

SHRIRAM EQUIPMENT FINANCE COMPANY LIMITED

SECOND ANNUAL REPORT 2010-2011

Contents

Corporate Information	1
Directors' Report	2
Auditors' Report	4
Balance Sheet	6
Profit & Loss Account	7
Cash Flow Statement	8
Schedules	9
Balance Sheet Abstract	19

Corporate Information

BOARD OF DIRECTORS

Mr. M. S. Verma	<i>Chairman</i>
Mr. R. Sridhar	<i>Director</i>
Mr. Amol Jain	<i>Director</i>
Mr. G. S. Sundararajan	<i>Director</i>

AUDITORS

M/s S. V. Ghatalia & Associates
Chartered Accountants

REGISTERED OFFICE

Mookambika Complex, 3rd Floor
No. 4, Lady Desika Road
Mylapore, Chennai – 600 004
Tamil Nadu, India



Directors' Report

To
The Members
Shriram Equipment Finance Company Limited

Your Directors have pleasure in presenting their Second Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

(Amt. in Rs.)

	Year ended March 31, 2011	For the period December 15, 2009 to March 31, 2010
Profit (Loss) Before Depreciation and Taxation	27,727,600	(183,340)
Less: Depreciation	2,839,318	-
Profit (Loss) Before Tax	24,888,282	(183,340)
Less: Provision for Taxation	(13,317,833)	(63,994)
Profit (Loss) After Tax	11,570,449	(119,346)
Add: Balance brought forward from previous year	(119,346)	-
Surplus /(Deficit) carried to Balance Sheet	11,451,103	(119,346)

DIVIDEND

Dividend of 0.01% has been declared for the Compulsorily Convertible Preference Shareholders however, with a view to augment the funds and conserve the resources, your directors recommend no dividend for the Equity Shareholders for the Financial Year 2010-2011.

OPERATIONS

The income from operations for the financial year ended was Rs.200,282,835/-.Your Company has earned Profit of Rs. 11,570,449/- for the year ended March 31, 2011 as against loss of Rs. 119,346/- for the earlier year. Profit before tax for the year under review is Rs. 24,888,282/- in comparison to the loss of Rs. 183,340/- of last year.

Your Company has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as Non-Banking Finance Company (Non-Deposit Accepting) vide Certificate no N-07-00786 dated October 8, 2010 issued by Reserve Bank of India.

Owing to the thrust given for infrastructure development in the country, the construction industry in India is expected to get a major fillip. The total spending on construction equipment during 2007-15 is expected to be a mammoth Rs. 18000 crores approximately. This in turn is expected to drive demand for specialized construction equipment including crawler, wheeled loaders, excavators and compaction equipment.

CAPITAL STRUCTURE

The Authorised Capital of your company was increased from Rs. 3.00 Crores to Rs.10.00 Crores and from Rs.10.00 Crores to Rs.250.00 Crores at the Extra Ordinary General Meeting of the shareholders held on 21st September, 2010 and 25th October 2010 respectively. Authorised capital was reclassified into 100,000,000 (Ten Crores) Equity shares of Rs. 10/- each and 15,000,000 (One Crore Fifty Lacs) Compulsorily Convertible Preference Shares of Rs. 100/- each at Extra Ordinary General Meeting held on 15th December, 2010. In order to fund the expanding business operations and consequently to maintain sufficient capital adequacy as required under the Reserve Bank of India Prudential Norms for NBFCs, the Company issued 15,000,000 (One Crore Fifty Lacs) 0.01% Compulsorily Convertible Preference Shares of Rs. 100/- each and 7,900,000 (Seven Crore Ninety Lacs) Equity Shares of Rs.10/- each to its holding company Shriram Transport Finance Company Limited. The Issued, subscribed and paid up share capital of the Company as of 31st March, 2011 is Rs. 160 Crores.

