under Employee Stock Option scheme 2. Issue of detachable warrants upto Rs.200 crores along with rights shares issued in 2007
2008	30 July, 2008 4.00 p.m.	-do-	1. Amendment to clause V of the Memorandum of Association of the company consequent to increase in authorised share capital from Rs.160 crores to Rs.200 crores. 2. Amendment to clause 5(a) of the Articles of Association of the company consequent to increase in authorised share capital from Rs.160 crores to Rs.200 crores. 3. Issue of cumulative redeemable preference shares of Rs.100/- each aggregating to Rs.100 crores for cash at par on private placement basis.

Year	Date and Time	Venue	Special Resolutions passed
2009	28 July, 2009 4.00 p.m.	-do-	1. Payment to non wholetime directors remuneration by way of commission at 1% of the net profits of the company as computed under sections 349 and 350 of the Companies Act, 1956 for a period of five financial years effective 1 April, 2009. 2. Appointment of manager for the company under the Companies Act, 1956 for a term of one year.

POSTAL BALLOT

During the year ended 31 March, 2010, no resolutions have been passed through postal ballot process. However, the company has vide postal ballot notices dated 3 April, 2010 and 9 April, 2010 has sought the approval of the shareholders of the company for the below resolutions:

i. Postal ballot notice dated 3 April, 2010

- approval by ordinary resolution for increase in authorised share capital of the company from Rs.400 crores to Rs.420 crores;
- approval by special resolution for amending the capital clause in the memorandum of association of the company;
- approval by special resolution for amending article 5(a) of the articles of association of the company; and
- approval by special resolution for issue of 1,08,93,852 equity shares of Rs.10/- each at Rs.92/- share to International Finance Corporation on preferential basis.

ii. Postal ballot notice dated 9 April, 2010

- approval by special resolution for change in name of the company from Cholamandalam DBS Finance Limited to Cholamandalam Investment and Finance Company Limited consequent the termination of JV with DBS; and
- approval by special resolution for amending the articles of association of the company to delete/revise the articles consequent to termination of JV.

COMPLIANCE REPORT

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

SECRETARIAL AUDIT

The company is in the practice of conducting periodical secretarial audit by an independent practicing company secretary. In respect of the year ended 31 March, 2010, M/s. R. Sridharan & Associates, practicing company secretary has conducted the secretarial audit and the report has been reviewed by the board.

CODE OF CONDUCT

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

RISK MANAGEMENT

The company has laid down procedures to inform board members about the risk assessment and minimization procedures. The board annually discusses the significant business risks identified by the management and the mitigation process being taken up. Further, a risk management committee comprising senior management is in place for review of risk management on a periodical basis, the summary of decisions of which shall be reviewed by the business committee on a periodical basis. A detailed note on the risk identification and mitigation is included in management discussion & analysis, annexed to the director’s report.

CEO/CFO CERTIFICATION

Mr. N. Srinivasan, Director and Mr. D. Arul Selvan, CFO have given a certificate to the board as contemplated under clause 49 of the Listing Agreement.

DISCLOSURES

Transactions with related parties are disclosed in note 15 of schedule 17 to the accounts in the annual report. There were no materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.

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

COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The company has complied with all mandatory requirements of corporate governance norms as enumerated in clause 49 of the listing agreements with stock exchanges.

The company has adopted the following non-mandatory requirements:

1. As detailed in the earlier paragraphs, a compensation & nomination committee has been constituted by the company.
2. A newsletter from the chairman highlighting the significant achievements during the half-year ended 30 September, 2009 and enclosing the financial results was sent to all the shareholders of the company.
3. Pursuant to the non mandatory requirements of the listing agreement the company has established a whistle blower mechanism to provide an avenue to raise concerns. The mechanism provides for adequate safeguards against victimisation of employees who avail of the mechanism and also for appointment of an Ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct appeal to the chairperson of the audit committee. We further affirm that during the year, no employee has been denied access to the audit committee.

The other non-mandatory requirements of clause 49 have not been adopted by the company.

Further, with respect to the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs in December 2009, the company has complied with the Voluntary Guidelines to the extent disclosed above and is in the process of evaluating the feasibility of implementation of the other requirements.

MEANS OF COMMUNICATION

The audited financial results and the first quarter results were published in financial express and dhinamani. The quarterly results and other major announcements like notice of board meeting, book closure are published in financial express/ business standard and dhinamani and are also available in the company's website www.choladbs.com. Press releases are also given in the leading newspapers and also posted on company's web site. The company has posted a shareholders satisfaction survey in its website to ascertain the level of shareholders satisfaction. Further, the Code of Conduct of the company applicable to the board and senior management is also posted on the website of the company.

MANAGEMENT DISCUSSION & ANALYSIS

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

GENERAL SHAREHOLDER INFORMATION

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

On behalf of the board

26 April, 2010 — **M. A. Alagappan**
Chennai — *Chairman*

Declaration on Code of Conduct

This is to confirm that the board has laid down a Code of Conduct for all board members and senior management of the company. The Code of Conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the company for the year ended 31 March, 2010, as envisaged in clause 49 of the Listing Agreement with stock exchanges.

26 April, 2010	**N. Srinivasan**
Chennai	*Director*

Auditors' Certificate on Corporate Governance

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

To the Members of **Cholamandalam DBS Finance Limited**

We have examined the compliance of conditions of corporate governance by **Cholamandalam DBS Finance Limited**, for the year ended 31 March, 2010 as stipulated in Clause 49 of the Listing Agreement of the company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us by the directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

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

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

M. K. Ananthanarayanan
Partner
Membership No.19521

26 April, 2010
Chennai

General Shareholder Information

Annual General Meeting

Date	Time	Venue
28 July, 2010	4 p.m.	The Music Academy New No.168 (Old No.306), T.T.K Road, Royapettah, Chennai – 600 014

Financial Year

April 1st to March 31st

Dates of Book Closure

23 July, 2010 to 28 July, 2010 (both days inclusive)

Dividend Payment Date

Interim Dividend for the year ended 31 March, 2010 will be paid within 7 days from the record date for this purpose.

Listing on Stock Exchanges

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

*Madras Stock Exchange Ltd.	Bombay Stock Exchange Ltd.	National Stock Exchange of India Ltd.
Exchange Building, Post Box No.183	Phiroze Jeejeebhoy Towers	Exchange Plaza, 5th Floor, Plot No.C/1,
11 Second Line Beach	Dalal Street, Fort	G Block, Bandra Kurla Complex
Chennai - 600 001.	Mumbai – 400 001.	Bandra (E), Mumbai – 400 051.
Stock Code: CIN	Stock Code: 511243	Stock Code: CHOLADBS EQ

The listing fees for the financial year 2009-2010 were paid to all the above stock exchanges.

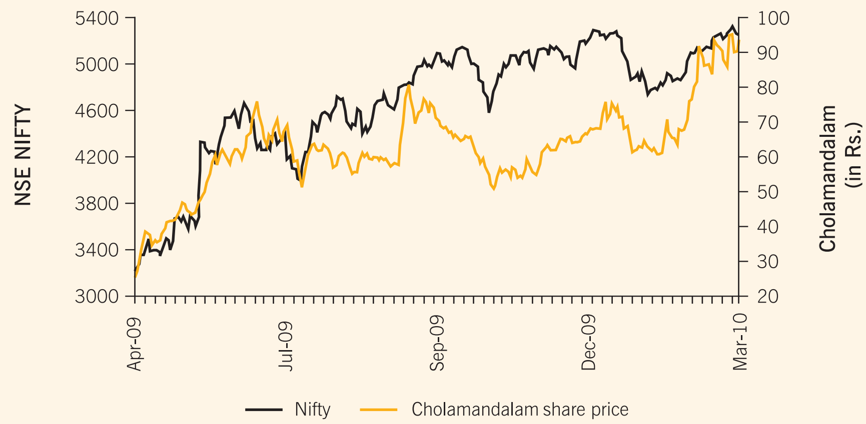
*The company has applied for de-listing of its equity shares admitted on MSE on 5 April, 2010.

Market Price Data

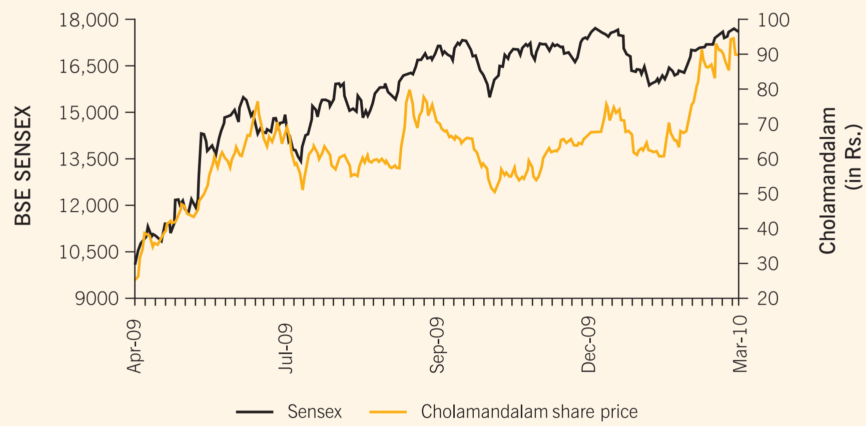
Price in Rupees

Period	BSE			NSE		
	High	Low	Vol.	High	Low	Vol.
Apr-09	43.80	24.65	820418	43.70	24.35	777264
May-09	65.30	41.10	618157	64.95	42.00	405925
Jun-09	77.15	57.00	1075773	77.50	57.00	647227
Jul-09	74.90	50.65	414549	72.85	50.60	425060
Aug-09	63.20	53.50	250169	62.95	52.45	319821
Sep-09	84.40	56.50	1032200	84.90	56.85	1231645
Oct-09	71.45	54.50	425213	71.90	54.60	578543
Nov-09	62.85	49.25	295317	62.00	49.40	368134
Dec-09	69.70	55.60	377279	69.95	55.95	500066
Jan-10	79.35	58.00	610368	79.70	57.00	750651
Feb-10	73.50	59.65	585427	73.65	60.10	703747
Mar-10	102.40	72.00	3332054	102.30	72.00	6103174

Cholamandalam share price performance in comparison with NSE NIFTY



Cholamandalam share price performance in comparison with BSE SENSEX



REGISTRAR AND SHARE TRANSFER AGENT

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

The contact details of the RTA is as follows:

Karvy Computershare Pvt. Ltd.
(Unit: Cholamandalam DBS Finance Limited)
Plot No.17-24, Vittal Rao Nagar, Madhapur
Hyderabad 500 081.
Tel. No. : 040-44655000
Fax No. : 040-23420814
E-mail ID : einward.ris@karvy.com
Contact person : Mr. V. K. Jayaraman, General Manager

SHARE TRANSFER SYSTEM

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

DEMATERIALISATION OF SHARES AND LIQUIDITY

The company has signed agreements with both the depositories in the country, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The company's shares are in the list of compulsory demat settlement by all investors. As at 31 March, 2010 shares constituting about 98.84% of the total paid up capital of the company have been dematerialised.

NOMINATION FACILITY

The company is accepting nomination forms from shareholders in the prescribed Form 2B. All those who are desirous of making a nomination are requested to contact the RTA. The shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the concerned depository participants. Nomination is only optional and can be cancelled or varied by a shareholder at any time.

NATIONAL ELECTRONIC CLEARING SYSTEM (NECS)

The Reserve Bank of India (RBI), has introduced a new electronic fund transfer platform called the National Electronic Clearing System (NECS) for disbursement of dividends. Earlier, Electronic Clearing Service (ECS) was used for payment of dividends directly to the bank accounts of shareholders who opted for the same. The advantages of NECS over ECS include faster credit of remittances to beneficiary's account, coverage of more bank branches and ease of operations for the remitting agencies. NECS essentially operates on the new and unique bank account number (having not less than 10 digits) allotted by banks post implementation of the Core Banking Solutions (CBS).

This new (NECS compliant) account number is required to be intimated to your Depository Participant (incase your shares are in demat mode) or the company's Registrar & Share transfer agents (M/s.Karvy Computershare Pvt. Ltd., incase your shares are in physical mode) for us to effect the dividend payment through the NECS mode. For those shareholders, who have already registered their bank account numbers for receiving dividend through ECS but their bank/branch has not implemented CBS, dividend payment would continue through the ECS facility.

PAYMENT OF UNCLAIMED/UNPAID DIVIDEND

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

DISTRIBUTION OF SHAREHOLDING AS ON 31 MARCH, 2010

No. of shares held	No. of shareholders	No. of Shares	(%) of Shareholding
Below 500	16804	1885478	2.84
501 - 1000	1415	1100997	1.66
1001 - 2500	1185	1908274	2.87
2501 - 5000	433	1579357	2.38
5001 - 10000	232	1685124	2.54
10001 and Above	228	58247104	87.71
Total	**20297**	**66406334**	**100.00**

SHAREHOLDING PATTERN

Category	As on 31 March, 2010	
	No. of shares	%
Promoters	49776956	74.96
Financial Institutions/Banks	60250	0.09
Foreign Institutional Investors	754117	1.14
Private Corporate Bodies	4011763	6.04
Public	11236343	16.92
NRIs/OCBs	566905	0.85
Total	**66406334**	**100.00**

* on 8 April, 2010, DBS has sold its entire shareholding in the company to Tube Investments of India Ltd. and New Ambadi Estates Pvt. Ltd., constituent companies of Murugappa Group.

DEBENTURE TRUSTEES

IDBI Trusteeship Services Limited

Asian Building, Ground Floor, 17, R.Kamani Marg,
Ballard Estate, Mumbai - 400 001.
Tel. No. : 022 4080 7000
Fax No. : 022 6631 1776
E-mail ID : itsl@idbitrustee.co.in
Contact person : Ms. Brinda V, Vice President

OUTSTANDING GDRs/ADRs ETC.

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

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Government of India, Ministry of Corporate Affairs (MCA) vide its letter dated 8 April, 2010 No.47/197/2010-CL-III has granted approval to the company under section 212(8) of the Companies Act, 1956 for not attaching the financial statements of the subsidiary companies to the company's accounts for the financial year ended 31 March, 2010 in view of the presentation of consolidated financial statements of the subsidiaries in the annual report. The annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in the head office of the company and its respective subsidiary companies.

ONLINE INFORMATION

Shareholders are requested to visit www.choladbs.com for online information about the company. The financial results, share price information, dividend announcements of the company are posted on the website of the company and are periodically updated with all developments for the information of shareholders. The company also has posted various forms including the shareholder satisfaction survey form for obtaining feed back from shareholders on various parameters including shareholder servicing. Besides, the shareholders have the facility to post any query to the company directly from the website which are acted upon within 24 hours of receipt of query.

LOCATION

The company operates out of more than 170 branches across the country.

CONTACT PERSON

For any shareholders assistance the company secretary can be contacted at the following address:
"Dare House", No.2, N.S.C. Bose Road, Parrys
Chennai – 600 001
Phone: 044 30007172 (bd.) 30007055 (d)
Fax: 044 25346464
E-Mail: sujathap@chola.murugappa.com

On behalf of the board

26 April, 2010
Chennai

M. A. Alagappan
Chairman

List of Promoters

List of promoters of the company constituting "Group" pursuant to Regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997

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

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

Financial section

Auditors' Report

To
The Members of
Cholamandalam DBS Finance Limited

1. We have audited the attached Balance Sheet of **CHOLAMANDALAM DBS FINANCE LIMITED** ("the Company") as at 31 March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2010;
      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on 31 March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

M. K. Ananthanarayanan
Partner
(Membership No.19521)

April 26, 2010
Chennai

Annexure to the Auditors' Report

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

(i) Having regard to the nature of the Company's business/activities/result, clauses 4(ii), 4(viii), 4(xiii), 4(xiv) and 4(xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) A. In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has granted loans aggregating Rs.10,220 lakhs to two parties during the year. At the year-end, the outstanding balances of such loans aggregated Rs.377 lakhs (number of parties - One) and the maximum amount involved during the year was Rs.10,220 Lakhs (number of parties - 2).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.

(c) The receipts of principal amounts and interest have been regular/as per stipulations.

(d) There were no overdue amounts remaining outstanding as at the year end.

B. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of repossessed automobile assets and for rendering of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in such internal control system. The Company does not purchase inventory nor does it sell any goods (other than repossessed automobile assets) in the ordinary course of its business.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain services availed/provided by the Company, no comparison of prices could be made as the Company informed us that comparable quotations are not available and in respect of which we are unable to comment.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 as applicable to the Company, with regard to the deposits accepted from the public prior to 1 November, 2006. However, in respect of overdue amounts totalling to Rs.1.86 lakhs, payments have not been made since the repayment of the same to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totalling to Rs.0.11 lakhs, payments have not been made as per instructions received from the Central Bureau of Investigation. Other than the above, according to the information and explanations given to us, no order has

Annexure to the Auditors' Report (Contd.)

been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, internal audit functions carried out during the year by the Company's internal audit department as well as an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Cess and other material statutory dues in arrears as at 31 March, 2010 for a period of more than six months from the date they became payable except for fixed deposit amounts totalling to Rs.1.97 lakhs which have not been credited to the Investor Education and Protection Fund since the repayment to the depositors has been stayed by the Madras High Court for an amount of Rs.1.86 lakhs, payments have not been made pursuant to instructions received from Central Bureau of Investigation for an amount of Rs.0.11 lakhs.

(c) Details of dues of Income-Tax, Sales Tax, Wealth Tax, Service Tax and Cess which have not been deposited as on 31 March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates - Financial Year	Amount involved (Rs. in lakhs)
Income Tax Act, 1961	Tax and Interest	Commissioner of Income Tax (Appeals)	1997-98	120.38
			2000-01	473.94
			2001-02	51.83
			2003-04	4.99
			2005-06	75.98
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	Sales Tax Appellate Tribunal	1994-95	228.59
Karnataka Sales Tax Act, 1957	Sales Tax	Sales Tax Appellate Tribunal	1992-93 to 1994-95, 1996-97 and 1999-2000	23.74
Central Sales Tax Act, 1956	Central Sales Tax	Sales Tax Appellate Tribunal	1994-95 and 1995-96	70.92
Delhi Sales Tax Act, 1975	Sales Tax	Assistant Commissioner, Appeals	1990-91	7.58
Bihar Finance Act, 1981	Sales Tax	Sales Tax Appellate Tribunal	1992-93 and 1993-94	2.19
Gujarat Sales Tax Act, 1969	Sales Tax	Sales Tax Appellate Tribunal	1996-97 and 1997-98	2.03
Service Tax (Chapter V of the Finance Act, 1994)	Service Tax	Madras High Court	2001-02 and 2002-03	69.33

Annexure to the Auditors' Report (Contd.)

(ix) The company does not have any accumulated losses as at 31 March, 2010 and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, and debenture holders. The Company has not taken any loans from financial institutions.

(xi) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks are not prima facie prejudicial to the interests of the Company.

(xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xiv) According to the information and explanations given to us and on the basis of maturity profile of assets and liabilities with a maturity profile of one year, as given in the Asset Liability Management Report, assets maturing in the next one year are in excess of the liabilities of similar maturity by Rs.6,067 Lakhs.

(xv) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xvi) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 2800 secured debentures of Rs.10 Lakh each. The Company has created security in respect of the debentures issued.

(xvii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year although there were some instances of loans becoming doubtful/loss assets consequent to fraudulent misrepresentation by borrowers/others which were noticed by the Management, the amounts whereof were not material in the context of the size of the Company and the nature of its business and the outstanding amounts of such loans were adequately provided for.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

M. K. Ananthanarayanan
Partner
(Membership No.19521)

April 26, 2010
Chennai

Balance Sheet as at 31 March, 2010

Rupees in lakhs

	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	36,647.17	36,647.17
Reserves and Surplus	2	41,853.38	41,453.94
		78,500.55	**78,101.11**
Loan Funds			
Secured Loans	3	385,830.35	371,333.60
Unsecured Loans	4	153,618.66	167,766.68
		539,449.01	**539,100.28**
Total		**617,949.56**	**617,201.39**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	6,410.17	7,675.70
Less : Depreciation		5,034.71	4,291.55
Net Block		1,375.46	3,384.15
Capital Work in Progress (including Capital Advances)		2.79	(0.00)
		1,378.25	**3,384.15**
Investments	6	**21,932.64**	**40,520.31**
Deferred Tax Asset (Net) (Note 17 of Schedule 17)		**15,492.59**	**15,014.26**
Current Assets, Loans And Advances			
Receivables under Financing Activity	7	548,957.84	455,475.06
Cash and Bank Balances	8	74,513.17	155,781.76
Other Current Assets	9	13,109.35	14,478.78
Other Loans and Advances	10	15,693.58	9,030.00
		652,273.94	634,765.60
Less: Current Liabilities and Provisions			
Current Liabilities	11	30,767.53	32,860.98
Provisions	12	42,360.33	43,621.95
		73,127.86	**76,482.93**
Net Current Assets		**579,146.08**	**558,282.67**
Total		**617,949.56**	**617,201.39**
Notes on Accounts	17		

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

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Profit and Loss Account for the Year Ended 31 March, 2010

Rupees in lakhs

	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME	13	**92,949.58**	**112,063.12**
EXPENDITURE			
Financing Charges	14	50,358.76	59,409.85
Business Origination Outsourcing		5,744.51	8,326.57
Operating and Other Expenses	15	12,758.42	16,857.49
Depreciation and Amortisation	5	1,528.41	1,953.17
Provisions, Loan Losses and Other Charges	16	19,136.65	23,807.70
		89,526.75	**110,354.78**
PROFIT BEFORE EXCEPTIONAL ITEMS		**3,422.83**	**1,708.34**
Exceptional items (Net) (Note 3 of Schedule 17)		(289.41)	-
PROFIT BEFORE TAXATION		**3,133.42**	**1,708.34**
Provision for Taxation:			
- Current		2,069.91	3,389.06
- Deferred (Net) (Note 17 of Schedule 17)		(478.33)	(6,078.62)
- Fringe Benefit Tax		-	123.00
		1,591.58	(2,566.56)
PROFIT AFTER TAXATION		**1,541.84**	**4,274.90**
Balance Brought Forward From Previous Year		5,555.40	2,280.50
PROFIT AVAILABLE FOR APPROPRIATION		**7,097.24**	**6,555.40**
APPROPRIATIONS:			
Dividend			
- Equity (Proposed)		664.06	-
- Preference (Proposed)		315.62	-
- Distribution Tax		162.72	-
		1,142.40	-
Statutory Reserve		309.00	1,000.00
Balance Carried to Balance Sheet		5,645.84	5,555.40
		7,097.24	**6,555.40**
Earnings per Share, of par value Rs.10 each,			
- Basic		1.79	7.05
- Diluted		1.79	6.83
(Note 16 of Schedule 17)			
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Cash Flow Statement for the Year Ended 31 March, 2010

Rupees in lakhs

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		**3,133.42**		**1,708.34**
Adjustments for :				
Depreciation	1,528.41		1,953.17	
(Provision Released) / Provision for Standard Assets	(17,000.00)		20,000.00	
Provision for Non Performing Assets under Financing Activity (Net)	13,191.78		15,570.35	
Provision for Credit Enhancement and Servicing Costs on Assets De-recognised (Net)	1,330.31		1,499.91	
(Provision Released) / Provision for Diminution in Value of Investments	(2,353.00)		2,353.00	
Financing Charges	50,358.76		59,409.85	
Provision for Compensated Absences (Net)	73.89		(10.44)	
(Profit) / Loss on Sale of Fixed Assets (Net)	(2,054.78)		772.91	
Loss on Repossessed Assets (Net)	3,120.24		4,339.62	
Loss Assets Written Off	3,895.41		10,371.42	
Loss on Assignment of Receivables	4.74		-	
Profit on Sale of Investments - Current & Long Term	(1,746.47)		(1,667.08)	
Loss on Sale of Investment in Subsidiary Companies	4,721.63		-	
Amortisation of Premium on Acquisition of Government Securities	7.44		18.84	
Interest on Bank and Other Deposits	(5,015.11)		(5,937.54)	
Interest on Investments	(29.60)		(75.79)	
Dividend on Investments	(4.73)		(2.64)	
Amount transferred from Securities Premium to the Profit and Loss Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	0.00		(32,353.00)	
		50,028.92		76,242.58
Operating Profit Before Working Capital Changes		**53,162.34**		**77,950.92**
Adjustments for :				
Increase in Receivables under Financing Activity (including Repossessed Assets)	(229,392.73)		(62,471.31)	
Decrease in Other Current Assets	110.26		1,834.51	
Increase in Other Loans and Advances	(4,188.04)		(3,826.92)	
Increase in Current Liabilities and Provisions	2,520.28		1,865.87	
Bilateral Assignment of Receivables	130,785.06		131,518.28	
		(100,165.17)		68,920.43
Cash (Used in) / From Operations		**(47,002.83)**		**146,871.35**
Financing Charges	(56,553.81)		(59,866.74)	
Direct Taxes Paid	(2,950.39)		(2,210.30)	
		(59,504.20)		(62,077.04)
Net Cash (Used in) / From Operating Activities (A)		**(106,507.03)**		**84,794.31**
CASH FLOW FROM INVESTING ACTIVITIES				
Bank Deposits and Unpaid Dividend Accounts (See Note below)	25,718.67		(35,933.35)	
Purchase of Fixed Assets	(463.28)		(1,262.91)	

Cash Flow Statement (Contd.) for the Year Ended 31 March, 2010

Rupees in lakhs

	Year ended 31.03.2010		Year ended 31.03.2009	
Sale of Fixed Assets	2,995.55		49.83	
Investment in Subsidary Companies	(2,395.36)		(6,800.00)	
Purchase of Other Investments	-		(15,000.00)	
Sale of Investment in Subsidiary Companies (net of expenses of Rs.138.45 lakhs)	4,343.55		-	
Sale/ Redemption of Other Investments	17,259.01		1,822.52	
Interest Received on Bank and Other Deposits	4,350.45		2,150.21	
Interest Received on Investments	47.56		77.40	
Dividend Received on Investments	4.73		2.64	
Net Cash From / (Used in) Investing Activities (B)		**51,860.88**		**(54,893.66)**
CASH FLOW FROM FINANCING ACTIVITIES				
Long Term & Medium Term				
- Increase in Equity Share Capital and Securities Premium (Net of Issue Expenses)	-		13,518.43	
- Increase in Preference Share Capital	-		30,000.00	
- Decrease in Debentures	(105,000.00)		(21,722.68)	
- Increase in Term Loans from Banks and Others	161,705.70		63,050.00	
- Decrease in Fixed Deposits	(627.88)		(2,116.15)	
Short Term				
- (Decrease) / Increase in Bank Borrowings	(18,708.95)		8,266.95	
- Decrease in Debentures	-		(77,000.00)	
- (Decrease) / Increase in Other Borrowings	(37,011.47)		28,877.77	
Dividends Paid (Including Distribution Tax)	(12.04)		(2,440.65)	
Net Cash From Financing Activities (C)		**345.36**		**40,433.67**
Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)		**(54,300.79)**		**70,334.32**
Cash and Cash Equivalents at the Beginning of the Year		85,012.25		14,677.93
Cash and Cash Equivalents at the End of the Year		30,711.46		85,012.25
Note:				
Cash and Cash Equivalents at the end of the year as per Balance Sheet		74,513.17		155,781.76
Add: Current Investments (Excluding Investments under Lien)		15,002.32		13,753.19
Less: Balance in Current Accounts held for Unpaid Dividends		38.10		50.14
Less: Bank Deposits held for More than Three Months		43.19		19,831.40
Less: Bank Deposits under Lien		58,722.74		64,641.16
		30,711.46		85,012.25

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Schedules Forming Part of the Balance Sheet as at March 31, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED		
Equity Shares		
100,000,000 (2009 - 100,000,000) Equity Shares of Rs.10 each	10,000.00	10,000.00
Preference Shares		
30,000,000 (2009 - 30,000,000) Redeemable Preference Shares of Rs.100 each	30,000.00	30,000.00
	40,000.00	**40,000.00**
ISSUED		
Equity Shares		
66,543,088 (2009 - 66,543,088) Equity Shares of Rs.10 each	6,654.31	6,654.31
Preference Shares		
30,000,000 (2009 - 30,000,000) 1% Fully Convertible Cumulative Preference Shares of Rs.100 each	30,000.00	30,000.00
	36,654.31	**36,654.31**
SUBSCRIBED AND FULLY PAID UP		
Equity Shares		
66,406,334 (2009 - 66,406,334) Equity Shares of Rs.10 each	6,640.63	6,640.63
Add : Forfeited Shares	6.54	6.54
	6,647.17	6,647.17
Preference Shares		
30,000,000 (2009 - 30,000,000) 1% Fully Convertible Cumulative Preference Shares of Rs.100 each fully paid-up	30,000.00	30,000.00
	36,647.17	**36,647.17**

Notes:

1. 800,000 Equity Shares were allotted as fully paid up by way of Bonus Shares by Capitalisation of General Reserve in May 1990.
2. The Company allotted on Rights Basis 14,229,929 Equity Shares of Rs.10 each at a premium of Rs.130 per Share aggregating to Rs.19,921.90 lakhs on November 06, 2007. The allottees also received one detachable Warrant for every Equity Share allotted. The aforesaid Warrants were converted into 14,229,929 Equity Shares of Rs.10 each at a premium of Rs.85 per Share aggregating to Rs.13,518.43 lakhs on September 10, 2008.
3. The Company 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 13 March, 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.
4. Refer Note 20 of Schedule 17 for details of outstanding Employee Stock Options as at 31 March, 2010.

	As at 31.03.2009	Additions	Deductions	As at 31.03.2010
SCHEDULE 2 RESERVES AND SURPLUS				
Capital Reserve	0.03	-	-	0.03
Capital Redemption Reserve (Note 1 below)	3,300.00	-	-	3,300.00
Securities Premium	18,893.56	-	-	18,893.56
Statutory Reserve (Note 2 below)	7,589.82	309.00	-	7,898.82
General Reserve	6,115.13	-	-	6,115.13
	35,898.54	309.00	-	36,207.54
Balance in Profit and Loss Account	5,555.40			5,645.84
Total	**41,453.94**			**41,853.38**

Notes:

1. Represents the amount transferred for a sum equal to the nominal value of the Shares redeemed during the prior years.
2. Statutory Reserve represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934.

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

SCHEDULE 3 SECURED LOANS

	As at 31.03.2010	As at 31.03.2009
Redeemable Non-Convertible Debentures (Note 4 (A) of Schedule 17)	48,000.00	178,000.00
(Secured on a pari passu basis by way of specific charge on assets under hypothecation and certain immovable property)		
Working Capital Demand Loans and Cash Credit from Banks	76,549.65	93,758.60
(including Foreign Currency Loans)		
(Secured by hypothecation of relevant fixed assets let on lease and charge on other assets covered by hypothecation together with relevant book debts and charge on certain mutual fund investments (Note 3 to Schedule 6))		
Term Loans from Banks	261,280.70	99,575.00
(including External Commercial Borrowing and Other Foreign Currency Loans)		
(Secured by way of specific charge on assets under hypothecation)		
	385,830.35	**371,333.60**
Note: Amounts Repayable within one year	157,049.65	287,833.60

SCHEDULE 4 UNSECURED LOANS

	As at 31.03.2010	As at 31.03.2009
Medium Term		
Redeemable Non-Convertible Debentures - Subordinated Debt (Note 4 (B) of Schedule 17)	54,150.00	29,150.00
Short Term		
- Commercial Paper (Note 2 below)	96,875.89	133,887.36
[Net of Unamortised Discount of Rs.2,124.11 lakhs (2009 - Rs.3,602.64 lakhs)]		
- Other Loans from Banks (including Foreign Currency Loans)	2,500.00	4,000.00
Fixed Deposits (Notes 3, 4 & 5 below)	84.24	712.12
Interest Accrued and Due on Matured / Unclaimed Fixed Deposits	8.53	17.20
	153,618.66	**167,766.68**
Notes :		
1. Amounts Repayable within one year	99,468.66	138,616.68
2. Maximum amount of Commercial Paper outstanding at any time during the year	149,825.17	243,906.57
3. Fixed Deposits include		
a) Matured / Unclaimed Deposits	84.24	160.95
b) Deposits from Corporate Entities	-	1.56

4. As at 31 March, 2010, there are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) in respect of Fixed Deposits except for Rs.1.86 lakhs (2009 - Rs.1.86 lakhs), the repayment of which to the depositors has been stayed by the Madras High Court. Further, in respect of overdue amounts totaling to Rs.0.11 lakhs (2009 - Rs.0.11 lakhs), payments have not been made as per instructions received from Central Bureau of Investigation and in respect of overdue amounts totaling to NIL (2009 - Rs.0.36 lakhs), payments have not been made for which the Company has filed interpleader suits with the XVI Assistant City Civil Court, Chennai.

5. Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of Rs.134.03 lakhs as at 31 March, 2010 (2009 - Rs.1,451.09 lakhs) in an Escrow Account, as directed by the RBI (Note to Schedule 8).