DIRECTORS

Mr. Umesh Revankar, Mr. V. N. Kelkar and Mr. Parag Sharma, Directors of the Company, resigned with effect from 30th January, 2011 and 23rd March 2011 respectively. Mr. M. S. Verma, Mr. R. Sridhar, Mr. Amol Jain and Mr. G. S. Sundararajan, were appointed as Additional Directors by the Board on the 30th January 2011. In accordance with Section 260 of the Companies Act, 1956, they will hold office only up to the date of the ensuing Annual General Meeting. Being eligible, they have offered themselves for re-appointment. A suitable resolution for appointment of these Directors is being proposed for adoption by Members at the ensuing Annual General Meeting.

THE AUDIT COMMITTEE

Audit Committee constituted as per Section 292A of the Companies Act, 1956 consists of the following Directors:

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

AUDITORS

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

The Board recommends their reappointment.

RBI GUIDELINES

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

PERSONNEL

There were no employees during the period under report drawing remuneration which falls within the preview of the provisions of section 217(2A) of the Companies Act 1956.

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

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

- a. The Company has no activity involving conservation of energy or technology absorption.
- b. The Company does not have any Foreign Exchange Earnings.
- c. Outgo under Foreign Exchange - NIL

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) That such accounting policies as mentioned in Schedule 12 of the Accounts have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the period ended on that date;
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Annual Accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

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

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

Date: 28th April, 2011

M. S. VERMA

Place: Mumbai

Chairman



Auditors' Report

To,
The Members of
Shriram Equipment Finance Company Limited

1. We have audited the attached Balance Sheet of Shriram Equipment Finance Company Limited ('the Company') as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
- v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.V. Ghatalia & Associates**
Firm registration number: 103162W
Chartered Accountants
per Amit Kabra
Partner
Membership No.: 094533
Mumbai
April 28, 2011

Annexure referred to in paragraph 3 of our report of even date

Re: Shriram Equipment Finance Company Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of giving loans and does not maintain any inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause (iii) (b), (c) & (d) of the Order are not applicable.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause (iii) (f) & (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas and accordingly the question on commenting on whether there is a continuing failure to correct major weakness in the internal control system of the company does not arise.
- (v) According to the information and explanation provided by the management, we are of the opinion that there are no transactions with reference to contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to customs duty and excise duty are not applicable to the Company. Further, Section 441A of the Act has not been notified by the Central Government of India upto the reporting date, and accordingly, as at the reporting date there is no statutory due payable under section 441A of the Act.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to customs duty and excise duty are not applicable to the Company.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax and cess which have not been deposited on account of any dispute. The provisions relating to customs duty and excise duty are not applicable to the Company.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the company has not given guarantee for loans taken by others from banks or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, applied by the Company during the year for the purposes for which the loans were obtained other than funds temporarily invested pending utilization of the funds for the intended use.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issue.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.V. Ghatalia & Associates
 Firm registration number: 103162W
 Chartered Accountants
 per Amit Kabra
 Partner
 Membership No.: 094533
 Mumbai
 April 28, 2011



Balance Sheet as at March 31, 2011

	Schedule	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	1,600,000,000	21,000,000
Reserves & Surplus	2	11,276,189	-
Loan Funds			
Secured loans	3	3,000,000,000	-
Unsecured loans	4	1,116,785,600	274,005
Total		5,728,061,789	21,274,005
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	5	15,317,236	-
Less : Accumulated depreciation and amortisation		2,836,849	-
Net block		12,480,387	-
Deferred Tax Assets (net) (Refer note 2 (6) of Schedule 13)		5,197,579	80,865
Current Assets, Loans and Advances			
Assets under financing activities	6	6,341,609,730	-
Cash and Bank Balances		1,336,662,491	21,078,317
Other current assets		817,590	9,918
		7,679,089,811	21,088,235
Other loans and advances		4,377,050	-
		7,683,466,861	21,088,235
Less : Current Liabilities & Provisions			
Current liabilities	7	1,935,823,931	11,030
Provisions	8	37,259,107	3,411
		1,973,083,038	14,440
Net Current Assets			
		5,710,383,823	21,073,794
Debit balance in Profit & Loss Account		-	119,346
Total		5,728,061,789	21,274,005
Significant Accounting Policies and Notes to Accounts	13		
The schedules referred to above form an integral part of the Balance Sheet			

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

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

Mumbai
April 28, 2011

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

R Sridhar
Director

G.S. Sundararajan
Director

Profit and Loss account for the year ended March 31, 2011

	Schedule	For the year ended March 31, 2011	(Amount in Rs.) For the period December 15, 2009 to March 31, 2010
INCOME			
Income from financing activities		200,282,835	-
Other income	9	1,367,961	134,594
Total		201,650,796	134,594
EXPENDITURE			
Interest & other charges	10	23,616,579	414
Personnel expenses	11	60,351,314	-
Operating & other expenses	12	74,101,122	20,136
Depreciation and amortisation		2,839,318	-
Preliminary expenses		-	297,384
Provision for standard assets (Refer Note 1(d) of Schedule 13)		15,854,181	-
Total		176,762,514	317,934
Profit/(Loss) before taxation		24,888,282	(183,340)
Provision for taxation			
Current Tax		18,434,547	16,871
Deferred Tax (Refer note 2(6) of Schedule 13)		(5,116,714)	(80,865)
Total tax expense		13,317,833	(63,994)
Profit/(Loss) after Tax		11,570,449	(119,346)
Balance brought forward from previous year		(119,346)	-
Profit available for appropriation		11,451,103	(119,346)
Appropriations			
Dividend on Preference shares		150,000	-
Tax on Preference dividend		24,914	-
Transfer to statutory reserve		2,315,000	-
Surplus /(Deficit) carried to Balance Sheet		8,961,189	(119,346)
Earnings per share (Refer note 2(5) of Schedule 13)			
Basic and Diluted		2.00	(0.06)
Nominal value of equity share		10.00	10.00
Significant Accounting Policies and Notes to Accounts	13		
The schedules referred to above form an integral part of Profit and loss account			

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

per **Amit Kabra**
Partner
Membership No. 94533
Mumbai
April 28, 2011

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

R Sridhar
Director

G.S. Sundararajan
Director



Cash Flow Statement for the year ended March 31, 2011

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2011	For the period December 15, 2009 to March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	24,888,282	(183,340)
Depreciation and amortisation	2,839,318	-
Profit on sale of fixed assets	(2,469)	-
Interest income on bank deposits	(1,365,492)	(134,594)
Provision for standard assets	15,854,181	-
Provision for gratuity	978,036	-
Provision for leave encashment	2,000,281	-
Operating profit before working capital changes	45,192,137	(317,934)
Movements in working capital:		
(Increase) / decrease in current assets:		
(Increase) / decrease in assets under financing activities	(6,341,609,730)	-
(Increase) / decrease in other loans & advances	(4,377,050)	-
Increase / (decrease) in current liabilities	1,935,812,901	285,035
Cash generated from operations	(4,364,981,741)	(32,899)
Direct taxes paid	(186,263)	(13,460)
Net cash from operating activities (A)	(4,365,168,004)	(46,359)
B CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on bank deposits	557,819	124,676
Purchase of fixed and intangible assets	(15,363,961)	-
Proceeds from sale of fixed assets	46,725	-
Net cash from investing activities (B)	(14,759,417)	124,676
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity share capital	79,000,000	21,000,000
Proceeds from issue of 0.01% preference share capital	1,500,000,000	-
Increase / (decrease) in bank borrowings	3,000,000,000	-
Increase / (decrease) in unsecured loans	1,116,511,594	-
Net cash from financing activities (C)	5,695,511,594	21,000,000
Net increase / (decrease) in cash and cash equivalents (A + B + C)	1,315,584,174	21,078,317
Cash and Cash Equivalents at the beginning of the period	21,078,317	-
Cash and Cash Equivalents at the end of the period	1,336,662,491	21,078,317
Components of Cash and Cash Equivalents		
Cheques on hand	1,306,440	-
With banks - In current accounts	835,356,051	967,101
- In bank deposits having original maturity less than 3 months	500,000,000	20,111,216
	1,336,662,491	21,078,317