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

SCHEDULE 5 FIXED ASSETS

Rupees in lakhs

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	31.05	-	31.05	-	-	-	-	-	-	31.05
Buildings (Note 1 below)	1,173.88	-	846.93	326.95	304.08	58.33	172.48	189.93	137.02	869.80
Plant and Machinery	2,736.42	12.33	211.71	2,537.04	1,907.86	529.71	202.71	2,234.86	302.18	828.56
Office Equipment	477.36	15.85	74.24	418.97	223.95	105.88	50.90	278.93	140.04	253.41
Furniture and Fixtures	1,789.87	33.15	389.93	1,433.09	1,044.54	269.53	292.79	1,021.28	411.81	745.33
Vehicles	296.31	71.73	169.10	198.94	103.73	35.98	64.84	74.87	124.07	192.58
Intangible Asset										
- Computer Software	1,170.81	327.43	3.06	1,495.18	707.39	528.98	1.53	1,234.84	260.34	463.42
Total	**7,675.70**	**460.49**	**1,726.02**	**6,410.17**	**4,291.55**	**1,528.41**	**785.25**	**5,034.71**	**1,375.46**	**3,384.15**
Previous Year	7,879.81	1,401.35	1,605.46	7,675.70	3,121.10	1,953.17	782.72	4,291.55	3,384.15	4,758.71

Notes:

1. Cost of Buildings include cost of flats amounting to Rs.220.15 Lakhs (2009 - Rs.365.62 lakhs) which is inclusive of the undivided interest in land.

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010		As at 31.03.2009	
	Nos.	Amount	Nos.	Amount
SCHEDULE 6 INVESTMENTS (At Cost)				
A) CURRENT-NON TRADE-UNQUOTED (Note 3 & 4 below)				
Investment in Mutual Fund Units of Rs.10 each in:				
DBS Chola Liquid Super Inst Plan @	-	-	126,896,544	15,205.90
DBS Chola Freedom Income-STP-Regular-Cum-Original @	-	-	7,358,893	1,000.00
DBS Chola Freedom Income-STP-Inst-Cum-Original @	-	-	89,683,440	12,547.29
L & T Freedom Income-STP-Inst-Cum-Original #	67,444,807	10,001.66	-	-
Baroda Pioneer Treasury Advantage Fund #	24,105,152	2,500.40	-	-
LIC Mutual Fund Savings Plus Fund #	17,081,608	2,500.26	-	-
Total (A)		15,002.32		28,753.19
B) LONG TERM-NON TRADE-QUOTED				
In Government Securities				
Government of India Stock :				
7.55% - 2010 (Face Value Rs.500 lakhs) @		-		568.70
7.40% - 2012 (Face Value Rs.400 lakhs)		460.36		460.36
Total (B)		460.36		1,029.06
C) LONG TERM-SUBSIDIARIES-UNQUOTED				
Equity Shares of Rs.10 each fully paid up in :				
DBS Cholamandalam Asset Management Ltd.				
(Note 3(a) of schedule 17)	-	-	75,000,000	7,760.18
[Acquired 13,000,000 (2009 - 40,000,000) Shares during the year @ Rs.10 each ; Sold 88,000,000 (2009- NIL) Shares during the year]				
Cholamandalam Factoring Limited	362,779	95.36	-	-
[Acquired 362,779 (2009 - NIL) Shares during the year]				
DBS Cholamandalam Securities Ltd.	20,500,014	2,050.00	20,500,014	2,050.00
DBS Cholamandalam Distribution Ltd.	42,400,000	4,240.00	32,400,000	3,240.00
[Acquired 10,000,000 Shares during the year (2009 - 20,000,000 Shares) @ Rs.10 each]				
DBS Cholamandalam Trustees Ltd. (Note 3(a) of Schedule 17)	-	-	50,000	5.00
[Sold 50,000 (2009 - NIL) Shares during the year]				
Total (C)		6,385.36		13,055.18

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010		As at 31.03.2009	
	Nos.	Amount	Nos.	Amount
SCHEDULE 6 INVESTMENTS (At Cost) (Contd.)				
D) LONG TERM-NON-TRADE-UNQUOTED				
Equity Shares of Rs.10 each fully paid up in :				
Amaravathi Sri Venkatesa Paper Mills Ltd.	293,272	129.04	293,272	129.04
Saraswat Co-operative Bank Ltd.	1,000	0.10	1,000	0.10
Equity Shares of Rs.25 each fully paid up in :				
The Shamrao Vithal Co-operative Bank Ltd.	1,000	0.25	1,000	0.25
Others				
Abhishek Co-operative Housing Society	5	-	5	-
Shares of Rs.50 each (Cost Rs.250 only)				
Chennai Willingdon Corporate Foundation	5	-	5	-
Shares of Rs.10 each (Cost Rs.50 only)				
Total (D)		**129.39**		**129.39**
Total (A+B+C+D)		**21,977.43**		**42,966.82**
Less :				
Amortisation of Premium on Acquisition of Government Securities		44.79		93.51
Provision for Diminution in Value of Investments (Note 3(b) of Schedule 17)		-		2,353.00
		21,932.64		**40,520.31**
@ Investments Sold / Redeemed during the year				
# Investments Acquired during the year				
Notes:				
1) Aggregate Value of Quoted Investments - At Cost		460.36		1,029.06
- At Market Value		409.63		927.42
2) Aggregate Value of Unquoted Investments - At Cost		21,517.07		41,937.76
3) Investments in Mutual Fund Units includes Lien Marked Investments towards Secured Loans obtained by the Company from Banks		-		15,000.00

4) During the year, the Company deployed and redeemed temporary treasury surpluses in units of various schemes of mutual funds of purchase value Rs.905,265 lakhs (2009 - Rs.421,736 lakhs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 7 RECEIVABLES UNDER FINANCING ACTIVITY		
(A) Secured (Notes 1 & 2 Below)		
Automobile Financing	307,615.57	195,610.44
Loans against Securities	40,888.00	21,114.36
Loans against Immovable Property	135,295.13	62,972.32
Other Loans	450.00	8,884.38
Instalments and Other Dues from Borrowers (Notes 3 & 4 below)	11,347.31	11,640.08
Total (A)	**495,596.01**	**300,221.58**

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 7 RECEIVABLES UNDER FINANCING ACTIVITY (Contd.)		
(B) UNSECURED (Note 2 below)		
Consumer Loans	26,794.33	143,313.76
Other Loans	1,591.53	833.51
Instalments and Other Dues from Borrowers (Notes 3 & 5 below)	24,975.97	11,106.21
Total (B)	**53,361.83**	**155,253.48**
Total (A+B) (Note 6 below)	**548,957.84**	**455,475.06**
Notes:		
1) Secured means exposures secured wholly or partly by hypothecation of automobile assets and/ or, pledge of securities and / or, equitable mortgage of property and/ or, company guarantees or personal guarantees and/ or, undertaking to create a security.		
2) Refer Schedule 12 for Provision for Non Performing Assets. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.		
3) Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment of Receivables.	11,826.06	7,595.14
4) Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months	3,319.78	2,818.42
5) Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months	19,088.10	7,383.86
6) Of the above:		
Considered Good	503,967.06	429,710.39
Others - Non Performing Assets	44,990.78	25,764.67

SCHEDULE 8 CASH AND BANK BALANCES		
Cash and Cheques on Hand	2,027.34	1,981.13
Balances with Scheduled Banks		
- On Current Accounts	13,681.80	11,472.04
- On Unpaid Dividend Accounts	38.10	50.14
- On Deposit Accounts:		
- Free of Lien	43.19	77,637.29
- Under Lien (Note below)	58,722.74	64,641.16
	74,513.17	**155,781.76**

Note:

Deposit Accounts Under Lien includes:

- A total amount of Rs.134.03 lakhs (2009 - Rs.1,451.09 lakhs) kept in an Escrow Account with respect to public deposits (Note 5 of Schedule 4)
- A total amount of Rs.58,588.71 lakhs (2009 - Rs.63,190.07 lakhs) as collateral towards assets de-recognised (Note 6 of Schedule 17).

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 9 OTHER CURRENT ASSETS		
Repossessed Automobile Assets (at lower of cost and estimated net realisable value)	764.42	2,659.92
Interest and Other Income Accrued but Not Due		
- on Loans to Borrowers	5,600.16	6,166.13
- on Deposits and Investments	6,258.06	5,621.73
Other Accruals and Receivables	486.71	31.00
	13,109.35	**14,478.78**

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 10 OTHER LOANS AND ADVANCES		
Unsecured - Considered Good		
Inter Corporate Deposits (Note below)	377.00	-
Advances Recoverable in Cash or in Kind or for Value to be Received (Note below)	14,389.83	8,994.10
Advance Payment of Tax and Tax Deducted at Source [Net of Provision for Taxation - Rs.23,381.62 lakhs (2009 - Rs.21,311.71 lakhs)]	926.75	35.90
	15,693.58	**9,030.00**
Note :		
Inter Corporate Deposit placed with Subsidiary- Cholamandalam Factoring Limited	377.00	-
Advances Recoverable in Cash or in Kind or for Value to be Received includes:		
- Dues from Subsidiary Companies		
- DBS Cholamandalam Asset Management Limited	-	33.36
- DBS Cholamandalam Distribution Limited	-	16.83
- Cholamandalam Factoring Limited	22.08	-
- Excess Interest Spread Receivable with respect to Assets De-recognised on account of Bilateral Assignment of Receivables	3,107.84	2,461.66
- Deposit placed with Assignee towards Cash Collateral for Assignment of Receivables (Note 6 of Schedule 17)	6,893.60	-
- Prepaid Finance Charges	3,035.89	1,451.19

Schedules Forming Part of the Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 11 CURRENT LIABILITIES		
Sundry Creditors		
- Outstanding Dues to Micro Enterprises & Small Enterprises (Note 10 of Schedule 17)	7.73	0.78
- Outstanding Dues to Creditors other than Micro Enterprises & Small Enterprises (Note 1 below)	5,200.89	2,737.30
Advances from Customers / Others (Note 2 below)	5,631.44	3,680.14
Unpaid Dividend (Note 3 below)	38.10	50.14
Interest Accrued but Not Due on Loans / Other Deposits	8,455.93	13,057.62
Other Liabilities (Note 5 below)	11,433.44	13,335.00
	30,767.53	**32,860.98**
Notes :		
1. Sundry Creditors include security deposits from channel partners and dealers	52.90	60.40
2. Advances from Customers / Others include adjustable security deposits	590.38	356.72
3. There are no amounts of Unclaimed Dividend due and outstanding to be credited to Investor Education and Protection Fund (IEPF)		
4. With respect to Unpaid Matured Deposits due and outstanding to be credited to the IEPF, refer Note 4 of Schedule 4		
5. Other Liabilities include amounts collected in respect of assets de-recognised on account of Assignment of Receivables pending remittance to the assignees.	11,198.95	13,106.66

SCHEDULE 12 PROVISIONS (Note 19 of Schedule 17)	As at 31.03.2010	As at 31.03.2009
Provision for Standard Assets	3,000.00	20,000.00
Provision for Non Performing Assets	32,983.54	19,791.76
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	4,709.89	3,379.58
Provision for Compensated Absences	455.17	381.28
Provision for Contested Service Tax	69.33	69.33
Proposed Dividend - Preference	315.62	-
Proposed Dividend - Equity	664.06	-
Distribution Tax on Proposed Dividend	162.72	-
	42,360.33	**43,621.95**

Schedules Forming Part of the Profit and Loss Account for the year ended 31 March, 2010

Rupees in lakhs

SCHEDULE 13 INCOME

	Year ended 31.03.2010	Year ended 31.03.2009
(A) INCOME FROM OPERATIONS		
Income from Financing Activity (Refer Note Below)		
- Automobile Financing (Note 7(d) of Schedule 17)	51,819.79	37,998.18
- Consumer Loans (Note 7(e) of Schedule 17)	13,568.09	40,916.97
- Loans against Securities	3,699.31	7,077.17
- Loans against Immovable Property (Note 7(f) of Schedule 17)	15,868.59	12,927.14
- Other Loans	916.85	4,917.83
Interest on		
- Bank and Other Deposits (TDS - Rs.10.38 lakhs; 2009- Rs.1,175.84 lakhs)	5,015.11	5,937.54
- Investments (Note 7(g) of Schedule 17)	29.60	75.79
Dividend - Long Term - Non Trade	4.73	2.64
Profit on Sale of Investments - Current	1,741.51	1,657.79
- Long Term	4.96	9.29
Total (A)	**92,668.54**	**111,520.34**
(B) OTHER INCOME		
Miscellaneous Income	281.04	542.78
Total (B)	**281.04**	**542.78**
Total (A+B)	**92,949.58**	**112,063.12**
Note:		
Tax Deducted at Source	88.81	2,343.89
Gain on Premature Redemption of Debentures and Commercial Paper included in Miscellaneous Income (Note 5 of Schedule 17)	-	542.76

SCHEDULE 14 FINANCING CHARGES

	Year ended 31.03.2010	Year ended 31.03.2009
Interest on Debentures	15,186.23	28,558.17
Interest on Fixed Loans		
- Fixed Deposits	11.68	109.10
- Others	-	891.60
Interest on Other Loans	19,314.67	14,197.17
Discount on Debentures and Commercial Papers	10,150.00	13,517.75
Debenture Issue Expenses	506.30	448.21
Other Financing Expenses (Notes 7(h),7(i) and 7(j) of Schedule 17)	5,189.88	1,687.85
	50,358.76	**59,409.85**
Note		
Loss on Premature Redemption of Commercial Paper included in Other Financing Expenses (Note 5 of Schedule 17)	22.73	-

Schedules Forming Part of the Profit and Loss Account for the Year Ended 31 March, 2010

Rupees in lakhs

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 15 OPERATING AND OTHER EXPENSES		
Salaries, Bonus and Commission (Note 8 of Schedule 17)	7,070.89	7,568.35
Contribution to Provident and Other Funds	274.21	375.28
Staff Welfare Expenses	308.08	439.41
Rent and Electricity Charges (Note 7(k) of Schedule 17)	1,727.15	2,793.10
Rates and Taxes	45.85	184.86
Communication Cost	599.05	886.59
Traveling and Conveyance	751.37	1,041.60
Advertisement Expenses	22.81	142.99
Insurance	177.57	183.07
Repairs and Maintenance		
- Buildings	0.59	6.45
- Others	13.24	38.01
Printing and Stationery	295.87	370.75
Information Technology Expenses (Note 7(k) of Schedule 17)	564.29	492.23
Auditors' Remuneration (Note 9 of Schedule 17)	32.03	26.62
Professional Charges	910.67	1,314.70
Loss on Sale of Fixed Assets (Net)	24.44	772.91
Miscellaneous Expenses (Note 7(l) of Schedule 17)	128.38	313.16
	12,946.49	**16,950.08**
Less : Expenses Recovered	188.07	92.59
	12,758.42	**16,857.49**

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 16 PROVISIONS, LOAN LOSSES AND OTHER CHARGES		
(Provision Released) / Provision for Standard Assets	(17,000.00)	20,000.00
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	20,000.00
	(17,000.00)	-
Loss Assets Written Off	3,895.41	10,371.42
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	10,000.00
	3,895.41	371.42
Provision for Non Performing Assets (Note 19 of Schedule 17)	22,660.19	18,100.08
Less : Provision Released	-	2,529.73
	22,660.19	15,570.35
Loss on Assignment of Receivables	9,473.15	-
Less : Provision Released	9,468.41	-
	4.74	-
Loss on Repossessed Assets (Net)	3,120.24	4,339.62
Recovery Charges	6,448.63	3,507.47
Amortisation of Premium on Acquisition of Government Securities	7.44	18.84
Provision for Diminution in the Value of Investments	-	2,353.00
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	2,353.00
	-	-
	19,136.65	**23,807.70**

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS

1. **Significant Accounting Policies:**

1.1 **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).

1.2 **Use of Estimates**

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provisioning for receivables, provision for credit enhancement for assets de-recognised, net realizable value of repossessed assets, useful lives of fixed assets, provision for diminution in value of investments, provisioning for taxation etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.3 **Revenue Recognition**

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

In respect of bilateral assignment of receivables, 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.

Service Charge is 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 (AFC) is recognized on accrual basis as per contractual terms and when there is no uncertainty in receiving the same.

1.4 **Fixed Assets and Depreciation**

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

Depreciation on 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	
- Computer Equipment	3 years
- Others	5 years
Office Equipment	5 years
Furniture and Fixtures	
- Improvement to Leasehold Premises	Lease Period or 5 years, whichever is lower
- Others	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 Rs.5,000 are fully depreciated in the year of acquisition.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

1.5 Investments

Investments which are long term in nature, are stated at cost. Provision is made for diminution, other than temporary, in the value of investments, where necessary. Premium on acquisition of Government securities is amortised over the balance tenure. Current investments are valued at lower of cost and fair value.

1.6 Receivables under Financing Activity

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

a) unearned income

b) instalments appropriated up to the year-end.