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

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

Mumbai
April 28, 2011

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

R Sridhar
Director

G.S. Sundararajan
Director

Schedules forming part of the Balance Sheet

	As at March 31, 2011	As at March 31, 2010
Schedule 1 - SHARE CAPITAL		
Authorised share capital		
100,000,000 (March 31, 2010 : 300,000) Equity Shares of Rs.10 each	1,000,000,000	30,000,000
15,000,000 (March 31, 2010 : Nil) Preference Shares of Rs.100 each	1,500,000,000	-
	2,500,000,000	30,000,000
Issued, Subscribed and Paid up		
Equity Shares		
10,000,000 (March 31, 2010 : 2,100,000) equity shares of Rs. 10 each fully paid up (Held by the Holding Company, Shriram Transport Finance Company Limited and its nominees)	100,000,000	21,000,000
Preference Shares		
15,000,000 (March 31, 2010 : NIL) 0.01% Compulsorily Convertible Preference Shares of Rs. 100 each fully paid up. (Held by the Holding Company, Shriram Transport Finance Company Limited (Refer note 2(9) of Schedule 13))	1,500,000,000	-
	1,600,000,000	21,000,000
Schedule 2 - RESERVES AND SURPLUS		
Statutory Reserve		
Balance as per last account	-	-
Add: Transfer from profit & loss Account	2,315,000	-
	2,315,000	-
Balance in Profit & Loss Account	8,961,189	-
	11,276,189	-
Schedule 3 - SECURED LOANS		
Term Loans		
From banks [Refer note 2(1) of Schedule 13]	3,000,000,000	-
	3,000,000,000	-
Schedule 4 - UNSECURED LOANS		
Loan from Holding Company [Due within one year Rs.1,116,785,600/-(March, 31 2010 : Rs.274,005)]	1,116,785,600	274,005
	1,116,785,600	274,005



Schedules forming part of the Balance Sheet (Contd.)

Schedule 5 - FIXED & INTANGIBLE ASSETS

(Amount in Rs.)

Particular	Gross Block				Depreciation / Amortisation				Net Block	
	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at April 1, 2010	For the Year	Deletions	As at March 31, 2011	As at March 31, 2011	As at April 1, 2010
Assets For Own Use										
Plant and Machinery	-	3,739,209	46,725	3,692,484	-	898,740	2,469	896,271	2,796,213	-
Furniture and Fixture	-	101,240	-	101,240	-	28,862	-	28,862	72,378	-
Leasehold Improvement	-	93,512	-	93,512	-	12,125	-	12,125	81,387	-
Intangible Assets										
Computer Software	-	11,430,000	-	11,430,000	-	1,899,591	-	1,899,591	9,530,409	-
TOTAL	-	15,363,961	46,725	15,317,236	-	2,839,318	2,469	2,836,849	12,480,387	-
Period ended March 31, 2010	-	-	-	-	-	-	-	-	-	-

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
Schedule 6 - CURRENT ASSETS, LOANS & ADVANCES		
Assets under financing activities (considered good unless stated otherwise)		
Secured		
Hypothecation loans	6,341,609,730	-
Bank balances		
Cash on hand	-	-
Cheques on hand	1,306,440	-
Balances with scheduled banks in:		
Current accounts	835,356,051	967,101
Fixed deposit accounts	500,000,000	20,111,216
	1,336,662,491	21,078,317
Other Current Assets		
Interest accrued on fixed deposits	817,590	9,918
	817,590	9,918
Other Loans & Advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	4,131,790	-
Prepaid expenses	243,760	-
Security deposits	1,500	-
	4,377,050	-
	7,683,466,861	21,088,235

Schedule 7 - CURRENT LIABILITIES

Sundry creditors		
- Micro and small enterprises (Refer note 2(10) of Schedule 13)	-	-
- other than micro and small enterprises	1,511,859,964	11,030
Interest accrued but not due on loans	3,287,671	-
Temporary credit balance in bank accounts	414,669,361	-
Other liabilities	6,006,935	-
	1,935,823,931	11,030

Schedule 8 - PROVISIONS

For standard assets (Refer Note 1(d) of Schedule 13)	15,854,181	-
For income tax [(net of advance for income tax 199,723/- (March 31, 2010 Rs.41,589/-)]	18,251,695	3,411
For leave encashment and availment	2,000,281	-
For gratuity	978,036	-
For dividend on Preference shares	150,000	-
For tax on Preference dividend	24,914	-
	37,259,107	3,411

Schedules forming part of the Profit and Loss account

	(Amount in Rs.)	
	For the year ended March 31, 2011	For the period December 15, 2009 to March 31, 2010
Schedule 9 - OTHER INCOME		
Interest on deposits with banks*	1,365,492	134,594
Profit on sale of asset	2,469	-
	1,367,961	134,594
* Tax deducted at source Rs.136,549/- (March 31, 2010 Rs.13,460/-)		
Schedule 10 - INTEREST & OTHER CHARGES		
Loans from banks	3,355,718	-
Bank charges	20,260,861	414
	23,616,579	414
Schedule 11 - PERSONNEL EXPENSES		
Salary, other allowances & bonus	58,649,013	-
Gratuity expenses	331,603	-
Contribution to provident and other funds	1,159,836	-
Staff welfare expenses	210,862	-
	60,351,314	-
Schedule 12 - OPERATING AND OTHER EXPENSES		
Rent	3,185,670	-
Electricity expenses	250,640	-
Registration & filing expenses	12,000,500	-
Repairs & maintenance - others	2,574,754	-
Rates & taxes	87,024	-
Printing & stationery	873,862	-
Travelling & conveyance	5,316,661	-
DSA commission	13,730,862	-
Business promotion	582,125	-
Advertisement expenses	30,558,214	-
Brokerage	537,823	-
Communication expenses	1,164,563	-
Payment to Auditors		
As Auditor		
- Audit fee	772,100	11,030
- Tax audit fee	220,600	-
Legal & professional charges	328,691	-
Miscellaneous expenses	1,917,033	9,106
	74,101,122	20,136



Schedules forming part of the Balance Sheet and Profit and Loss account

Schedule 13 - SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. Significant Accounting Policies

(a) Basis of preparation

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

(b) Use of estimates

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

(c) Fixed Assets, Depreciation/Amortisation and Impairment of assets

Fixed Assets

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

Depreciation/Amortisation

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

Particulars	Rates (SLM)	Schedule XIV rates (SLM)
Computer Software	33.33%	16.21%

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

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

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

(d) Provisioning of assets

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

(e) Hypothecation loans

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

(f) Leases

Where the Company is the lessee

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

Schedules forming part of the Balance Sheet and Profit and Loss account (Contd.)

(g) Revenue recognition

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

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

(h) Employee benefits

Provident Fund

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

Gratuity

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

Leave Encashment

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(i) Income tax

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

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

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

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



Schedules forming part of the Balance Sheet and Profit and Loss account (Contd.)

(j) Earnings per share

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

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

(k) Provisions

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

(l) Cash and cash equivalents

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

(m) Ancillary cost of borrowings

Ancillary costs of borrowings are charged to Profit & Loss account in the year in which they are incurred.

2. Notes to Accounts

1. Secured Loans

Term Loans from Banks:	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
Secured by an exclusive charge by way of hypothecation of specific movable assets being fixed / current assets relating to hypothecation loans	3,000,000,000	Nil
Total	3,000,000,000	Nil

2. Gratuity and other post-employment benefit plans:

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days salary (last drawn salary) for each completed year of service. Consequent to the adoption of revised AS 15 'Employee Benefits' issued under Companies Accounting Standard Rules, 2006, as amended, the following disclosures have been made as required by the standard:

Profit and Loss account

Net employee benefit expense (recognized in employee cost)

Particulars	(Amount in Rs.)	
	Gratuity March 31, 2011	
Current service cost	978,036	
Interest cost on benefit obligation	Nil	
Expected return on plan assets	Not applicable	
Net actuarial (gain) / loss recognized in the year	(646,433)	
Past service cost	Nil	
Net benefit expense	331,603	

Balance sheet

Details of Provision for gratuity

Particulars	(Amount in Rs.)	
	Gratuity March 31, 2011	
Defined benefit obligation	978,036	
Fair value of plan assets	Not applicable	
	978,036	
Less: Unrecognised past service cost	Nil	
Plan asset / (liability)	(978,036)	

Schedules forming part of the Balance Sheet and Profit and Loss account (Contd.)