1.7 Retirement and Other Benefits

a) **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 annual contribution and recognizes such contributions as an expense in the year incurred.

b) **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 profit and loss account in the year in which they occur.

c) **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.

1.8 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.

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 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.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

1.9 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 profit and loss account.

1.10 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.

1.11 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 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.

1.12 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.

1.13 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 since this may result in the recognition of income that may never be realised.

1.14 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.

2. Termination of Shareholders Agreement

The Shareholders' agreement dated 16 June, 2005 entered into between the Company, Tube Investments of India Limited (TII) and DBS Bank Limited, Singapore (DBS) was terminated on 8 April, 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 8 April, 2010.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

3. Exceptional Items

Rupees in lakhs

Particulars	2009-10 Gain/ (Loss)
Loss on Sale of Investment in Subsidiary companies [Note (a)]	(4,721.63)
Provision made for diminution in value of investment in Subsidiary Company no longer required written back [Note (b)]	2,353.00
Profit on sale of land and building	2,079.22
Exceptional Items (Net)	(289.41)

Note (a)

During the year, 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 Rs.4,482 lakhs and incurred a loss of Rs.4,721.63 lakhs (including expenses of Rs.138.45 lakhs).

Note (b)

During the previous year, the Company had created a provision of Rs.2,353 lakhs 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 31 March, 2010, DCDL has made a profit of Rs.688.53 lakhs as against a loss of Rs.1,837.01 lakhs 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 Rs.2,353 lakhs is not considered necessary and accordingly has been written back to the profit and loss account.

4. Loans - Particulars of Privately Placed Redeemable Non-Convertible Debentures

(A) Secured Redeemable Non-Convertible Debentures

Number of Debentures	Face Value (Rs.)	Balance as at		Terms of Redemption (Redeemable at par in)	
		31-03-2010	31-03-2009		
		(Rupees in lakhs)			
500	1,000,000	-	5,000.00	Apr 2009	Redeemed
1,650	1,000,000	-	16,500.00	Apr 2009	Redeemed
500	1,000,000	-	5,000.00	May 2009	Redeemed
1,800	1,000,000	-	18,000.00	Jun 2009	Redeemed
700	1,000,000	-	7,000.00	Jul 2009	Redeemed
400	1,000,000	-	4,000.00	Jul 2009	Redeemed
750	1,000,000	-	7,500.00	Jul 2009	Redeemed
1,150	1,000,000	-	11,500.00	Aug 2009	Redeemed
2,000	1,000,000	-	20,000.00	Aug 2009	Redeemed
750	1,000,000	-	7,500.00	Sep 2009	Redeemed
200	1,000,000	-	2,000.00	Oct 2009	Redeemed
1,000	1,000,000	-	10,000.00	Oct 2009	Redeemed
1,900	1,000,000	-	19,000.00	Nov 2009	Redeemed
100	1,000,000	-	1,000.00	Nov 2009	Redeemed
600	1,000,000	-	6,000.00	Nov 2009	Redeemed
1,550	1,000,000	-	15,500.00	Dec 2009	Redeemed
250	1,000,000	-	2,500.00	Feb 2010	Redeemed
1,250	1,000,000	12,500.00	12,500.00	Apr 2010	
500	1,000,000	5,000.00	5,000.00	Sep 2010	
250	1,000,000	2,500.00	2,500.00	Dec 2010	
1100	1,000,000	11,000.00	-	Sep 2012	
1350	1,000,000	13,500.00	-	Sep 2014	
350	1,000,000	3,500.00	-	Nov 2014	
		48,000.00	**178,000.00**		

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

(B) **Unsecured – Redeemable Non-Convertible Debentures - Subordinated Debt**

Number of Debentures	Face Value (Rs.)	Balance as at 31-03-2010	Balance as at 31-03-2009	Terms of Redemption (Redeemable at par in) (No put call option)
		(Rupees in lakhs)		
400	1,000,000	4,000.00	4,000.00	May 2012
450	1,000,000	4,500.00	4,500.00	Jun 2012
100	1,000,000	1,000.00	1,000.00	Jul 2012
550	1,000,000	5,500.00	5,500.00	Aug 2012
300	1,000,000	3,000.00	3,000.00	Apr 2013
1,000	1,000,000	10,000.00	10,000.00	Jun 2013
15	1,000,000	150.00	150.00	Jun 2018
100	1,000,000	1,000.00	1,000.00	Nov 2018
1,000	1,000,000	10,000.00	-	Dec 2014
1,000	1,000,000	10,000.00	-	Feb 2015
250	1,000,000	2,500.00	-	Jan 2017
100	1,000,000	1,000.00	-	Feb 2017
150	1,000,000	1,500.00	-	Mar 2017
		54,150.00	**29,150.00**	

5. **Premature Redemption of Debentures and Commercial Paper**

(Loss) / Gain on premature redemption of commercial papers and debentures is recognised in the Profit and Loss Account and included under Other Financing Expenses (2009-10) (Schedule 14) and Miscellaneous Income (2008-09) (Schedule 13 (B))

Rupees in lakhs

	2009 -10	2008 - 09
Book Value (including interest accrued) on the date of redemption of commercial papers and debentures	87,105.34	27,023.78
Consideration paid for premature redemption of Commercial papers and debentures	87,128.07	26,481.02
(Loss) / Gain	**(22.73)**	**542.76**

6. **Assets De-recognised**

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
Assets De-recognised –		
On Bilateral Assignment of Receivables	169,083.06	167,600.08
Deposits provided as Collateral (Note 2 of Schedule 8 and Note in Schedule 8)		
For Credit Enhancements	58,189.44	26,093.98
For Liquidity Support	5,897.95	35,409.26
For Interest Rate Changes from Specified Rate	1,394.92	1,686.83

Note:

In 2008-09, the Gujarat High Court, in the case of Kotak Mahindra Bank vs O.L of M/s. APS Star India Limited, held that Banks are prohibited from transferring or purchasing debts. Consequent to the above, the petitioners have filed a Special Leave Petition (SLP) with the Supreme Court. In its interim order, the Supreme Court has held that in the event of dismissal of the SLP, the assignment deals entered into by Banks would be deemed not to have materialized.

However, the Company is hopeful of a favourable outcome to the aforesaid Special Leave Petition (SLP) filed in the Supreme Court given that such deals are widely prevalent in the banking and financial services industry and the Reserve Bank of India has itself issued specific guidelines in respect of Securitization transactions and hence, no adjustments to the financial statements have been considered necessary at this stage by the Management in this regard.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

7. **Other Financial Information**

Rupees in lakhs

	Particulars	As at 31.03.2010	As at 31.03.2009
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)	1.46	-
b)	Outstanding Derivatives:		
	(i) Contracted Value		
	- Interest rate derivatives	-	22,000.00
	- Currency derivatives	33,660.30	6,453.00
	(ii) Mark to Market Provision (included in Sundry Creditors – Schedule 11)	898.70	956.73
c)	Foreign currency exposure not hedged by a derivative instrument or otherwise	-	-
d)	Income from Automobile Financing (Schedule 13) comprises:		
	- Interest on Loans	39,850.51	30,704.77
	- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	3,992.57	1,635.94
	- Other Operating Income	7,976.71	5,657.47
		51,819.79	**37,998.18**
e)	Income from Consumer Loans (Schedule 13) comprises:		
	- Interest on Loans	11,327.62	36,144.06
	- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	1,368.23	1,970.55
	- Other Operating Income	872.24	2,802.36
		13,568.09	**40,916.97**
f)	Income from Loans against Immovable Property (Schedule 13) comprises:		
	- Interest on Loans	12,532.67	9,619.63
	- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	1,265.37	2,118.08
	- Other Operating Income	2,070.55	1,189.43
		15,868.59	**12,927.14**
g)	Interest on Investments (Schedule 13) comprises:		
	- Long Term – Non Trade – Quoted (Government of India Stock)	29.60	75.79
h)	Financing Charges (Schedule 14) includes amortization of prepaid finance charges	2,698.80	915.89
i)	Net exchange difference [(loss) / gain] on foreign currency monetary items dealt with in the Profit and Loss Account (included in Other Financing Expenses - Schedule 14)	(691.91)	(9.26)
j)	Charge to the Profit and Loss Account in respect of premium on forward exchange contracts and other instruments that are in substance a forward exchange contract (included in Other Financing Expenses – Schedule 14)	-	8.45
k)	Lease Rental Equalisation charge included in Operating Expenses (Schedule 15):		
	- Rent and Electricity Charges	40.73	(5.62)
	- Information Technology Expenses	(17.91)	53.43
l)	Miscellaneous Expenses (Schedule 15) comprises:		
	- Donations	5.00	-
	- Other Expenses	123.39	313.16
		128.39	**313.16**

Notes:

1. Refer Note 6 above.
2. In recognising the Upfront Income on Bilateral Assignment of Receivables, 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.
3. Upfront income on Bilateral Assignment of Receivables is net of Provision for Credit Enhancements and Servicing Cost on assets derecognized – Rs.2,411.46 lakhs (2009- Rs.2,519.57 lakhs)
4. During the year, the company assigned Consumer Loan Receivables aggregating to Rs.23,419.67 lakhs having a net book value of Rs.8,573.95 lakhs to Cholamandalam Factoring Limited (subsidiary) on non recourse basis for Rs.8,569.22 lakhs, as determined by an independent agency.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

8. Managerial Remuneration

Rupees in lakhs

	2009-10 (Manager)	2008-09 @ (Managing Director)
(a) Manager / Managing Director		
Salaries and Allowances	29.38	68.96
Contribution to Provident and Other Funds	1.90	4.46
Other Benefits	1.03	2.32
	32.31	**75.74**
(b) Non-Wholetime Directors		
Sitting Fees	12.65	13.70
	12.65	**13.70**

(@) Represents the amount of Remuneration paid to the Managing Director upto October 30, 2008. Also refer Note 15 below.

Notes:

a) In computing the Managing Director's Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits except that in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been considered.

b) Actuarial valuation based contribution/ provision with respect to gratuity and provision for compensated absences have not been included as these are for the Company as a whole.

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

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Statutory Audit	15.00	15.00
Tax Audit	1.50	1.50
Other Services	14.85	9.15
Reimbursement of Expenses	0.68	0.97
Total	**32.03**	**26.62**

10. 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), the relevant particulars as at the year end are furnished below:

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Principal amount due to suppliers under MSMED Act, as at the year end	7.73	0.78
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	-	-

11. Expenditure in Foreign Currency

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Travel	4.82	11.54
Secondment Charges	-	39.70
Consulting and Other Related Charges	-	28.95
Interest on External Commercial Borrowing (including amount accrued and not due)	725.58	-
Others	0.26	0.61

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

12. Long Term Compensated Absences

The Company provides for Long Term Compensated Absences on actuarial basis and the details of the Key Actuarial Assumptions used are as under:

Particulars	2009 -10	2008 - 09
Discount Rate	8% p.a.	8% p.a.
Future Salary Increase	5% p.a.	5% p.a.
Attrition Rate -		
Senior Management	1% p.a.	1% p.a.
Middle Management	10% p.a.	10% p.a.
Others	20% p.a.	20% p.a.

13. Gratuity

Details of Actuarial Valuation:

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Projected Benefit Obligation at the Beginning of the Year	120.04	94.93
Cost relating to Prior Years reversed in the Current Year	-	(0.95)
Service Cost	41.28	31.16
Interest Cost	9.60	6.21
Actuarial Losses / (Gains)	(17.72)	21.30
Benefits Paid	(7.32)	(32.61)
Projected Benefit Obligation at the End of the Year	**145.88**	**120.04**
Change in Plan Assets		
Fair Value of Plan Assets at the Beginning of the Year	76.81	53.25
Increase in Fair Value relating to the Prior Years accounted in the Current Year	-	27.89
Expected Returns on Plan Assets	11.49	6.02
Employer's Contribution	76.40	20.89
Benefits Paid	(7.33)	(32.61)
Actuarial Gains / (Losses)	-	1.37
Fair Value of Plan Assets at the End of the Year	**157.37**	**76.81**
Amount Recognised in the Balance Sheet		
Liability at the End of the Year	145.88	120.04
Fair Value of Plan Assets as at the End of the Year	157.37	76.81
Amount Recognised in the Balance Sheet under Schedule 8 (Advances recoverable in cash or in kind)/ [2008-09 - under Schedule 11 -Sundry Creditors]	**(11.49)**	**43.23**
Cost of the Defined Benefit Plan for the Year		
Cost relating to Prior Years reversed in the Current Year	-	(28.84)
Current Service Cost	41.28	31.16
Interest on Obligation	9.60	6.21
Expected Return on Plan Assets	(11.49)	(6.02)
Net Actuarial Losses Recognised in the Year	(17.72)	19.93
Net Cost Recognised in the Profit and Loss Account	**21.67**	**22.44**
Assumptions		
Discount Rate	8.00% p.a.	8.00% p.a.
Future Salary Increase	5.00% p.a.	5.00% p.a.
Attrition Rate	1 – 3% p.a.	1 – 3% p.a.
Expected Rate of Return on Plan Assets	9.50% p.a.	8.00% p.a.

Notes:

1. The expected return on plan assets is as furnished by LIC.
2. The entire plan assets are managed by LIC. The data on plan assets has not been furnished by LIC.
3. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
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.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

14. **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".

15. **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 and DBS Bank Limited, Singapore
- **Subsidiaries:** DBS Cholamandalam Securities Limited, DBS Cholamandalam Distribution Limited, Cholamandalam Factoring Limited (from Jan 30, 2010), DBS Cholamandalam Asset Management Limited (upto Jan 19, 2010), and DBS Cholamandalam Trustees Limited (upto Jan 19, 2010).
- **Key Management Person:** Mr. Atul Pande, Managing Director (Upto October 30, 2008)
  Mr. N. Srinivasan, Director (From November 1, 2008)

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

Details of Related Party Transactions for the Year:

Rupees in lakhs

Transaction	Related Party	2009-10	2008-09
Dividend Payments – Equity Shares	Tube Investments of India Limited	-	645.62
	DBS Bank Limited	-	782.21
	Key Management Person (Mr. Atul Pande)	-	1.38
Interest Receipts	DBS Cholamandalam Securities Limited	-	69.63
	DBS Cholamandalam Distribution Limited	1.72	86.99
Interest Payments	Tube Investments of India Limited	-	230.14
	DBS Bank Limited	324.00	324.00
Rent (including hiring) Receipts	Tube Investments of India Limited	72.39	15.09
	DBS Cholamandalam Asset Management Limited	46.21	59.91
	DBS Cholamandalam Securities Limited	44.80	10.95
	DBS Cholamandalam Distribution Limited	13.15	41.83
Rent Payments	Tube Investments of India Limited	-	0.80
	DBS Cholamandalam Securities Limited	0.47	-
	DBS Cholamandalam Distribution Limited	88.36	1.57
Payments for Services Rendered	DBS Cholamandalam Securities Limited	92.96	55.68
Receipts for Services Rendered	DBS Cholamandalam Distribution Limited	-	225.00
Purchase of Fixed Assets	DBS Cholamandalam Securities Limited	-	4.28
	DBS Cholamandalam Distribution Limited	7.51	-
Sale of Fixed Assets	DBS Cholamandalam Asset Management Limited	0.41	1.33
	DBS Cholamandalam Securities Limited	1.35	-
	Tube Investments of India Limited	9.31	-
Advances/ Deposits Given	DBS Cholamandalam Securities Limited	800.00	1,100.00
	DBS Cholamandalam Distribution Limited	55.40	960.00
	Tube Investments of India Limited	1.76	-
	Cholamandalam Factoring Limited	9,170.00	-
Advances/Deposits Recovered	DBS Cholamandalam Securities Limited	800.00	1,400.00
	DBS Cholamandalam Distribution Limited	55.40	1,660.00
	Cholamandalam Factoring Limited	8,793.00	-
Bilateral Assignment of Receivables	Cholamandalam Factoring Limited	8,573.95	-
Remittance of amounts collected in respect of assets derecognized on account of Assignment of Receivables	Cholamandalam Factoring Limited	687.83	-
Subscription Received towards Equity Share Capital (Including Premium)	Tube Investments of India Limited	-	4,181.88
	DBS Bank Limited	-	5,066.58

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

Details of Related Party Transactions for the Year: (Contd.)