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

Particulars	(Amount in Rs.)
	Gratuity March 31, 2011
Opening defined benefit obligation	Nil
Interest cost	Nil
Current service cost	978,036
Transfer from Holding Company	646,433
Actuarial (gains) / losses on obligation	(646,433)
Closing defined benefit obligation	978,036

The Company would not contribute any amount to gratuity in 2010-11 as the scheme is unfunded.

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

Particulars	Gratuity March 31, 2011
	%
Investments with insurer	Not applicable

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Particulars	Gratuity March 31, 2011
Discount Rate	8%
Increase in compensation cost	5%
Employee Turnover	10%

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

Amounts for the year are as follows:

Particulars	(Amount in Rs.)
	Gratuity March 31, 2011
Defined benefit obligation	978,036
Plan assets	Not applicable
Surplus / (deficit)	(978,036)
Experience adjustments on plan liabilities	Not applicable
Experience adjustments on plan assets	Not applicable

Figures for the previous period have not been presented since the same are not applicable.

3. Related Party Disclosure

Related party where control exists

Holding Company	Shriram Transport Finance Company Limited
Other Related parties	
Enterprises having significant influence over the Company	Shriram Holdings (Madras) Private Limited Shriram Capital Limited Newbridge India Investments II Limited Shriram Ownership Trust
Fellow Subsidiary Company	Shriram Automall India Limited



Schedules forming part of the Balance Sheet and Profit and Loss account (Contd.)

(Amount in Rs.)

Particulars	Holding Company		Fellow Subsidiary	
	For the year ended March 31, 2011	For the period ended March 31, 2010	For the year ended March 31, 2011	For the period ended March 31, 2010
Subscription to equity shares	79,000,000	21,000,000	Nil	Nil
Subscription to Compulsorily Convertible Preference shares	1,500,000,000	Nil	Nil	Nil
Unsecured Loan from Holding Company	1,116,511,595	274,005	Nil	Nil
Guarantees given by Holding Company	3,000,000,000	Nil	Nil	Nil
Receipts from Fellow Subsidiary	Nil	Nil	11,582	Nil
Payments to Fellow Subsidiary	Nil	Nil	11,582	Nil

Balances outstanding

(Amount in Rs.)

Particulars	As at March 31, 2011	As at March 31, 2010
Equity Share Capital	100,000,000	21,000,000
Compulsorily Convertible Preference Share Capital	1,500,000,000	Nil
Loan From Holding Company	1,116,785,600	274,005
Guarantees given by Holding Company	3,000,000,000	Nil

4. Assets taken on lease

The Company has taken various office premises, furniture and fixtures, under operating lease. The lease payments recognized in the profit & loss account are Rs.3,185,670 (March 31, 2010: Rs.Nil). Certain agreements provide for cancellation by either party and certain agreements contain clause for escalation and renewal of agreements. The non-cancellable operating lease agreements are for a period of 24 months. There are no restrictions imposed by lease arrangements. There are no sub leases.

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

(Amount in Rs.)

Particulars	As at March 31, 2011	As at March 31, 2010
<i>Minimum Lease Payments:</i>		
Not later than one year	3,484,000	Nil
Later than one year but not later than five years	14,354,424	Nil
Later than five years	Nil	Nil

5. Earnings per Share

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Period ended March 31, 2010
Net Profit/(Loss) after tax as per profit and loss account (Rs.) (A)	11,570,448	(119,346)
Less: Preference dividend including taxes thereon	174,914	Nil
Profit Attributable to Equity Shareholders	11,395,534	(119,346)
Weighted average number of equity shares for calculating Basic EPS (Rs.) (B)	5,711,781	1,844,860
Weighted average number of equity shares for calculating Diluted EPS (Rs.) (C)	5,711,781	1,844,860
Basic earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A) / (B)	2.00	(0.06)
Diluted earnings per equity share (in Rupees) (Face value of Rs. 10/- per share) (A) / (C)	2.00	(0.06)

Schedules forming part of the Balance Sheet and Profit and Loss account (Contd.)

In absence of the rate at which, 0.01% Compulsorily Convertible Cumulative Preference shares shall be converted, its effect on diluted EPS has not been worked out.

6. Deferred Tax Asset

The break up of deferred tax asset is as under:

Particulars	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
Deferred Tax Asset		
<i>Timing difference on account of :</i>		
Differences in depreciation in block of fixed assets as per tax books and financial books	(728,476)	Nil
Expenses disallowed under Income Tax Act, 1961	659,692	80,865
Provision for Standard Assets	5,266,363	Nil
Gross Deferred Tax Assets	5,197,579	80,865

7. Additional disclosures required by Reserve bank of India

Particulars	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
(a) Capital Risk to Asset Ratio ("CRAR")		
(i) CRAR (%)	25.40%	Not applicable
(ii) CRAR – Tier I Capital (%)	25.15%	Not applicable
(iii) CRAR – Tier II Capital (%)	0.25%	Not applicable

(b) The Company has no exposure to Real Estate Sector directly or indirectly.

(c) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as on 31st March, 2011:

	(Amount in Rs.)								
	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	Nil	Nil	93,750,000	93,750,000	187,500,000	1,750,000,000	875,000,000	Nil	3,000,000,000
Borrowings From Others	Nil	Nil	Nil	Nil	1,117,004,333	Nil	Nil	Nil	1,117,004,333
Assets									
Advances	164,877,742	154,138,854	154,000,155	471,324,017	1,002,859,070	3,795,432,645	598,977,247	Nil	6,341,609,730
Deposits / Short term Deposits	500,000,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	500,000,000

8. During the year, the Company allotted 7,900,000 equity shares of Rs.10/- each at a premium of Rs.Nil per share and 15,000,000 0.01% fully convertible Preference shares of Rs.100 each at a premium of Rs.Nil per share to the Holding Company. The amount received has enhanced the networth and will be utilized for the purpose of business operations.

9. Issued, Subscribed and Paid up capital includes 15,000,000 0.01% Compulsory Convertible Preference Share of Rs.100/-each, fully paid up, which, by virtue of put / call option with holders / Company, are convertible at any time commencing from the end of the third year but not later than the tenth year from the date of the allotment of the CCPS, at a price to be determined by the Merchant Banker as per the terms of the issue.



Schedules forming part of the Balance Sheet and Profit and Loss account *(Contd.)*

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

Based on the information available with the Company there are no suppliers who are registered as micro, small or medium enterprise under "The Micro, Small and Medium Enterprises Development Act, 2006" as at 31st March, 2011.

Particulars	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
The principal amount remaining unpaid to supplier as at the end of the period	Nil	Nil
The interest due thereon remaining unpaid to supplier as at the end of the period	Nil	Nil
The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the period	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued during the period and remaining unpaid at the end of the period	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil

11. The Company is under the process of appointing Managing Director / Manager & Company Secretary as required by the Companies Act 1956.

12. **Previous period Comparatives**

The figures for the previous period have been regrouped and reclassified, wherever necessary to conform to current year's classification.

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

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

Mumbai
April 28, 2011

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

R Sridhar
Director

G.S. Sundararajan
Director

Balance Sheet Abstract and Company's General Business Profile

as per Part IV to Schedule VI to The Companies Act, 1956.

Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

Capital raised during the year (Amount in Rs. '000s)

Public Issue Rights Issue

Bonus Issue Private Placement

Position of mobilisation and Deployment of Funds (Amount in Rs. '000s)

Total Assets Total Liabilities

Sources of Funds

Paid-up Capital Reserves & Surplus

Optionally Convertible Warrants Secured Loans

Unsecured Loans Other Liabilities

Application of Funds

Net Fixed Assets Investments

Deferred Tax Assets Net Current Assets

Misc. Expenditure Accumulated Losses

Performance of Company (Amount in Rs. '000s)

Turnover Total Expenditure

+ - Profit/Loss Before Tax + - Profit/Loss After Tax

Earnings Per Share in Rs. Dividend Rate %

Generic Names of Three Principal Products/Services of Company(as per Monetary Terms)

Item Code No. (ITC Code) N.A.

Product Description

Hire Purchase, Leasing and Hypothecation Loan

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

Mumbai
April 28, 2011

R Sridhar
Director

G.S. Sundararajan
Director