Rupees in lakhs

Transaction	Related Party	2009-10	2008-09
Subscription Received towards Fully Convertible Cumulative Preference Share Capital	Tube Investments of India Limited	-	15,000.00
	DBS Bank Limited	-	15,000.00
Subscription of Equity Shares (Investment)	DBS Cholamandalam Asset Management Limited	1,300.00	4,000.00
	DBS Cholamandalam Securities Limited	-	800.00
	DBS Cholamandalam Distribution Limited	1,000.00	2,000.00
Remuneration	Key Management Person - Mr. Atul Pande	-	75.74
Secondment Charges	DBS Bank Limited	-	39.70
Expenses – Reimbursed	Tube Investments of India Limited	0.46	9.34
	DBS Bank Limited	4.82	3.49
	DBS Cholamandalam Asset Management Limited	1.17	2.23
	DBS Cholamandalam Securities Limited	5.22	9.74
	DBS Cholamandalam Distribution Limited	15.33	51.85
Amounts Received towards Reimbursements of Expenses	Tube Investments of India Limited	4.78	3.88
	DBS Cholamandalam Asset Management Limited	16.76	13.31
	DBS Cholamandalam Securities Limited	14.62	43.64
	DBS Cholamandalam Distribution Limited	11.14	33.82
	Cholamandalam Factoring Limited	0.01	-
Unsecured Loans Taken	Tube Investments of India Limited	-	5,000.00
Unsecured Loans Repaid	Tube Investments of India Limited	-	5,000.00
Directors Sitting Fees and Commission	DBS Bank Limited	2.10	1.75
	Key Management Person (Mr. N. Srinivasan)	1.80	1.65
Net Amounts Receivable/ (Due) as at Year end	Tube Investments of India Limited	27.03	18.97
	DBS Bank Limited	(2,730.18)	(2,730.18)
	DBS Cholamandalam Asset Management Limited	-	33.36
	DBS Cholamandalam Distribution Limited	-	16.83
	Cholamandalam Factoring Limited	399.08	-

Note:

The Company has provided shortfall undertaking to the lender of Cholamandalam Factoring Limited (Subsidiary) in respect of term loan (Rs.7,500 lakhs) availed by it.

16. **Earnings Per Share**

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Profit After Tax	**1,541.84**	**4,274.90**
Less: Preference Dividend Payable		
(Including Distribution Tax Thereon) (Refer Note 4(c) above)	(349.83)	(18.27)
Profit Attributable to Equity Shareholders	**1,192.01**	**4,256.63**
Weighted Average Number of Equity Shares (Basic)	66,406,334	60,386,809
Earnings per Share - Basic (Rs.)	**1.79**	**7.05**
Weighted Average Number of Equity Shares (Diluted)	66,420,433	62,348,449
Earnings per Share - Diluted (Rs.)	**1.79**	**6.83**
Face Value Per Share (Rs.)	10.00	10.00

Note:

Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share".

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

17. Deferred Tax Asset

The net deferred tax asset of Rs.15,492.59 lakhs as at 31 March, 2010 (Rs.15,014.26 lakhs as at 31 March, 2009) has arisen on account of the following:

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
Deferred Tax Asset		
a) Provision for Standard Assets	996.52	6,798.00
b) Provision for Non-Performing Assets	10,956.31	6,727.22
c) Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	1,564.50	1,148.72
d) Provision for Repossessed Stock	275.85	463.19
e) Income Derecognised on Non-Performing Assets	2,005.31	-
f) Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.	194.80	-
g) Others	507.74	506.40
(A)	**16,501.03**	**15,643.53**
Deferred Tax Liability		
a) Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.	-	136.01
b) Unamortised Prepaid Finance Charges	1,008.44	493.26
c) Others		-
(B)	**1,008.44**	**629.27**
Net Deferred Tax Asset (A) – (B)	**15,492.59**	**15,014.26**
Movement in Net Deferred Tax Asset during the year	**478.33**	**12,876.62**
Less: Amount Transferred to Securities Premium (Refer Note below)	-	6,798.00
Net Movement in Deferred Tax Asset - Charge to P&L A/c	**478.33**	**6,078.62**

Note:

Deferred tax impact arising on Provision for Standard Assets of Rs.20,000 lakhs for the year 2008-09 was adjusted against the Securities Premium Account as the Provision for Standard Assets was adjusted against the Securities Premium Account pursuant to the scheme of Capital Reduction.

18. Contingent Liabilities

(a) Counter Guarantees provided to Banks – Rs.108 Lakhs (2009- Rs.48.36 lakhs) and Shortfall Undertaking provided to the lender of Cholamandalam Factoring Limited (Subsidiary) – Rs.7,500 lakhs (2009- NIL)

(b) Contested Claims Not Provided for:

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
Income Tax and Interest Tax Issues where the Company is in appeal	612.89	485.39
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	39.64	39.64
Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal	450.02	460.09
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	895.36	633.65

Note:

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

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

19. Changes in Provisions

Rupees in lakhs

Particulars	As at 31.03.2009	Additional Provision	Utilisation/ Reversal	As at 31.03.2010
Provision for Standard Assets	20,000.00	-	17,000.00	3,000.00
Provision for Non-Performing Assets	19,791.76	22,660.19	9,468.41	32,983.54
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	3,379.58	2,411.46	1,081.15	4,709.89
Provision for Contested Service Tax	69.33	-	-	69.33

20. Employee Stock Option Plan

The Board at its meeting held on 22 June, 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 30 July, 2007 approved the aforesaid issue of 1,904,162 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation and Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Stock Option Scheme -2007:

Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6
Date of Grant						
Original	30 Jul, 07	24 Oct, 07	25 Jan, 08	25 Apr, 08	30 Jul, 08	24 Oct, 08
Corporate Action Adjustment	25 Jan, 08					
Exercise Price (Rs.)						
Original	193.40	149.90	262.20	191.80	105.00	37.70
Post Corporate Action Adjustment	178.70					
Vesting Commences on	30 Jul, 08	24 Oct, 08	25 Jan, 09	25 Apr, 09	30 Jul, 09	24 Oct, 09
Options Granted						
Original	765,900	70,400	162,800	468,740	10,070	65,600
Post Corporate Action Adjustment	54,433					
Options Forfeited / Lapsed	563,559	70,400	105,640	225,800	291	33,620
Options Outstanding at the end of the year						
Vested	93,710	-	20,800	44,780	1,723	5,740
Yet to Vest	1,63,064	-	36,360	198,160	8,056	26,240

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					
	30 Jul, 07	24 Oct, 07	25 Jan, 08	25 Apr, 08	30 Jul, 08	24 Oct, 08
1. Risk Free Interest Rate	7.10% - 7.56%	7.87% - 7.98%	6.14% - 7.10%	7.79% - 8.00%	9.14% - 9.27%	7.54% - 7.68%
2. Expected Life	3-6 years	3-6 years	3-6 years	2.5-5.5 years	2.5-5.5 years	2.5-5.5 years
3. Expected Volatility	40.64% - 43.16%	41.24% - 43.84%	44.58% - 47.63%	45.78% - 53.39%	46.52% - 53.14%	48.2% - 55.48%
4. Dividend Yield	5.65%	5.65%	5.65%	3.97%	3.97%	3.97%
5. Price of the underlying Share in the Market at the time of the Option Grant (Rs.)	193.40	149.90	262.20	191.80	105.00	37.70
6. Fair Value of the Option (Rs.)	61.42	44.25	78.15	76.74	39.22	14.01

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

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:

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Net Profit attributable to Equity Share Holders (as reported)	1,192.01	4,274.90
Add : Stock based employee compensation expense included in net profit	-	-
Less : Stock based compensation expense/(gain) determined under fair value based method (Proforma)	(31.59)	161.67
Net Profit (Proforma)	1,223.60	4,113.23

Particulars	2009 -10	2008 - 09
Basic Earnings per Share of Rs.10 each (as reported) (Rs.)	1.79	7.05
Basic Earnings per Share of Rs.10 each (pro forma) (Rs.)	1.84	6.78
Diluted Earnings per Share of Rs.10 each (as reported) (Rs.)	1.79	6.83
Diluted Earnings per Share of Rs.10 each (pro forma) (Rs.)	1.84	6.57

21. 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.

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

Rupees in lakhs

Sl. No.	Particulars	Amount Outstanding	Amount Overdue
		As at 31 March, 2010	
	<u>Liabilities:</u>		
(1)	**Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:**		
(a)	Debentures		
	- Secured	52,362.36	-
	- Unsecured	55,491.15	-
	(other than falling within the meaning of public deposits)		
(b)	Deferred Credits	-	-
(c)	Term Loans	2,64,039.51	-
(d)	Inter-Corporate Loans and Borrowings	-	-
(e)	Commercial Paper	96,875.89	-
(f)	Other Loans	79,136.03	-
	(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]		

<u>Notes:</u>

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 (Refer Schedule 4), 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.92.77 lakhs as at 31 March, 2010.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

Rupees in lakhs

Sl. No.	Particulars	Amount Outstanding As at 31 March, 2010
(2)	**Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below]:**	
(a)	Secured	1,78,590.93
(b)	Unsecured	53,942.54
(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	764.42
(b)	Loans other than (a) above	3,22,024.53
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	15,002.32
(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)	415.57
(v)	Others	-
II	**Unquoted:**	
(i)	Shares: (a) Equity (Net of Provision for Diminution in Value of Investment)	6,514.75
	(b) Preference	-
(ii)	Debentures and Bonds	-
(iii)	Units of Mutual Funds	-
(iv)	Government Securities	-
(v)	Others	-

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

Rupees in lakhs

Sl. No.	Category	Amount (Net of Provisioning)		
		As at 31 March, 2010		
		Secured	Unsecured	Total
(5)	**Borrower Group-wise Classification of Assets Financed as in (2) and (3) above**			
1.	Related Parties *			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same Group	-	-	-
	(c) Other Related Parties	-	-	-
2.	Other than Related Parties	4,97,016.87	25,322.01	5,22,388.88
	Total	**4,97,016.87**	**25,322.01**	**5,22,388.88**

	Category	MV/Break up Value or Fair Value or NAV	Book Value (Net of Provisioning)
(6)	**Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted):**		
1.	Related Parties *		
(a)	Subsidiaries	3,085.35	6,385.36
(b)	Companies in the Same Group	-	-
(c)	Other Related Parties	-	-
2.	Other than Related Parties	15,541.34	15,547.28
	Total	**18,626.69**	**21,932.64**

		Amount Outstanding
		As at 31 March, 2010
(7)	**Other Information**	
(i)	Gross Non-Performing Assets	
	a) With Related Parties *	-
	b) With Others	44,991
(ii)	Net Non-Performing Assets	-
	a) With Related Parties *	-
	b) With Others	12,007
(iii)	Assets Acquired in Satisfaction of Debt	
a)	With Related Parties *	-
b)	With Others	-

* Related Parties are as identified in Note 15 above.

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

23. A. Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK) - 2008 dated August 1, 2008:

i. Capital Adequacy Ratio

Rupees in lakhs

Particulars	As at 31.03.2010
Tier I Capital	58,898
Tier II Capital	32,449
Total Capital	91,347
Total Risk Weighted Assets	**617,291**
Capital Ratios	
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	9.54%
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	5.26%
Total (%)	**14.80%**

ii. Exposure to Real Estate Sector, both Direct and Indirect

Category	As at 31.03.2010
(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 Rs.15 lakhs	11,107.86
- individual housing loans more than Rs.15 lakhs	97,685.76
(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	26,501.51
- 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 31 March, 2010

(Rs. in crores)

	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	557.63	115.00	200.00	195.42	327.45	1,757.80	250.00	0.00	3,403.30
Market Borrowings	175.81	-	467.93	324.41	201.54	260.00	500.00	61.50	1,991.19
Assets									
Advances (Net of Provision for Non Performing Assets)	618.02	94.90	94.81	346.31	935.32	1,789.97	548.68	731.73	5,159.74
Investment (Net of Provision for Diminution in Value of Investments)	150.02	-	-	-	-	4.16	-	65.15	219.33

Schedules forming part of the Accounts for the Year Ended 31 March, 2010

SCHEDULE 17 NOTES ON ACCOUNTS (Contd.)

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 during the year:

a. Number of accounts sold	27,872
b. Aggregate outstanding	Rs.234.20 crores
C. Aggregate Sale Consideration received	Rs.85.69 crores

24. Disclosure pursuant to Clauses 32 of the Listing Agreement

Rupees in lakhs

Sl. No.	Loans and Advances in the nature of Loans	Amount Outstanding As at 31.03.2010	Maximum Amount Outstanding during the year
(A)	To Subsidiaries		
	- DBS Cholamandalam Securities Limited	-	800.00
	- DBS Cholamandalam Distribution Limited	-	50.00
	- Cholamandalam Factoring Limited	399.08	9,000.00
(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)	377.00	9,000.00
	(iv) Interest below the rate as specified in section 372 A of the Companies Act	-	-

Note:

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

25. Appointment of Manager

The shareholders of the company approved the appointment of Ms. P. Sujatha as the Manager of the Company under Section 269 of the Companies Act, 1956 on July 28, 2009.

26. Previous Year Figures

Previous year's figures have been regrouped /rearranged, where necessary to conform to current year's presentation.

Signatures to Schedules 1 to 17

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Balance Sheet Abstract and Company's Business Profile

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

I. Registration Details

Registration No.	7576	State Code :	18
Balance Sheet Date	31 (Date) 03 (Months) 10 (Year)		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	69107742	**Total Assets**	69107742
Sources of Funds			
Paid-up Capital	3664717	Reserves & Surplus	4185338
Secured Loans	38583035	Unsecured Loans	15361866
Application of Funds			
Net Fixed Assets	137825	Investments	2193264
Deferred Tax Asset (net)	1549259	Net Current Assets	57914608
		Misc. Expenditure	NIL

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	9294958	Total Expenditure	8981616
Profit/Loss before Tax (+ / −)	+ 313342	Profit/Loss after Tax (+ / −)	+ 154184
Earning per Share (Rs.)	1.79	Dividend Rate %	10

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

Item Code no. (ITC code)	NA	**Product Description**	Financial Services

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Consolidated Financial section

Auditors' Report

To
The Board of Directors of
Cholamandalam DBS Finance Limited

1. We have audited the attached Consolidated Balance Sheet of **CHOLAMANDALAM DBS FINANCE LIMITED** ("the Company"), and its subsidiaries (the Company, its subsidiaries constitute "the Group") as at 31 March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets of Rs.11,403 Lakhs, as at 31 March, 2010, total revenues of Rs.1,574 Lakhs and net cash outflow amounting to Rs.212.31 Lakhs for the year ended on that date as considered in the Consolidated Financial Statements. 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 except in respect of DBS Cholamandalam Asset Management Company Limited and DBS Cholamandalam Trustees Limited whose financial statements for the period April 1, 2009 to 19 January, 2010 have not been audited and we have relied upon the unaudited financial statements as provided by the management.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the aforesaid subsidiaries and the unaudited financials provided by the management with regard to certain subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2010;

   (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

M. K. Ananthanarayanan
Partner
(Membership No.19521)

April 26, 2010
Chennai

Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	36,647.17	36,647.17
Reserves and Surplus	2	38,612.33	34,698.61
		75,259.50	**71,345.78**
Minority Interest		-	-
Loan Funds			
Secured Loans	3	393,330.35	371,333.60
Unsecured Loans	4	153,618.66	167,766.68
		546,949.01	**539,100.28**
Total		**622,208.51**	**610,446.06**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	8,077.45	10,061.22
Less : Depreciation		6,121.30	5,776.23
Net Block		1,956.15	4,284.99
Capital Work in Progress (including Capital Advances)		2.79	-
		1,958.94	**4,284.99**
Goodwill on Consolidation			
Subsidiaries		**58.93**	**260.18**
Investments	6	**17,410.56**	**32,100.66**
Deferred Tax Asset (Net) (Note 12 of Schedule 19)		**15,795.75**	**15,431.68**
Current Assets, Loans and Advances			
Receivables under Financing Activity	7	556,859.34	455,475.06
Stock in Trade	8	-	-
Sundry Debtors	9	1,082.26	603.20
Cash and Bank Balances	10	75,468.14	156,928.03
Other Current Assets	11	13,162.44	14,499.57
Other Loans and Advances	12	16,285.70	10,427.56
		662,857.88	**637,933.42**
Less: Current Liabilities and Provisions			
Current Liabilities	13	32,598.44	35,808.91
Provisions	14	43,275.11	43,755.96
		75,873.55	79,564.87
Net Current Assets		**586,984.33**	**558,368.55**
Total		**622,208.51**	**610,446.06**
Notes on Consolidated Accounts	19		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Consolidated Profit and Loss Account for the Period Ended 31 March, 2010

Rupees in lakhs

	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME	15	**95,646.05**	**114,554.05**
EXPENDITURE			
Financing Charges	16	50,384.97	59,432.12
Business Origination Outsourcing		5,931.07	8,846.75
Operating and Other Expenses	17	15,093.64	22,695.51
Depreciation and Amortisation	5	1,714.69	2,649.86
Provisions, Loan Losses and Other Charges	18	20,002.35	24,093.13
		93,126.72	**117,717.37**
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS		**2,519.33**	**(3,163.32)**
Profit on disposal of subsidiaries (Net)		3,077.73	-
Other Exceptional Items (Net) (Note 3 (a) of Schedule 19)		1,384.98	(1,611.24)
PROFIT / (LOSS) BEFORE TAXATION		**6,982.04**	**(4,774.56)**
PROFIT / (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION			
(Note 3 (b) of Schedule 19)		5,678.38	(1,017.50)
Provision for Taxation:			
- Current		2,068.94	3,389.06
- Deferred (Note 12 of Schedule 19)		(364.07)	(6,444.82)
- Fringe Benefit Tax		-	143.92
		1,704.87	(2,911.84)
PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION (A)		**3,973.51**	**1,894.34**
PROFIT / (LOSS) FROM DISCONTINUING OPERATIONS BEFORE TAXATION		**1,303.66**	**(3,757.06)**
(Note 3 (b) of Schedule 19)			
Provision for Taxation:			
- Current		0.45	1.33
- Fringe Benefit Tax		-	17.50
		0.45	18.83
PROFIT/(LOSS) FROM DISCONTINUING OPERATIONS AFTER TAXATION (B)		**1,303.21**	**(3,775.89)**
PROFIT / (LOSS) AFTER TAXATION (A + B)		**5,276.72**	**(1,881.55)**
Balance Brought Forward From Previous Year		(3,634.16)	(752.61)
BALANCE AVAILABLE FOR APPROPRIATION		**1,642.56**	**(2,634.16)**
APPROPRIATIONS:			
Dividend			
- Equity (Proposed)		664.06	-
- Preference (Proposed)		315.62	-
- Distribution Tax thereon		162.72	-
		1,142.40	-
Statutory Reserve		309.00	1,000.00
Balance Carried to Balance Sheet		191.16	(3,634.16)
		1,642.56	**(2,634.16)**
Earnings per Share, of par value Rs. 10 each			
- Basic (in Rs.)		7.42	(3.15)
- Diluted (in Rs.)		7.42	(3.15)
(Note 11 of Schedule 19)			
Notes on Consolidated Accounts	19		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Consolidated Cash Flow Statement for the Year Ended 31 March, 2010

Rupees in lakhs

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit / (Loss) Before Tax		**6,982.04**		**(4,774.56)**
Adjustments for :-				
Depreciation	1,714.69		2,649.86	
(Provision Released) / Provision for Standard Assets	(17,000.00)		20,000.00	
Provision for Non Performing Assets under Financing Activity (Net)	14,048.70		15,570.35	
Provision for Other Doubtful Debts and Advances (Net)	8.39		266.87	
Provision for Credit Enhancement and Servicing Costs on Assets De-recognised (Net)	1,330.31		1,499.91	
(Provision Released) / Provision for Diminution in Value of Investments	-		2,353.00	
Financing Charges	50,384.97		59,432.12	
Provision for Compensated Absences (Net)	4.67		(26.31)	
(Profit) / Loss on Sale of Fixed Assets (Net)	(2,054.76)		911.88	
Provision no longer required written back	(25.36)		(6.07)	
Loss on Repossessed Assets (Net)	3,120.24		4,339.62	
Loss Assets Written Off	13,368.56		10,372.84	
Loss on Sale of Securities	694.24		1,611.24	
Profit on Sale of Investments (Net)	(1,810.64)		(1,835.75)	
Amortisation of Premium on Acquisition of Government Securities	7.44		18.84	
Interest & Dividend Income	(5,172.43)		(6,104.75)	
Profit on sale of subsidiaries in Mutual Fund Business	(3,077.73)		-	
Amount transferred from Securities Premium to the Profit and Loss Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-		(32,353.00)	
		55,541.29		78,700.65
Operating Profit Before Working Capital Changes		**62,523.33**		**73,926.09**
Adjustments for :-				
Increase in Receivable Under Financing Activity (including Repossesed Assets)	(246,762.64)		(62,472.76)	
(Increase) / Decrease in Other Current Assets	(411.01)		4,575.40	
Increase in Other Loans and Advances	(3,444.43)		(3,207.03)	
Increase / (Decrease) in Current Liabilities and Provisions	1,753.35		(2,275.74)	
Bilateral Assignment of Receivables	130,785.06		131,518.28	
		(118,079.67)		68,138.15
Cash (Used in) / From Operating Activities		**(55,556.34)**		**142,064.24**
Financing Charges	(56,620.37)		(59,888.99)	
Direct Taxes Paid	(2,978.72)		(3,317.68)	
		(59,599.09)		(63,206.67)
Net Cash (Used in) / From Operating Activities (A)		**(115,155.43)**		**78,857.57**
CASH FLOW FROM INVESTING ACTIVITIES				
Bank Deposits and Unpaid Dividend Accounts (See Note below)	25,717.81		(35,933.35)	
Purchase of Fixed Assets	(664.46)		(1,455.32)	

Consolidated Cash Flow Statement (Contd.) for the Year Ended 31 March, 2010

Rupees in lakhs

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
Sale of Fixed Assets	3,146.57		108.50	
Purchase of Investments	(137.94)		(17,273.94)	
Sale / Redemption of Investments	17,600.21		379.95	
Proceeds from sale of subsidiaries in Mutual fund Business (net of expenses of Rs. 138.45 lakhs)	4,343.55			
Interest & Dividend Received	4,535.61		3,494.40	
Net Cash From / (Used in) Investing Activities (B)		**54,541.35**		**(50,679.76)**
CASH FLOW FROM FINANCING ACTIVITIES				
Long Term & Medium Term				
- Increase in Share Capital and Share Premium (Net of Issue Expenses)	-		13,518.43	
- Increase in Preference Share Capital	-		30,000.00	
- Decrease in Debentures	(105,000.00)		(21,722.68)	
- Increase in Term Loans from Banks and Others	169,205.70		62,783.33	
- Decrease in Fixed Deposits	(627.88)		(2,116.15)	
Short Term				
- (Decrease) / Increase in Bank Borrowings	(18,708.95)		8,266.95	
- Decrease in Debentures	-		(77,000.00)	
- (Decrease) / Increase in Other Borrowings	(37,011.47)		28,877.77	
Dividends Paid (including Distribution Tax)	(11.18)		(2,440.65)	
Net Cash from Financing Activities (C)		**7,846.22**		**40,167.00**
Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)		**(52,767.86)**		**68,344.81**
Cash and Cash Equivalents at the Beginning of the Year		85,731.02		17,386.21
Cash and Cash Equivalents at the End of the Year		32,963.16		85,731.02
Note:				
Cash and Cash Equivalents at the End of the Year as per Balance Sheet		75,468.14		156,928.03
Add : Current Investments (net of investment under lien)		16,727.41		13,753.19
Less: Balance in Current Account held for Unpaid Dividends		38.96		50.14
Less: Bank Deposits held for More than Three Months		43.19		19,831.40
Less: Bank Deposits under Lien		59,150.24		65,068.66
		32,963.16		85,731.02

In terms of our report of even date attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M. K. Ananthanarayanan
Partner

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED		
Equity Shares		
100,000,000 (2009 - 100,000,000) Equity Shares of Rs. 10 each	10,000.00	10,000.00
Preference Shares		
30,000,000 (2009 - 30,000,000) Redeemable Preference Shares of Rs. 100 each	30,000.00	30,000.00
	40,000.00	**40,000.00**
ISSUED		
Equity Shares		
66,543,088 (2009 - 66,543,088) Equity Shares of Rs. 10 each	6,654.31	6,654.31
Preference Shares		
30,000,000 (2009 - 30,000,000) 1% Fully Convertible Cumulative Preference Shares of Rs. 100 each	30,000.00	30,000.00
	36,654.31	**36,654.31**
SUBSCRIBED AND FULLY PAID UP		
Equity Shares		
66,406,334 (2009 - 66,406,334) Equity Shares of Rs. 10 each	6,640.63	6,640.63
Add : Forfeited Shares	6.54	6.54
	6,647.17	6,647.17
Preference Shares:		
30,000,000 (2009 - 30,000,000) 1% Fully Convertible Cumulative Preference Shares of Rs. 100 each fully paid-up	30,000.00	30,000.00
	36,647.17	**36,647.17**

Notes:

1. The Company allotted on Rights Basis 14,229,929 Equity Shares of Rs. 10 each at a premium of Rs. 130 per Share aggregating to Rs. 19,921.90 lakhs on November 06, 2007. The allottees also received one detachable Warrant for every Equity Share allotted. The aforesaid Warrants were converted into 14,229,929 Equity Shares of Rs. 10 each at a premium of Rs. 85 per Share aggregating to Rs. 13,518.43 lakhs on September 10, 2008.
2. The Company 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 13 March, 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.
3. Refer Note 15 of Schedule 19 for details of outstanding Employee Stock Options as at 31 March, 2010.

	As at 31.03.2009	Additions	Deductions	As at 31.03.2010
SCHEDULE 2 RESERVES AND SURPLUS				
Capital Reserve (Note 2 below)	0.03	3.94	-	3.97
Capital Redemption Reserve (Note 1 below)	3,300.00	-	-	3,300.00
Securities Premium Account	18,893.56	-	-	18,893.56
Statutory Reserve (Note 2 & 3 below)	7,589.82	321.63	-	7,911.45
General Reserve	6,123.13	-	-	6,123.13
Adjustments on Consolidation	2,426.23	-	237.17	2,189.06
	38,332.77	325.57	237.17	38,421.17
Balance in Profit and Loss Account	(3,634.16)			191.16
	34,698.61			**38,612.33**

Notes:

1. Represents the amount transferred for a sum equal to the nominal value of the Shares redeemed during the prior years.
2. Statutory Reserve represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934.
3. Addition of Rs. 3.94 lakhs to Capital Reserve and Rs. 12.63 lakhs to Statutory Reserve is on account of acquisition of Cholamandalam Factoring Limited as a subsidiary of the Company. Rs. 309 lakhs was transfered to Statutory Reserve by the Company during the year.

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 3 SECURED LOANS		
Redeemable Non-Convertible Debentures	48,000.00	178,000.00
Working Capital Demand Loans and Cash Credit from Banks (including Foreign Currency Loans)	76,549.65	93,758.60
Term Loans - from Banks (including External Commercial Borrowing and Other Foreign Currency Loans)	261,280.70	99,575.00
- from Others	7,500.00	-
	393,330.35	**371,333.60**

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 4 UNSECURED LOANS		
Medium Term		
Redeemable Non-Convertible Debentures - Subordinated Debt	54,150.00	29,150.00
Short Term		
Commercial Paper	96,875.89	133,887.36
[Net of Unamortised Discount of Rs. 2,124.11 lakhs (2009 - Rs. 3,602.64 lakhs)]		
Other Loans from Banks (including Foreign Currency Loans)	2,500.00	4,000.00
Fixed Deposits (Notes below)	84.24	712.12
Interest Accrued and Due on Matured/Unclaimed Fixed Deposits	8.53	17.20
	153,618.66	**167,766.68**
Notes:		
1. Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of Rs. 134.03 lakhs as at 31 March, 2010 (2009 - Rs. 1,451.09 lakhs) in an Escrow Account, as directed by the RBI (Note 1 to Schedule 10).		
2. Fixed Deposits include:		
a) Matured / Unclaimed Deposits	84.24	160.95
b) Deposits from Corporate Entities	-	1.56

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

SCHEDULE 5 FIXED ASSETS

Rupees in lakhs

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	40.85	-	31.05	9.80	-	-	-	-	9.80	40.85
Buildings (Note 1 below)	1,164.75	-	846.93	317.82	305.08	58.33	172.48	190.93	126.89	859.67
Plant and Machinery (Note 2 below)	3,591.37	17.31	435.05	3,173.63	2,384.24	625.62	382.36	2,627.50	546.13	1,207.13
Office Equipment	622.16	18.29	137.71	502.74	318.64	109.20	84.88	342.96	159.78	303.52
Furniture and Fixtures	2,223.85	34.04	534.67	1,723.22	1,396.49	289.40	429.26	1,256.63	466.59	827.36
Vehicles	365.71	120.40	281.58	204.53	118.70	43.17	84.75	77.12	127.41	247.01
Intangible Asset										
- Computer Software	1,710.03	405.88	140.95	1,974.96	1,012.24	582.39	104.14	1,490.49	484.47	697.79
- Stock Exchange Membership Card	342.50	65.75	237.50	170.75	240.84	6.58	111.75	135.67	35.08	101.66
Sub Total	**10,061.22**	**661.67**	**2,645.44**	**8,077.45**	**5,776.23**	**1,714.69**	**1,369.62**	**6,121.30**	**1,956.15**	**4,284.99**
Total	**10,061.22**	**661.67**	**2,645.44**	**8,077.45**	**5,776.23**	**1,714.69**	**1,369.62**	**6,121.30**	**1,956.15**	**4,284.99**
Previous Year	10,309.78	1,630.30	1,878.86	10,061.22	3,984.85	2,649.86	858.48	5,776.23	4,284.99	6,324.93

Notes:

1. Cost of Buildings include cost of flats amounting to Rs.220.15 Lakhs (2009 - Rs 365.62 lakhs) which is inclusive of the undivided interest in land.
2. Computers held for sale included in Plant and Machinery is Rs. 11.26 lakhs- (2009 - NIL)
3. Depreciation and Amortisation on Tangible assets includes accelerated depreciation / impairment for certain assets amounting to Rs NIL (2009 - Rs 394.00 lakhs) based on Management's estimate of balance useful lives.

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 6 INVESTMENTS (At Cost)		
(A) CURRENT - NON TRADE - UNQUOTED		
Units in Mutual Fund Schemes (Note 3 below)	16,727.41	28,753.19
Total (A)	**16,727.41**	**28,753.19**
(B) LONG TERM - TRADE - UNQUOTED		
In Equity Shares of Rs. 10 each fully paid up in Bodies Corporate	138.19	0.25
Total (B)	**138.19**	**0.25**
(C) LONG TERM - NON TRADE - QUOTED		
In Government Securities	460.36	1,029.06
Total (C)	**460.36**	**1,029.06**
(D) LONG TERM - NON TRADE - UNQUOTED		
a) In Other Bodies Corporate		
Equity Shares of Rs.10 each fully paid up	129.14	129.14
Equity Shares of Rs.25 each fully paid up	0.25	0.25
b) Units in Mutual Fund Schemes	-	2,282.28
c) Others		
Shares of Rs.50 each (Cost Rs.250 only)	-	-
Shares of Rs.25 each (Cost Rs.50 only)	-	-
Total (D)	**129.39**	**2,411.67**
Total (A+B+C+D)	**17,455.35**	**32,194.17**
Less : Amortisation of Premium on Acquisition of Government Securities	44.79	93.51
	17,410.56	**32,100.66**
Notes:		
1. Aggregate Value of Quoted Investments - At Cost	460.36	1,029.06
- At Market Value	409.63	927.42
2. Aggregate Value of Unquoted Investments - At Cost	16,994.99	31,165.11
3. Investments in Mutual Fund Units held as current investments includes Lien Marked Investments towards Secured Loans obtained by the Company from Banks	-	15,000.00

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 7 RECEIVABLES UNDER FINANCING ACTIVITY		
(A) Secured (Notes 1 & 2 below)		
Automobile Financing	307,615.57	195,610.44
Loans against Securities	40,888.00	21,114.36
Loans against Immovable Property	135,295.13	62,972.32
Other Loans	450.00	8,884.38
Instalments and Other Dues from Borrowers (Notes 3 & 4 below)	11,347.31	11,640.08
Total (A)	**495,596.01**	**300,221.58**
(B) Unsecured (Note 2 below)		
Consumer Loans	34,695.83	143,313.76
Other Loans	1,591.53	833.51
Instalments and Other Dues from Borrowers (Notes 3 & 5 below)	24,975.97	11,106.21
Total (B)	**61,263.33**	**155,253.48**
Total (A+B) (Note 6 below)	**556,859.34**	**455,475.06**
Notes:		
1. Secured means exposures secured wholly or partly by hypothecation of automobile assets and / or, pledge of securities and / or, equitable mortgage of property and/ or, company guarantees or personal guarantees and/ or, undertaking to create a security.		
2. Refer Schedule 14 for Provision for Non Performing Assets. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.		
3. Instalments and Other Dues from Borrowers include dues from borrowers in respect of assets de-recognised on account of Assignment of Receivables.	11,826.06	7,595.14
4. Secured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months	3,319.78	2,818.42
5. Unsecured Instalments and Other Dues to Borrowers include amounts outstanding for more than 6 months	19,088.10	7,383.86
6. Of the above:		
Considered Good	503,967.06	429,710.39
Others - Non Performing Assets	52,892.28	25,764.67

SCHEDULE 8 STOCK IN TRADE		
Quoted		
40 (2009 - 40) Shares of Geojit Securities Limited	-	-
1 (2009 - 1) Share of Khandelwal Securities Limited (Cost Rs. 20 Only)	-	-
	-	-
Aggregate Market Value of Quoted Shares	0.02	0.01
Aggregate Value of Quoted Shares at Lower of Cost/ Market Value	-	-

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 9 SUNDRY DEBTORS		
Unsecured		
Debts Outstanding For a Period Exceeding Six Months	184.54	182.99
Other Debts	1,085.07	612.38
	1,269.61	795.37
Less: Provision for Doubtful Debts	187.35	192.17
	1,082.26	**603.20**
Note:		
Of the above:		
Considered Good	1,082.26	603.20
Considered Doubtful	187.35	192.17
	1,269.61	**795.37**

SCHEDULE 10 CASH AND BANK BALANCES

Cash and Cheques on Hand	2,041.59	1,983.12
Balances with Scheduled Banks		
- On Current Account	14,194.16	12,188.82
- On Unpaid Dividend Accounts	38.96	50.14
- On Deposit Accounts:		
- Free Of Lien	43.19	77,637.29
- Under Lien (Note below)	59,150.24	65,068.66
	75,468.14	**156,928.03**

Note:

Deposit Accounts Under Lien includes:

- A total amount of Rs. 134.03 lakhs (2009 - Rs. 1,451.09 lakhs) kept in an Escrow Account with respect to public deposits (Note 1 of Schedule 4)
- A total amount of Rs. 58,588.71 lakhs (2009 - Rs. 63,190.07 lakhs) as collateral towards assets de-recognised (Note 5 of Schedule 19).
- Other lien marked deposits Rs. 427.50 lakhs (2009- Rs. 427.50 lakhs)

SCHEDULE 11 OTHER CURRENT ASSETS

Repossessed Automobile Assets (at lower of cost and estimated net realisable value)	764.42	2,659.92
Interest and Other Income Accrued but Not Due		
- On Loans to Borrowers	5,600.16	6,166.13
- On Deposits and Investments	6,263.15	5,626.33
Other Accruals and Receivables	534.71	47.19
	13,162.44	**14,499.57**

Schedules Forming Part of the Consolidated Balance Sheet as at 31 March, 2010

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 12 OTHER LOANS AND ADVANCES		
Unsecured		
Advances Recoverable in Cash or in Kind or for Value to be Received	14,938.38	9,952.37
Advance Payment of Tax and Tax Deducted at Source	1,527.26	667.09
[Net of Provision for Taxation - Rs. 23,858.72 lakhs (2009 - Rs. 21,789.33 lakhs)]		
	16,465.64	10,619.46
Less: Provision for Doubtful Advances	179.94	191.90
	16,285.70	**10,427.56**
Notes:		
1. Of the above:		
Considered Good	16,285.70	10,427.56
Considered Doubtful	179.94	191.90
	16,465.64	**10,619.46**
2. Advances Recoverable in Cash or in Kind or for Value to be Received include		
- Excess Interest Spread Receivable with respect to Assets De-recognised on account of Bilateral Assignment of Receivables	3,107.84	2,461.66
- Deposit placed with Assignee towards Cash Collateral for Assignment of Receivables	6,893.60	-
- Deposits with Stock Exchanges	149.93	172.66
- Prepaid Finance Charges	3,078.06	1,451.19

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 13 CURRENT LIABILITIES		
Sundry Creditors		
- Dues to Clients and Stock Exchanges	1,603.73	1,668.00
- Others (Note 1 below)	5,393.22	3,934.67
Advances from Customers / Others (Note 2 below)	5,631.44	3,680.14
Unclaimed Dividend	38.96	50.14
Interest Accrued But Not Due on Loans / Other Deposits	8,457.75	13,057.62
Other Liabilities (Note 3 below)	11,473.34	13,418.34
	32,598.44	**35,808.91**
Notes:		
1. Other Sundry Creditors include security deposits from channel partners	52.90	60.40
2. Advances from Customers / Others include adjustable security deposits	590.38	356.72
3. Other Liabilities include amounts collected in respect of assets de-recognised on account of assignment of receivables pending remittance to the assignees.	11,198.95	13,106.66

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 14 PROVISIONS (Note 14 of Schedule 19)		
Provision for Standard Assets	3,000.00	20,000.00
Provision for Non-Performing Assets	33,840.46	19,791.76
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	4,709.89	3,379.58
Provision for Compensated Absences	513.03	508.36
Provision for Taxation [Net of Advance tax of Rs. 28.53 lakhs]	-	6.93
Provision for Contested Service Tax	69.33	69.33
Proposed Dividend - Equity	664.06	-
Proposed Dividend - Preference	315.62	-
Distribution Tax on Proposed Dividend	162.72	-
	43,275.11	**43,755.96**

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended 31 March, 2010

Rupees in lakhs

		Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 15 INCOME			
(A) INCOME FROM OPERATIONS			
Income from Financing Activity			
- Automobile Financing (Note 6 (d) of Schedule 19)		51,819.77	37,998.18
- Consumer Loans (Note 6 (e) of Schedule 19)		13,568.09	40,916.97
- Loans against Securities		3,699.31	7,077.17
- Loans against Immovable Property (Note 6 (f) of Schedule 19)		15,868.59	12,927.14
- Other Loans		915.13	4,761.78
Stock Broking, Depository Operations and Allied Services		1,092.60	1,218.72
Retail Distribution Operations (Net of Service Tax)		1,090.37	810.05
Fund Management Operations		208.00	324.21
Dividend and Interest		5,172.43	6,104.75
Profit on Sale of Investments (Net)		1,810.64	1,835.75
	(A)	**95,244.93**	**113,974.72**
(B) OTHER INCOME			
Miscellaneous Income (Note Below)		401.12	579.33
	(B)	**401.12**	**579.33**
Total	(A + B)	**95,646.05**	**114,554.05**
<u>Note:</u>			
Miscellaneous Income includes			
Gain on Premature Redemption of Debentures and Commercial Paper (Note 4 of Schedule 19)		-	542.76
Provision / Liability No Longer Required Written Back		25.36	6.07

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 16 FINANCING CHARGES		
Interest on Debentures	15,186.23	28,974.86
Interest on Fixed Loans		
- Fixed Deposits	11.68	109.10
- Others	-	891.60
Interest on Other Loans	19,316.69	14,219.44
Discount on Debentures and Commercial Papers	10,150.00	13,101.06
Debenture Issue Expenses	506.30	448.21
Other Financing Expenses (Notes 6 (g), 6 (h) and 6 (i) of Schedule 19)	5,214.07	1,687.85
	50,384.97	**59,432.12**
<u>Note:</u>		
Loss on Premature Redemption of Commercial Paper included in Other Financing Expenses (Note 4 of Schedule 19)	22.73	-

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended 31 March, 2010

Rupees in lakhs

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 17 OPERATING AND OTHER EXPENSES		
Salaries, Bonus and Commission	8,595.38	10,314.93
Contribution to Provident and Other Funds	355.27	516.84
Staff Welfare Expenses	372.94	567.17
Rent and Electricity Charges (Note 6 (j) of Schedule 19)	1,860.64	3,415.46
Rates and Taxes	79.27	346.96
Communication Cost	693.54	1,100.42
Travelling and Conveyance	800.78	1,194.56
Advertisement Expenses	22.81	142.99
Business Development Expenses	15.09	38.22
Mutual Fund Promotion Expenses	17.89	776.86
Information Technology Expenses (Note 6 (j) of Schedule 19)	671.30	623.79
Insurance	204.43	230.95
Repairs and Maintenance :		
- Buildings	0.59	6.45
- Others	69.29	189.43
Printing and Stationery	319.33	419.83
Auditors' Remuneration (including for other auditors) (Note 6 (k) of Schedule 19)	49.75	41.95
Professional Charges	860.98	1,497.04
Loss on Sale of Fixed Assets (Net)	24.46	911.88
Miscellaneous Expenses (Note 6 (l) of Schedule 19)	202.58	495.65
	15,216.32	22,831.38
Less : Expenses Recovered	122.68	135.87
	15,093.64	**22,695.51**
SCHEDULE 18 PROVISIONS, LOAN LOSSES AND OTHER CHARGES		
(Provision Released) / Provision for Standard Assets	(17,000.00)	20,000.00
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	20,000.00
	(17,000.00)	-
Loss Assets Written Off	13,368.56	10,372.84
Less : Provision Released	9,468.41	-
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	10,000.00
	3,900.15	372.84
Provision for Non Performing Assets (Note 14 of Schedule 19)	23,517.11	18,100.08
Less : Provision Released	-	2,529.73
	23,517.11	15,570.35
Loss on Repossessed Assets (Net)	3,120.24	4,339.62
Recovery Charges (Net)	6,448.63	3,507.47
Loss on Sale of Shares Held as Stock-in-Trade (Net)	0.39	17.14
Amortisation of Premium on Acquisition of Government Securities	7.44	18.84
Provision for Other Doubtful Debts and Advances	8.39	266.87
Provision for Diminution in the Value of Investments	-	2,353.00
Less : Amount transferred from Securities Premium Account pursuant to the Capital Reduction Proposal confirmed by the Hon. High Court of Judicature at Madras	-	2,353.00
	-	-
	20,002.35	**24,093.13**

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS

1. **Significant Accounting Policies:**

1.1 **Principles of Consolidation**

The consolidated financial statements relate to Cholamandalam DBS Finance Limited (the Company) 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.

(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 and in the case of subsidiaries sold during the year, until the date of cessation of control. Also refer Note 1.2 below.

(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.

1.2. **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	
	31 March, 2010	31 March, 2009
DBS Cholamandalam Securities Limited (DCSEC)	100	100
DBS Cholamandalam Distribution Limited (DCDL)	100	100
DBS Cholamandalam Asset Management Limited (DCAM) – Upto Jan 19, 2010	-	100
DBS Cholamandalam Trustees Limited (DCTL) – Upto Jan 19, 2010	-	100
Cholamandalam Factoring Limited (CFACT) – from Jan 30, 2010	99.44	-

The company's ownership interest of 100% in DCAM and DCTL was fully divested on Jan 20, 2010 and the results of operations of these two companies has been considered for consolidation upto the date of disinvestment.

The company acquired controlling interest in CFACT on Jan 30, 2010 and the results of operation from that date has been considered for consolidation.

1.3 **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 follow 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).

1.4 **Use of Estimates**

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provisioning for receivables, provision for credit enhancement for assets de-recognised, net realizable value of repossessed assets, useful lives of fixed assets, provision for diminution in value of investments, provisioning for taxation etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.5 **Revenue Recognition**

Loan Interest Charges are recognised under the Internal Rate of Return method to provide a constant periodic Rate of Return on

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

net investment outstanding on the Loan contracts.

In respect of bilateral assignment of receivables, 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.

Service Charge is 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 (AFC) is recognized on accrual basis as per contractual terms and when there is no uncertainty in receiving the same.

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

Trusteeship fees are accounted on an accrual basis in accordance with the Trust Deed and are dependent on the net asset value as recorded by the schemes of DBS Chola Mutual Fund.

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

1.6 Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation except Bombay Stock Exchange Membership Card (Intangible Asset) which is recorded at Fair Value. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

Depreciation on 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	
- Computer Equipment	3 years
- Others	5 years
Office Equipment	5 years
Furniture and Fixtures	
- Improvement to Leasehold Premises	Lease Period or 5 years, whichever is lower except that in respect of DCSEC it is over 5 years.
- Others	5 years
Vehicles	5 years
Intangible Assets	
- Computer Software	License Period or 3 years, whichever is lower except that in respect of DCSEC it is over 6 years.
- Stock Exchange Membership Card	15 Years

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

Depreciation is accelerated on fixed assets, based on their condition, usability, etc as per the technical estimates of the Management, where necessary.

1.7 Investments

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

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

1.8 Stock in Trade

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

1.9 Receivables under Financing Activity

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

(a) unearned income

(b) instalments appropriated up to the year-end.

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

1.10 Retirement and Other Benefits

(a) 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 annual contribution and recognizes such contributions as an expense in the year incurred.

(b) 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 profit and loss account in the year in which they occur.

(c) 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.

1.11 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.

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

1.12 Derivative Transactions

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 profit and loss account.

1.13 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.

1.14 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 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.

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

1.15 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.

1.16 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 since this may result in the recognition of income that may never be realised.

1.17 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.

2. Termination of Shareholders Agreement

The Shareholders' agreement dated 16th June 2005 entered into between the Company, Tube Investments of India Limited (TII) and DBS Bank Limited, Singapore (DBS) was terminated on 8th April 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.

3. (a) Other Exceptional Items

Rupees in lakhs

Particulars	2009-10 Gain/(Loss)	2008-09 Gain/(Loss)
Profit on sale of land and building	2,079.22	-
Loss on sale of securities	(694.24)	(1,611.24)
Exceptional Items (Net)	**1,384.98**	**(1,611.24)**

Note:

The year 2008-09 saw a global financial crisis, both in terms of liquidity and volatile interest movement. The schemes of DBS Chola Mutual Fund also were impacted as there were redemption pressures at various points of time. Therefore to protect the interest of Unit holders, one of the subsidiaries – DBS Cholamandalam Asset Management Limited absorbed the losses of Rs. 1,611.24 lakhs arising on account of securities (including loss of Rs. 836.66 lakhs on Non-Convertible Debenture purchased and sold back to Mutual Fund Schemes) to correct the valuation of the securities.

(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 Rs. 4,482 lakhs resulting in a profit of Rs. 3,077.73 lakhs (net of expenses of Rs. 138.45 lakhs). Financial data relating to Discontinuing Operations is given below:

Rupees in lakhs

Particulars	2009-10 (as of date of sale- 19/01/10)	2008-09
Revenue	273.64	504.18
Profit on Sale	3,077.73	-
Expenditure	2,047.71	4,261.24
Profit / (Loss) Before Taxation	1,303.66	(3,757.06)
Profit / (Loss) After Taxation	1,303.21	(3,757.89)
Total Assets	1,646.13	2,631.17
Total Liabilities	380.31	890.84

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

The Cash Flows from Continuing and Discontinuing Operations are:

Rupees in lakhs

	2009-10			2008-09		
	Continuing Operation	Discontinuing Operation	Total	Continuing Operation	Discontinuing Operation	Total
Net Cash (Used in) / From Operating Activities	(112,946.10)	(2,209.33)	(115,155.43)	82,160.14	(3,302.57)	78,857.57
Net Cash From / (Used in) Investing Activities	54,594.89	(53.54)	54,541.35	(49,981.77)	(697.99)	(50,679.76)
Net Cash from Financing Activities	6,546.22	1,300.00	7,846.22	36,166.95	4,000.05	40,167.00

4. **Premature Redemption of Debentures and Commercial Paper**

(Loss) / Gain on premature redemption of commercial papers and debentures is recognised in the Profit and Loss Account and included under Other Financing Expenses (2009-10) (Schedule 16) and Miscellaneous Income (2008-09) (Schedule 15 (B))

Rupees in lakhs

	2009 -10	2008 - 09
Book Value (including interest accrued) on the date of redemption of commercial papers and debentures	87,105.34	27,023.78
Consideration paid for premature redemption of Commercial papers and debentures	87,128.07	26,481.02
(Loss) / Gain	**(22.73)**	**542.76**

5. **Assets De-recognised**

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
Assets De-recognised –		
On Bilateral Assignment of Receivables	169,083.06	167,600.08
Deposits provided as Collateral (Note of Schedule 10 and Note 2 of Schedule 12)		
For Credit Enhancements	58,189.44	26,093.98
For Liquidity Support	5,897.95	35,409.26
For Interest Rate Changes from Specified Rate	1,394.92	1,686.83

Note:

In 2008-09, the Gujarat High Court, in the case of Kotak Mahindra Bank vs O.L of M/s APS Star India Limited, held that Banks are prohibited from transferring or purchasing debts. Consequent to the above, the petitioners have filed a Special Leave Petition (SLP) with the Supreme Court. In its interim order, the Supreme Court has held that in the event of dismissal of the SLP, the assignment deals entered into by Banks would be deemed not to have materialized.

However, the Company is hopeful of a favourable outcome to the aforesaid Special Leave Petition (SLP) filed in the Supreme Court given that such deals are widely prevalent in the banking and financial services industry and the Reserve Bank of India has itself issued specific guidelines in respect of Securitization transactions and hence, no adjustments to the financial statements have been considered necessary at this stage by the Management in this regard.

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

6. Other Financial Information

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)	1.46	28.68
b) Outstanding Derivatives:		
(i) Contracted Value		
- Interest rate derivatives	-	22,000.00
- Currency derivatives	33,660.30	6,453.00
(ii) Mark to Market Provision (included in Sundry Creditors – Schedule 13)	898.70	956.73
c) Foreign currency exposure not hedged by a derivative instrument or otherwise	-	-
d) Income from Automobile Financing (Schedule 15) comprises:		
- Interest on Loans	39,850.49	30,704.77
- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	3,992.57	1,635.94
- Other Operating Income	7,976.71	5,657.47
	51,819.77	**37,998.18**
e) Income from Consumer Loans (Schedule 15) comprises:		
- Interest on Loans	11,327.62	36,144.06
- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	1,368.23	1,970.55
- Other Operating Income	872.24	2,802.36
	13,568.09	**40,916.97**
f) Income from Loans against Immovable Property (Schedule 15) comprises:		
- Interest on Loans	12,532.67	9,619.63
- Upfront Income on Bilateral Assignment of Receivables (Notes 1 to 3 below)	1,265.37	2,118.08
- Other Operating Income	2,070.55	1,189.43
	15,868.59	**12,927.14**
g) Financing Charges (Schedule 16) includes amortization of Miscellaneous Expenditure	2,698.80	915.89
h) Net exchange difference [(loss) / gain] on foreign currency monetary items dealt with in the Profit and Loss Account (included in Other Financing Expenses - Schedule 16)	(691.91)	(9.26)
i) Charge to the Profit and Loss Account in respect of premium on forward exchange contracts and other instruments that are in substance a forward exchange contract	-	8.45
(included in Other Financing Expenses – Schedule 16)		
j) Lease Rental Equalisation charge included in Operating Expenses (Schedule 17):		
- Rent and Electricity Charges	44.25	(4.07)
- Information Technology Expenses	(17.91)	53.43
k) Auditors Remuneration (including for other Auditors) comprises		
- Audit Fees	24.64	26.05
- Other Services	24.00	14.65
- Reimbursement of Expenses	1.11	1.25
	49.75	**41.95**
l) Miscellaneous Expenses (Schedule 17) comprises:		
- Donations	5.00	–
- Other Expenses	197.65	495.65
	202.65	**495.65**

Notes:

1. Refer Note 5 above.
2. In recognising the Upfront Income on Bilateral Assignment of Receivables, 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.
3. Upfront income on Bilateral Assignment of Receivables is net of Provision for Credit Enhancements and Servicing Cost on assets derecognized – Rs. 2,411.46 lakhs (2009- Rs. 2,519.57 lakhs)

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

7. Long Term Compensated Absences

The Group provides for Long Term Compensated Absences on actuarial basis and the details of the Key Actuarial Assumptions used are as under:

Particulars	2009 -10	2008 - 09
Discount Rate	8% p.a.	8% p.a.
Future Salary Increase	5% p.a.	5% p.a.
Attrition Rate		
Senior Management	1% p.a.	1% p.a.
Middle Management	10% p.a.	10% p.a.
Others	20% p.a.	20% p.a.

8. Gratuity

Details of Actuarial Valuation:

Rupees in lakhs

Particulars	2009 -10	2008 - 09
Projected Benefit Obligation at the Beginning of the Year	153.47	135.37
Cost relating to Prior Years reversed in the Current Year		
Service Cost	46.79	43.07
Interest Cost	11.35	9.47
Actuarial Losses / (Gains)	(21.64)	(1.26)
Benefits Paid	(11.55)	(32.61)
Other Adjustments	(11.52)	(0.57)
Projected Benefit Obligation at the End of the Year	**166.90**	**153.47**
Change in Plan Assets		
Fair Value of Plan Assets at the Beginning of the Year	103.18	74.53
Increase in Fair Value relating to the Prior Years accounted in the Current Year	-	-
Expected Returns on Plan Assets	13.56	7.36
Employer's Contribution	85.11	37.23
Benefits Paid	(11.55)	(32.61)
Actuarial Gains / (Losses)	-	1.49
Other Adjustments	(9.82)	15.18
Fair Value of Plan Assets at the End of the Year	**180.48**	**103.18**
Amount Recognised in the Balance Sheet		
Liability at the End of the Year	166.90	153.47
Fair Value of Plan Assets as at the End of the Year	180.48	103.18
Amount Recognised in the Balance Sheet under Schedule 12 (Advances recoverable in cash or in kind)/ [2008-09 - under schedule13 -Sundry Creditors]	**(13.58)**	**50.29**
Cost of the Defined Benefit Plan for the Year		
Current Service Cost	46.79	43.07
Interest on Obligation	11.35	9.47
Expected Return on Plan Assets	(13.56)	(7.36)
Net Actuarial Losses Recognised in the Year	(21.64)	(2.76)
Other adjustments	-	(24.02)
Net Cost Recognised in the Profit and Loss Account	**22.94**	**18.40**
Assumptions		
Discount Rate	8.00% p.a.	8.00% p.a.
Future Salary Increase	5.00% p.a.	5.00% p.a.
Attrition Rate	1 – 3% p.a.	1 – 3% p.a.
Expected Rate of Return on Plan Assets	9.50% p.a.	8.00% p.a.

Notes:

1. The expected return on plan assets is as furnished by LIC.
2. The entire plan assets are managed by LIC. The data on plan assets has not been furnished by LIC.
3. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
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.

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

9. Segment Reporting

The Management has identified the following reportable segments:

Rupees in lakhs

	Financing		Distribution		Asset Management		Stock Broking		Others		Eliminations		Consolidated Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
REVENUE														
External Revenue	92,666.96	111,364.28	1,100.62	810.28	268.03	486.68	1,205.18	1,307.27	4.14	6.21	-	-	95,244.93	113,974.72
Inter-segment Revenue	1.73	156.06	-	-	-	-	92.97	55.68	-	-	(94.70)	(211.74)	-	-
Total Revenue	92,668.69	111,520.34	1,100.62	810.28	268.03	486.68	1,298.14	1,362.95	4.14	6.21	(94.70)	(211.74)	95,244.93	113,974.72
RESULT														
Segment Result	4,641.00	1,290.19	689.00	(1,755.84)	(1,774.00)	(3,993.95)	348.00	(894.88)	–	0.59	-	-	3,904.00	(5,353.89)
Other Income													3,078.00	579.33
Net Profit Before Tax													**6,982.00**	**(4,774.56)**
Other Information														
Segment Assets	676,234.18	667,932.21	1,861.24	434.54	-	2,568.77	2,981.70	2,755.08	-	11.74	(377.00)	(50.20)	680,700.12	673,652.14
Unallocated Corporate Assets													17,381.94	16,358.79
Total Assets	**676,234.18**	**667,932.21**	**1,861.24**	**434.54**	**-**	**2,568.77**	**2,981.70**	**2,755.08**	**-**	**11.74**	**(377.00)**	**(50.20)**	**698,082.06**	**690,010.93**
Segment Liabilities	621,326.52	615,583.25	119.36	354.64	-	872.57	1,753.69	1,886.62	-	18.27	(377.00)	(50.20)	622,822.57	618,665.15
Unallocated Corporate Liabilities														
Total Liabilities	**621,326.52**	**615,583.25**	**119.36**	**354.64**	**-**	**872.57**	**1,753.69**	**1,886.62**	**-**	**18.27**	**(377.00)**	**(50.20)**	**622,822.57**	**618,665.15**
Capital Expenditure	463.28	1,262.91	0.13	25.77	59.20	37.42	141.86	129.22	-	-	-	-	664.47	1,455.32
Depreciation	1,528.41	1,953.17	48.31	430.66	30.74	37.74	107.22	228.29	-	-	-	-	1,714.68	2,649.86

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

10. **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 and DBS Bank Limited, Singapore
- **Key Management Person:** Mr. Atul Pande, Managing Director, (Upto October 30, 2008)
  Mr. N. Srinivasan, Director, (From November 1, 2008)

Note:

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

Details of Related Party Transactions for the Year: *Rupees in lakhs*

Transaction	Related Party	2009-10	2008-09
Dividend Payments – Equity Shares	Tube Investments of India Limited	-	645.62
	DBS Bank Limited	-	782.21
	Key Management Person (Mr. Atul Pande)	-	1.38
Interest Payments	Tube Investments of India Limited	-	230.14
	DBS Bank Limited	324.00	324.00
Rent (including hiring) Receipts	Tube Investments of India Limited	72.39	15.09
Rent Payments	Tube Investments of India Limited	-	0.80
Sale of Fixed Assets	Tube Investments of India Limited	9.31	-
Advances/ Deposits Given	Tube Investments of India Limited	1.76	-
Subscription Received towards	Tube Investments of India Limited	-	4,181.88
Equity Share Capital (Including Premium)	DBS Bank Limited	-	5,066.58
Subscription Received towards Fully	Tube Investments of India Limited	-	15,000.00
Convertible Cumulative Preference	DBS Bank Limited	-	15,000.00
Share Capital			
Remuneration	Key Management Person - Mr Atul Pande	-	75.74
Secondment Charges	DBS Bank Limited	-	39.70
Expenses – Reimbursed	Tube Investments of India Limited	0.46	9.34
	DBS Bank Limited	4.82	3.49
Amounts Received towards Reimbursements of Expenses	Tube Investments of India Limited	4.78	3.88
Unsecured Loans Taken	Tube Investments of India Limited	-	5,000.00
Unsecured Loans Repaid	Tube Investments of India Limited	-	5,000.00
Directors Sitting Fees and Commission	DBS Bank Limited	2.10	1.75
	Key Management Person (Mr. N. Srinivasan)	1.80	1.65
Net Amounts Receivable/ (Due)	Tube Investments of India Limited	27.03	18.97
as at Year end	DBS Bank Limited	(2,730.18)	(2,730.18)

11. **Earnings Per Share** *Rupees in lakhs*

Particulars	2009 -10	2008 - 09
Profit After Tax	**5,276.72**	**(1881.55)**
Less: Preference Dividend Payable (Including Distribution Tax Thereon) (Refer Note 4(c) above)	(349.83)	(18.27)
Profit Attributable to Equity Shareholders	**4,926.39**	**(1899.82)**
Weighted Average Number of Equity Shares (Basic)	66,406,334	60,386,809
Earnings per Share - Basic (Rs.)	**7.42**	**(3.15)**
Weighted Average Number of Equity Shares (Diluted)	66,420,433	62,348,449
Earnings per Share - Diluted (Rs.)	**7.42**	**(3.15)**
Face Value Per Share (Rs.)	10.00	10.00

Note:

Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share".

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

12. Deferred Tax Asset

The net deferred tax position as at 31 March, 2010 has arisen on account of the following

Rupees in lakhs

Particulars		As at 31.03.2010	As at 31.03.2009
Deferred Tax Asset			
a) Provision for Standard Assets		996.52	6,798.00
b) Provision for Non-Performing Assets		10,956.31	6,727.22
c) Provision for Credit Enhancements and Servicing Costs on Assets De-recognised		1,564.50	1,148.72
d) Provision for Repossessed Stock		275.85	463.19
e) Income Derecognised on Non-Performing Assets		2,005.31	-
f) Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.		94.78	-
g) Others		923.95	1055.86
	(A)	**16,817.22**	**16,192.99**
Deferred Tax Liability			
a) Difference between Depreciation as per Books of Account and the Income Tax Act, 1961.		-	268.05
b) Unamortised Prepaid Finance Charges		1,021.47	493.26
	(B)	**1,021.47**	**761.31**
Net Deferred Tax Asset	**(A) – (B)**	**15,795.75**	**15,431.68**
Movement in Net Deferred Tax Asset during the year		**364.07**	**13,242.82**
Less: Amount Transferred to Securities Premium (Refer Note below)		-	6,798.00
Net Movement in Deferred Tax Asset - Charge to P&L A/c		**364.07**	**6444.82**

Note:

Deferred tax impact arising on Provision for Standard Assets of Rs. 20,000 lakhs for the year 2008-09 was adjusted against the Securities Premium Account as the Provision for Standard Assets was adjusted against the Securities Premium Account pursuant to the scheme of Capital Reduction.

13. Contingent Liabilities

(a) Counter Guarantees provided to Banks – Rs. 963.00 Lakhs (2009- Rs. 903.36 lakhs)

(b) Contested Claims Not Provided for:

Rupees in lakhs

Particulars	As at 31.03.2010	As at 31.03.2009
Income Tax and Interest Tax Issues where the Company is in appeal	659.46	609.53
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	119.80	39.64
Service Tax issues pending in respect of which the company is under appeal	97.96	-
Sales Tax issues pending before Appellate Authorities in respect of which the Company is in appeal	450.02	460.09
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	895.36	633.65

Note:

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

14. Changes in Provisions

Rupees in lakhs

Particulars	As at 31.03.2009	Additional Provision	Utilisation/ Reversal	As at 31.03.2010
Provision for Standard Assets	20,000.00	-	17,000.00	3,000.00
Provision for Non-Performing Assets	19,791.76	23,517.11	9,468.41	33,840.46
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	3,379.58	2,411.46	1,081.15	4,709.89
Provision for Contested Service Tax	69.33	-	-	69.33

Schedules forming part of the Consolidated Accounts for the Year Ended 31 March, 2010

SCHEDULE 19 NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

15. Employee Stock Option Plan

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

Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6
Date of Grant						
Original	30 Jul, 07	24 Oct, 07	25 Jan, 08	25 Apr, 08	30 Jul, 08	24 Oct, 08
Corporate Action Adjustment	25 Jan, 08					
Exercise Price (Rs.)						
Original	193.40	149.90	262.20	191.80	105.00	37.70
Post Corporate Action Adjustment	178.70					
Vesting Commences on	30 Jul, 08	24 Oct, 08	25 Jan, 09	25 Apr, 09	30 Jul, 09	24 Oct, 09
Options Granted						
Original	765,900	70,400	162,800	468,740	10,070	65,600
Post Corporate Action Adjustment	54,433					
Options Forfeited / Lapsed	563,559	70,400	105,640	225,800	291	33,620
Options Outstanding at the end of the year –						
Vested	93,710	-	20,800	44,780	1,723	5,740
Yet to Vest	1,63,064	-	36,360	198,160	8,056	26,240

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.

16. 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.

17. Appointment of Manager

The shareholders of the company approved the appointment of Ms. P. Sujatha as the Manager of the Company under Section 269 of the Companies Act, 1956 on July 28, 2009.

18. Previous Year Figures

Previous year's figures have been regrouped /rearranged, where necessary to conform to current year's presentation.

Signatures to Schedules 1 to 19

For and on behalf of the **Board**

M. A. Alagappan
Chairman

26 April, 2010
Chennai

P. Sujatha
Manager & Secretary

D. Arulselvan
Chief Financial Officer

N. Srinivasan
Director

Disclosure of information relating to Subsidiaries

(Vide MCA Approval No.47/197/2010-CL-III, dated 08-Apr-2010)

Rupees in lakhs

Particulars	DBS Cholamandalam Asset Management Limited @		DBS Cholamandalam Trustees Limited @		DBS Cholamandalam Distribution Limited		Cholamandalam Factoring Limited		DBS Cholamandalam Securities Limited	
	2009 - 10	2008 - 09	2009 - 10	2008 - 09	2009 - 10	2008 - 09	2009 - 10	2008 - 09	2009 - 10	2008 - 09
1. Share Capital										
- Equity	-	7,500.00	-	5.00	4,240.00	3,240.00	36.48	-	2,050.00	2,050.00
- Preference	-	-		-	-	-	-	-	-	-
2. Reserves and Surplus	-	(5,767.80)	-	3.14	(2,031.74)	(2,720.28)	(819.51)	-	(389.88)	(623.40)
Total	-	1,732.20	-	8.14	2,208.26	519.72	(783.03)	-	1,660.12	1,426.60
3. Total Liabilities *	-	872.57	-	18.27	119.36	354.64	8,771.73		1,753.69	1,886.63
4. Total Assets (Including investments)+	-	2,604.77	-	26.41	2,327.62	874.36	7,988.70	-	3,413.81	3,313.23
5. Investments:										
Current Investments	-	2,271.94	-	10.33	1,450.38	-	24.64	-	250.07	-
Long term investments										
- Quoted	-	-	-	-	-	-	-	-	-	-
- Unquoted	-	-	-	-	-	-	-	-	138.19	0.25
6. Gross Income	-	497.92	-	6.27	1,129.89	833.69	8.01	-	1,316.89	1,370.21
7. Profit/(Loss) before Tax	-	(3,757.71)	-	0.65	688.53	(1,824.83)	(862.22)	-	347.79	(901.02)
8. Provision for taxation										
Current ++	-	18.64	-	0.21	-	12.18	-	-	-	8.75
Deferred	-	-	-	-	-	-	-	-	114.26	(366.20)
9. Profit/(Loss) after Tax	-	(3,776.35)	-	0.44	688.53	(1,837.01)	(862.22)	-	233.53	(543.57)
10. Dividend / Proposed Dividend including dividend tax	-	-	-	-	-	-	-	-	-	-

@ During the year, the Company sold its entire investment in the Mutual Fund Subsidiaries, M/s.DBS Cholamandalam Asset Management Limited and DBS Cholamandalam Trustees Limited.

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

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

++ Includes Fringe Benefit Tax